

LETTER TO SHAREHOLDERS

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Our reference :
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Subject : Shareholdersletter

Dear shareholder,

On 12 October 2006, at the request of two shareholders, Centaurus Capital and Paulson & Co (“C&P”), Stork held an extraordinary general meeting of shareholders (“EGM”) to discuss and vote on a proposal put forward by C&P. In short, C&P proposed that Stork would fully concentrate on becoming a listed, stand alone Aerospace company by divesting all other businesses within one year and where necessary, to reinvest the proceeds of these divestments in the Aerospace division and return excess cash to shareholders.

The Management and Supervisory Boards of Stork recognize that the result of the vote of the EGM requires that the proposal be given very serious consideration. Accordingly, the Management Board has reviewed the material presented by C&P at the EGM and thoroughly examined the underlying assumptions and analysed C&P’s reasoning. In order to ensure a transparent and careful process, the Supervisory Board has independently reviewed the process conducted by the Management Board and the findings thereof.

Based on our analysis we have come to the conclusion that C&P’s proposal does not provide a credible alternative to Stork’s strategy for the next phase as announced on 1 February 2006 and that it is not in the interests of the company and its shareholders and other stakeholders:

1. C&P’s presumption that it is a necessity for Stork to pursue a “Tier 1” position in aerospace is not supported by the relevant trends in the market and ignores the current position and potential of Stork as a technology driven, specialist supplier in this market.

2. Aerospace, Food Systems and Technical Services have significant potential for further value creation and continue to benefit from Stork's overall size and strength. Divesting Stork's non-Aerospace activities would prevent shareholders from fully benefiting from this potential and there is no compelling reason to do so.
3. The proposal of C&P would significantly adversely affect the risk profile of Stork while it is yet unproven that this increased risk would also be appropriately rewarded. It would not put the Aerospace division in a better position to execute its strategy. Furthermore, implementation of the proposal and the demanded urgency are likely to lead to significant uncertainty and execution risks that will have a negative impact on shareholder value.

The analysis of the proposal has been conducted in accordance with what Dutch corporate governance states is the duty of the Management Board. This duty is to manage Stork, which means, inter alia, that the Management Board is responsible for achieving the company's aims, the strategy and the policy, and the results arising there from. The Management Board is guided by the interests of Stork and its businesses, taking into consideration the interests of the company's stakeholders. Under Dutch law, the vote taken at the EGM is non-binding. Based on the analysis of the proposal and the conclusion as stated above, the Management and Supervisory Boards consider that implementing C&P's proposal would be irresponsible and we therefore cannot accept the outcome of the vote at the EGM of 12 October 2006.

This letter details our analysis of the proposal and the conclusions we have reached.

Evaluation of C&P's proposal

To evaluate the proposal of C&P, we have examined their assumptions and compared their conclusions with market evidence and our in-depth understanding of the various businesses. To do so, we addressed the following key questions:

- 1) What are the key drivers and underlying trends in the aerospace market and what is their effect on the role and position of Stork in this market?
 - a) Is Tier 1 consolidation the overriding driver of this market?
 - b) Is being a Tier 1 supplier the most attractive position and is it an imperative for maintaining a significant position?
 - c) What are Stork's strengths and do they fit with a Tier 1 supplier position?
- 2) Is there a necessity to divest Food Systems and Technical Services, in terms of both future value creation and the inability to grow all three activities simultaneously?
- 3) What are the inherent risks of C&P's proposal?

In the next part of this letter we will answer these questions.

1) What are the key drivers and underlying trends in the aerospace market and what is their effect on the role and position of Stork in this market?

It is important to understand that the aerospace market is not an homogenous market. The key to correctly comprehend the aerospace market is to understand each of the segments and the different drivers in these segments.

The aerospace market can be primarily divided into two sectors: civil and defence. In civil aerospace there are large commercial jets, regional jets, business jets and helicopters. In defence aerospace there are fighters, trainers, transport aircraft and helicopters. Furthermore, for each of these sub-segments, there are separate suppliers of, amongst others, aerostructures, landing gears, avionics, engines and wiring.

C&P's focus in their proposal is on growing the aerostructures business with Boeing and Airbus, which represents only a minor part of Stork's overall revenues of € 2 billion. In fact, Stork Aerospace has successful operations in a number of the above mentioned segments and large commercial jets account for only 14% of Stork's total aerospace revenue of € 0.5 billion.

