Aalberts Industries

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Press release 1st half-year 2012

Aalberts Industries realises more than EUR 1 billion revenue and 8% higher net profit

Headlines

- **Revenue + 6% to EUR 1,030 million**
- **Further increase in the order position**
- **Operating profit (EBITA) + 4% to EUR 113.1 million**
- **Net profit before amortisation + 8% to EUR 78.1 million**
- **Earnings per share before amortisation + 7.5% to EUR 0.72**
- **Industrial Services realises growth and maintains good profitability**
- **Flow Control realises organic growth with retention of operational margin**

KEY FIGURES in EUR million	1H2012	1H2011	Δ
Revenue	1,029.6	973.8	6%
Added-value	613.3	580.8	6%
Added-value in % of revenue	59.6	59.6	
Operating profit (EBITDA)	151.3	143.1	6%
EBITDA as a % of revenue	14.7	14.7	
Operating profit (EBITA)	113.1	108.6	4%
EBITA as a % of revenue	11.0	11.2	
Net profit before amortisation	78.1	72.3	8%
Average number of shares (x million)	108.5	107.1	1%
Earnings per share before amortisation (x EUR 1)	0.72	0.67	7%
Total equity as a % of the balance sheet total	44.2	39.8	
Net debt	684.0	715.2	(4%)
Leverage ratio: Net debt/EBITDA	2.34	2.48	
Interest cover: EBITDA/Net interest expense	12.8	12.8	
Net debt / Total equity	0.7	0.9	
Cash flow (net profit + depreciation + amortisation)	116.3	106.8	9%
Capital expenditure	43.3	36.0	20%
Net working capital	466.5	439.1	6%
Number of employees at end of period (x1)	12,508	12,256	2%
Effective tax rate in %	26.1	26.8	

Press release 1st half-year 2012

Wim Pelsma, Chief Executive Officer: *"During the first six months of 2012 we realised a revenue of more than EUR 1 billion for the very first time. Operating profit increased to EUR 113.1 million with an EBITA margin of 11.0%. Net profit amounted to EUR 78.1 million, an increase of 8% compared to the first half of 2011. This means an increase of 7.5% in earnings per share to EUR 0.72. The order position continued to increase, the added-value margin remained at a high level, and balance sheet ratios are healthy. Capital expenditure increased by 20% to EUR 43.3 million.*

Our market positions have been strengthened as a result of a continuous focus on reinforcing our marketing and sales approach, and continual improvement of our portfolio of products and technologies. At the same time, we have accelerated the pace of innovation and product development and the implementation of projects to improve the production efficiency.

Revenue at Industrial Services increased by 10%. Volumes remained at a good level due to the implementation of investments and a major increase in new product and process developments. Despite reductions in volume for several major customers, particularly in France, an EBITA margin of 13.8 % was realised.

Flow Control realised profitable revenue growth by 4%, while maintaining an EBITA margin of 9.8% in challenging market conditions. This was the result of increasing our market share, focusing on growth, and expanding our product portfolio in market segments such as gas, district heating, industry, and irrigation.

With a well-filled order book and many initiatives we look forward to the future with confidence."

Financial results

Revenue The revenue for the first half-year of 2012 amounted to EUR 1,029.6 million (1H2011: EUR 973.8 million), an increase of 6%.

Added-value The added-value (revenue minus raw materials and work subcontracted) increased during the first half of 2012 by 6% to EUR 613.3 million (1H2011: EUR 580.8 million). The added-value margin could be maintained at the high level of 59.6% of revenue (1H2011: 59.6%).

Operating profit Operating profit before depreciation and before amortisation (EBITDA) increased by 6% to EUR 151.3 million (1H2011: EUR 143.1 million), 14.7% of revenue (1H2011: 14.7%). Operating profit after depreciation and amortisation (EBITA) increased by 4% to EUR 113.1 million (1H2011: EUR 108.6 million), 11.0% of revenue (1H2011: 11.2%).

Net interest expense The net interest expense remained virtually the same at EUR 10.7 million (1H2011: EUR 10.8 million), despite the acquisitions realised in 2011.

Balance sheet ratios Total equity in mid-2012 amounted to 44.2% of the balance sheet total (1H2011: 39.8%). Net debt was EUR 684.0 million, compared to EUR 715.2 million in mid-2011. During the last 12 months the primary financial ratios developed as follows:

- *Leverage* ratio: Net debt/EBITDA (12-months' *rolling*) from 2.48 to 2.34;
- *Interest cover* ratio*:* EBITDA/net interest expense (12-months' rolling) remained at 12.8;
- *Gearing*: Net debt/total equity from 0.9 to 0.7.

Net profit Net profit increased by 8% and amounted to EUR 78.1 million (1H2011: EUR 72.3 million) and earnings per share increased by 7.5% to EUR 0.72 (1H2011: EUR 0.67).

Capital expenditure and cash flow In the first six months capital expenditure amounted to EUR 43.3 million (1H2011: EUR 36.0 million). Net working capital amounted to EUR 466.5 million (1H2011: EUR 439.1 million) and the cash flow (net profit plus depreciation plus amortisation) amounted to EUR 116.3 million (1H2011: EUR 106.8 million).

Operational developments

Industrial Services Revenue at Industrial Services increased during the first six months by 10% to EUR 313.0 million (1H2011: EUR 284.0 million). Organic growth of revenue was 3% negative, compared to a strong first half-year in 2011. Operating profit (EBITA) amounted to EUR 43.1 million (1H2011: EUR 41.3 million), or 13.8% of revenue (1H2011: 14.5%).