1a) Is Tier 1 consolidation the overriding driver of this market?

The aerospace structures companies that can claim a "Tier 1" status are not so much the result of a recent consolidation of incumbent players to capture new opportunities, but originated from different motives.

Two of the largest players in the aerostructures market, Vought and Spirit Aero – both in the hands of private equity investors – were mainly a result of the outsourcing of production capacity by two "primes" (Northrop Grumman and Boeing). This development was primarily driven by the desire of primes (aircraft manufacturers such as Boeing and Airbus) to focus on design and integration whilst outsourcing their large scale and labour intensive assembly plants. The acquisition by Spirit of several large Boeing assembly plants was facilitated by Boeing signing up to long-term contracts on current programs and providing further financial support to cover fixed asset investments.

Two other large players, Mitsubishi Heavy Industries and Kawasaki Heavy Industries, are a result of ongoing internal Japanese mergers. Their "Tier 1" status is a direct result of Japanese (governmental) ambition to become a more significant player in the aerospace market. This ambition coincided with Boeing's desire to share significant parts of the development costs of the B787 and earlier positive experiences with Japanese cooperation. The cooperation was supported by a very significant investment by the Japanese Government.

The concept of "Tier 1" is therefore less a consequence of consolidation or replacement of present suppliers, but rather a deconsolidation of the primes themselves. The Tier 1 concept has therefore much less of an effect on other suppliers than suggested by C&P.

Conclusion: There is, so far, no clear trend of incumbents urgently consolidating to a "Tier 1" position. Existing Tier 1's are primarily a result of deconsolidation of the primes' activities.

1b) Is being a Tier 1 supplier the most attractive position and is it an imperative for maintaining a significant position?

The apparent attraction of “Tier 1” suppliers is that at their inception they were awarded single source supply agreements for relatively large assemblies. Although this diminishes the risks in the short term, their long-term risk profile is distinctively different.

First of all, the proximity (in the value chain) of Tier 1 suppliers to the primes, combined with the relatively large financial commitments they must give for specific aerospace programs (often as a risk sharing partner), significantly increases their risk. Production swings or delays – quite common in this market – have a proportionally larger effect on Tier 1 players than on specialist suppliers. The emerging Tier 1’s are especially vulnerable because their origin as a division of one of the primes results in a high reliance on the success of a limited number of programs.

Secondly, Boeing and Airbus are seeking to significantly reduce costs and move production of parts of the aircraft to countries that require that some part of the aircraft is produced locally to offset some of the trade imbalance of purchasing the aircraft (called “offset”). As Tier 1 suppliers represent a larger part of the overall value of the aircraft and are relatively labour intensive, they are likely to come under increasing pressure from the primes to outsource (large) parts to low cost countries. The vulnerability of Tier 1 suppliers is augmented by the large infrastructure and manufacturing facilities they have in developed countries that will need to be restructured as a consequence of this trend.

Given the long term nature of the industry, it is very difficult to make a fair judgement of the rewards that Tier 1’s will receive in the long term for their increased risk profile. The current results of the Tier 1 suppliers identified by C&P vary from adequate returns to (sustained) heavy losses.

In addition, a Tier 1 supplier is not the only attractive position within the aerospace value chain. Aircraft manufacturers are seeking high technology solutions for weight reduction and performance issues in their new designs. Composite and hybrid materials are highly sought after on new aircraft platforms. Innovative materials, such as Stork’s Glare and thermoplastics, are expected to enjoy higher growth than traditional aircraft manufacturing materials and techniques. Aircraft manufacturers, such as Boeing and Airbus, have a strategic interest in dealing directly with specialist suppliers as they provide much of the technology that enables them to develop breakthrough products.

Due to this need for specialised solutions, primes that are developing large commercial jets recognise different types of suppliers. Next to the large Tier 1 suppliers that assume design, build and integration responsibility for large sections of the aircraft, primes maintain direct relations with “Sizeable Specialists” such as Stork that provide high-technology solutions for important design requirements. These Sizeable Specialists often sit on technology boards set up by primes, participate in early design stages and are selected by the primes irrespective of their size or place in the supply chain.

In the case of the Boeing 787, Boeing has selected five Tier 1 suppliers to integrate large parts of the aircraft. While the Tier 1 trend is emerging at the top level, both Airbus and Boeing still ultimately plan to have approximately 500 and 900 suppliers

respectively, as there is a need for direct contact between the primes and many other suppliers of critical products.

Seeking to be a Tier 1 supplier is therefore not a guarantee for success in this market: recognised technological positions and innovative concepts are a proven route to success and are likely to remain so in the future.

Conclusion: The position of a Tier 1 comes with a high long-term risk profile. It is yet uncertain whether this increased risk profile results in adequate rewards. It is incorrect to assume that existing Tier 1 suppliers will control the complete value chain of the prime manufacturers. Sizeable Specialists such as Stork will have access to the primes due to the prime's need for technological solutions. Stork does not have to become a Tier 1 supplier to be successful.

1c) What are Stork's strengths and do they fit with a Tier 1 supplier position?

Stork has been moving forward with a portfolio of innovative programs to build on core technologies in composites, hybrid materials and high speed machining, both in civil and defence programs. Involvement in defence programs results in the development of leading edge technology with in general a clearly better cash and risk / reward profile than in other segments of the market. Stork's smaller infrastructure requirements make it far easier to provide expertise and manufacturing where it is needed by the end customer. Approximately 65% of Stork's aerostructures revenues relate to these new technologies.

As a Sizeable Specialist, Stork has no less importance to the end customer. Stork has been successful in using its specialist position, with unique skills and strengths to pursue a focused strategy using technology and innovation to supply specialised solutions to a wide range of civil and military aircraft manufacturers. Aside from Boeing and Airbus, there are many other aircraft manufacturers to which Stork is a supplier. For example, in business jets, Stork supplies aerostructures and wiring to Gulfstream, Dassault and Cessna while in defence programs, Stork is already supplying (amongst others) aerostructures and wiring to Lockheed Martin for the F-35 joint strike fighter and components for the Apache helicopter. Stork has a good base of programs from which to build a larger balanced portfolio in the different markets of the aerospace industry.

Stork has built a strong position in wiring alongside its aerostructures business. As a clear number two in the market, it is autonomously gaining market share in all sub segments in the market: large commercial airplanes (both Boeing and Airbus), military and regional jets. Stork's Wiring division has an excellent combination of design knowledge and manufacturing facilities in both the Netherlands and in countries that are important for offset obligations. Albeit in a different segment, our wiring business underlines the significance of relatively small but strategic suppliers to the primes.

In the aerospace services market, Stork is a leading player in the highly attractive segment of component maintenance. The Fokker fleet will still, for years to come, provide a solid foundation for this business. Our innovative Future 50/100 program has proven that the Fokker platform is still one of the most economical platforms in the arena of regional jets. In addition to the Fokker fleet our Aerospace Services activities are gaining momentum on different aircraft platforms. Aerospace Services is one of the

largest independent suppliers and one of the only suppliers equipped with the original equipment manufacturer (“OEM”) based knowledge and experience needed for component based flight hour agreements. It is therefore in an excellent position to grow in this segment, both organically and by means of acquisitions, as illustrated by recent announcements concerning acquisitions in the USA.

Stork agrees that there are opportunities in the market to grow the business by means of acquisitions in both Aerospace Industries and Aerospace Services. Stork intends to take full advantage of this to further strengthen its position in some segments of the market. However, there is no necessity, nor is there a compelling strategic rationale to pursue a Tier 1 route. Our current activities, including those as a Sizeable Specialist in aerostructures, provide ample opportunity for further value creation with a lower risk profile. To embark on a new strategy that requires Stork to rapidly move into an area of the market that is not part of Stork’s core strengths adds unnecessary risks and is therefore not in the interest of the company.

Conclusion: Stork has been successful in leveraging its strengths in innovation and technology to become a supplier of choice to the primes. The combination of Aerostructures, Wiring and Services results in a balanced portfolio with excellent growth prospects. This balance in activities, exposure to different sub-segments in the market and different customers results in a reduced risk profile and potentially excellent rewards.

2) Is there a necessity to divest Food Systems and Technical Services, in terms of both future value creation and the inability to grow all three activities simultaneously?

Stork has a clear strategy going forward. As we have described in previous letters and presentations, we believe that each of Aerospace, Food Systems and Technical Services has clear potential for further value creation through disciplined growth and operational efficiencies. Each of the businesses now has the scale to proactively participate in further market consolidation in its chosen markets, supported by Stork’s financial strength.

As described above, our aerospace business has a well balanced portfolio that provides a basis for both autonomous and acquired growth. Also, pursuing a Sizeable Specialist strategy will bring ample opportunities in the market that can strengthen our market position.

Food Systems has excellent potential for further value creation, driven by the combination of a strong market share, technology leadership and opportunities for further growth. Food Systems has a strong pipeline of new product developments that will fuel growth in the coming years. Furthermore, it is starting to benefit from the acquisition and ongoing integration of Townsend. Cross-selling and cost synergies will start to flow through to stronger growth and financial results. With a combination of organic growth and acquisitions, we aim for a revenue level of around € 1 billion.

Next to poultry, additional growth is, amongst others, being sought in further processing of red meat and packaging. The attractiveness of the market and the scale and scope advantages that can be obtained in this market provide ample room for value creation

through acquisitions. Given the above, Stork is very well positioned to be an active consolidator in this market.

Technical Services has a leading position in the Benelux and is a global player in some niche markets. Its continuing focus of customer intimacy and added value has resulted in many long-term contracts through which the benefits of our performance are shared with the customer.

Technical Services has shown steady growth and increasing margins over the past years, resulting in one of the highest margins of its peer group. Given the low capital requirements of this business, organic growth is accompanied by strong free cash flows.

The growth strategy of Technical Services is focussed on the attractive Oil & Gas and Utilities markets and related specialist services. Aside from a strong base in the Benelux, the established operations in Central America and the Middle East provide a good basis for further international expansion. Organic growth will be accompanied with selective acquisitions to extend our position. Stork's proven management practices can be applied to companies acquired as part of its growth strategy.

Our plans going forward and the resulting projected cash flows have been thoroughly reviewed, both internally and by external advisors. They are continuously tested on achievability and robustness against unpredictable external factors. Most importantly, they are made by, and have the support of, the managers who have proven that they know their markets and deliver on their promises.

C&P's assumption that, in the next phase, Stork would be unable to grow all three of its businesses at the same time is in clear contradiction with our past performance. Stork has proven over the past years that it has the management resources and determination to not only dramatically improve its business, but also support considerable growth. Since the end of 2005, when Stork was again strong enough to make acquisitions, it has been active in pursuing acquisitions in line with its strategy. Over the past two years, Stork has made or announced acquisitions that will add in excess of € 200 million in revenue.

Far from limiting the growth potential of the different divisions, Stork's present structure enables and facilitates future growth. Stork's divisions benefit from Stork's financial resources, M&A knowledge and experience, the availability of experienced corporate integration teams and world-wide legal and fiscal knowledge that increases the efficiency of our growth while mitigating risks. Furthermore, the clout and reputation of Stork enables us to attract and retain the talent that is needed to support the growth.

Conclusion: Stork's strategy has significant opportunity for further substantial value creation through autonomous and acquired growth. Stork has the resources, experience and the structure to grow all divisions to the benefit of all shareholders and other stakeholders.

3) What are the inherent risks of C&P's proposal?

The most important risks associated with the proposal of C&P are described above: the adverse effects on the risk profile and uncertain rewards of a Tier 1 aerospace supplier in comparison with a Sizeable Specialist. There is no necessity to become such a Tier 1 supplier and it does not build on the strengths of Stork.

The resulting "pure play" Aerospace business would no longer benefit from Stork's overall financial strength and flexibility and could result in a lower implied credit rating. Furthermore, such a stand-alone company will not have the size and strength that is essential for obtaining government research grants and cooperation with research institutions. Most importantly, it would no longer benefit from Stork's continuity of business that is able to fund Aerospace's growth while it is still undergoing capital intensive development that will grow value in the long term. It is for these reasons that our aerospace customers have indicated that they do not favour such a radical change in strategy as C&P is proposing. C&P's claim of an instant re-rating of Stork's trading multiples does not take into account any of these risks and therefore is highly speculative.

Furthermore, a forced sale within a limited time frame presents an unnecessary level of execution risk. A forced sale will lead to considerable turmoil, distraction and insecurity and it will reduce the focus on growth and results. Stork has proven that it is able to prepare companies for a sales process and choose the right time to do so. This involves adjusting expectations of management and employees, careful preparations and sometimes a bit of patience to choose the right moment. A forced sale within a limited timeframe adversely affects these conditions and thus significantly increases the risk of a sales process and increases the uncertainty of the outcome.

Conclusion: C&P's proposed Tier 1 position significantly increases the risk profile of Stork with uncertain rewards. An aerospace business that can no longer benefit from Stork's size and financial strength would be more exposed to risks while the assumed re-rating is highly speculative. The unrealistic timeframe in which to sell two-thirds of Stork's business poses a considerable threat to the interests of the company and its stakeholders.

Conduct of the review

The Management and Supervisory Boards recognize that the result of the vote of the EGM requires that the proposal be given very serious consideration. The analysis of the proposal needs to be conducted in accordance with what Dutch corporate governance states is the duty of the Management Board. This duty is to manage Stork, which means, inter alia, that the Management Board, under the supervision and with the advice of the Supervisory Board, is responsible for achieving the company's aims, the strategy and the policy, and the results arising there from. The Management and Supervisory Boards shall be guided by the interests of Stork and its businesses, taking into consideration the interests of the company's stakeholders. Under Dutch law, the vote taken at the EGM is non-binding.

In order to ensure a transparent and careful process regarding the evaluation of the proposal made by C&P and Stork's response following the EGM, the Management

Board has, together with its financial advisor, ABN AMRO Bank, and its legal advisor, De Brauw Blackstone Westbroek, thoroughly examined the proposal, its underlying assumptions and has carefully examined C&P's arguments. The Supervisory Board, supported by its financial advisor, Kempen & Co., and legal advisor, NautaDutilh, independently supervised this process. During the process, which has lasted from the EGM on 12 October until today, the Supervisory Board and the Management Board, where appropriate together with their respective advisors, held five meetings to review and discuss progress. The Supervisory Board also consulted several times with its financial and legal advisors separately from the Management Board.

Furthermore, at the request of C&P, representatives of the Management and Supervisory Boards met once with C&P. This meeting did not provide new insights.

Conclusion

For the reasons outlined in this letter, we have concluded that the proposal of C&P does not provide a credible alternative to Stork's current strategy. Their proposed route forward is based on incorrect assumptions about the aerospace market and the underlying drivers. It is not necessary to become a Tier 1 supplier in the aerospace industry in order to be successful. Stork has unique strengths, skills and position in its aerospace group. These attributes have allowed us to achieve significant growth by following a specialist supplier strategy and there is further growth to come. Attempting to become a Tier 1 supplier would expose Stork to significantly larger risks and highly uncertain returns.

Our proven ability to successfully grow using the current Stork structure means that there is no urgency for divestments. We have been able to grow each division in an efficient manner with an acceptable risk profile and we see significant value creation to come. Within this framework, Stork is further increasing its efforts to actively pursue possibilities for accelerated growth through significant acquisitions and other investments in these divisions. If, at any time in the future, the growth of one or more divisions and the consequential claim on resources starts to limit the potential of another division, we will re-evaluate our portfolio. We have proven that we are willing and able to do so.

We also feel that C&P's proposal does not adequately address the execution risks associated with such a dramatic change in strategy. The high risks and volatility of a "pure play" aerospace company could have a significant detrimental effect on Stork's performance. The forced sale of Food Systems and Technical Services would deny shareholders the benefit of significant value creation.

After careful consideration, which has been reflected in this letter, the Management Board, supported by the Supervisory Board, has come to the conclusion that C&P's proposal is not a credible alternative and is not in the interest of the company, shareholders and other stakeholders. The Management and Supervisory Boards consider that implementing C&P's proposal would be irresponsible and therefore cannot accept the outcome of the vote at the EGM of 12 October 2006.

Stork N.V.

We realise that Stork has recently gone through challenging times as a result of the diverging opinions on strategy between the company and certain shareholders. However, we are convinced of the merits of our analysis and that the described strategy is in the best interests of all shareholders, clients, employees and other stakeholders.

Sincerely

Sjoerd S. Vollebregt
Chairman of the Management Board
Stork N.V.

P. Jan Kalff
Chairman of the Supervisory Board
Stork N.V.