During the first half of 2012, there was a varied market picture at Industrial Services. The volume remained at a generally good level, and the strong market positions could be maintained in the various countries and markets. Many new product and market initiatives were launched and implemented. The acceleration of these initiatives is essential to realise continued growth.

The market trend towards more strategic global partnerships, better local service, and the provision of excellent quality with rapid delivery times, is becoming increasingly more visible. Industrial Services responds to this with its global network of locations and combined (key account management) provision of customised products, processes, and subassemblies, which enables realisation of more added-value.

Investment projects have been started for new and existing customers in Germany, Scandinavia and the United States. During the third quarter, the first orders will be delivered from new locations in India and Poland. Preparations are well underway for a new production location in China.

Market demand has been good in the **semiconductor industry**. The need at strategic partners for more complete systems with more added-value is becoming increasingly clearer. One example is the growth potential in the joint provision of frames, vibration control systems, and high purity gas systems to key accounts. A targeted approach could enable more vacuum chambers to be sold in these and other industries.

The activities for the **automotive industry** remained at a high level during the first half-year. Demand from key customers in France declined. The German market showed a continuing good development. Growth-oriented investment projects are currently being implemented at many customers, from which Galvanotechnik Baum has also reaped good benefits. The increased number of customer projects has resulted in investments to expand production capacity.

Market demand has developed well in **machine building**. Full benefits have been reaped from the good market position of Industrial Services in the German machine building industry. Previous investments have resulted in additional revenue and orders. The continued increase in long-term customer contracts has enabled expansion of the capacity in Germany.

The activities in the **turbine and aerospace industry** showed strong growth, especially in North America, France, and the United Kingdom. Investments are planned for growth and complementary technologies in these countries. In France, the activities in the area of surface treatment did well through canvassing new customers, the implementation of efficiency improvements, and the strengthening of the management, partly due to the acquisition of DEC. Market demand for vacuum brazing of components for aircraft engines and gas turbines in North America has continued to increase; production capacity has been further expanded.

The activities in the **metal and electronics industry** showed strong growth in China and Poland. The commercial activity in these regions will be further strengthened. To cope with reduced demand from French key accounts, many innovative product developments – considerably higher in number than last year – have been started at existing and new customers.

In the **energy market**, including the oil & gas industry, new market initiatives have led to an increase in the number of projects.
The activities in the **medical sector** also did well.

Flow Control Revenue increased during the first six months of 2012 by 4% to EUR 716.6 million (1H2011: EUR 689.8 million). The organic revenue growth amounted to 2% at constant exchange rates. Operating profit (EBITA) amounted to EUR 70.0 million (1H2011: EUR 67.3 million), or 9.8% of revenue (1H2011: 9.8%).

The markets for Flow Control presented a mixed picture. The challenging circumstances remained unchanged in the construction and installation segment in Western Europe and North America. There was good growth in Eastern Europe. Strong growth could be realised in the market segments of gas, district heating, industry, irrigation, and beer & soft drinks. Further progress has been made in North America with the completion of the product portfolio for the various market segments in combination with the strengthening of the joint marketing and sales approach. The projects for improving production efficiency have been intensified, and new additional projects have been launched or are being developed. There has been further reinforcement of the key account management for wholesale and larger installers.

The **construction and installation segment** remained difficult, especially for new buildings. The renovation, repair, and maintenance market remained at a reasonable level. The number of projects for commercial buildings in Western Europe declined. The market in Eastern Europe was good, but was still very poor in Southern Europe, and it expanded in North Africa and the Middle East, and remained at a stable but low level in North America. The market share was further increased due to the continuing focus on rapidly growing product lines and provision of complete energy-efficiency systems, in which as many Flow Control products as possible are integrated and provided for the benefit of systems for heating, cooling, drinking water, and gas. A lot of attention is also being paid to the further strengthening of the sales organisations, product branding, the product and system portfolio, the specification of projects, and the training and acquisition of new end users. The activities in the market for under-floor heating systems increased strongly. The same applied for fire protection systems, partly due to a combined offering of metal and plastic piping systems.

In the **utilities market**, especially during the first months of the year, there was satisfactory progress, with the exception of Spain. The revenue from gas piping systems with associated regulator valves increased in Belgium and Germany. An action plan has been launched for further improvement of the product offering on the basis of a more European approach, in which several group products are being added and developed. To accelerate the product and market development and realise more growth, the management of the group companies active in this segment has been combined under a single management.

The **district heating activities** did very well due to the recent years' significantly expanded and improved product portfolio, increased sales and project specification activities, and strengthening of the management. Good growth was realised in the markets in Eastern Europe, including Russia, and in China. Western and Northern Europe also benefited from the extensive product portfolio and increased market activities.

Strong growth has been realised in the **gas market** as a result of the expansion of the product portfolio of regulator valves for larger diameters and higher pressures. The market itself also grew strongly with an increasing number of projects in Eastern Europe, especially Russia, and also in countries such as Turkmenistan, Kazakhstan and Azerbaijan. During the first half-year, the production capacity was further increased at locations in Poland and Russia to enable demand to be met. In view of the growth potential, there are plans in preparation for the activities to be further expanded to other countries.

The **industrial markets** also did well in both Europe and the United States. Sales of regulator valves showed strong growth in markets including power stations, oil & gas, pulp & paper, chemicals, and other manufacturing industries. The factory investments increased as a result, on the one hand, of the good market development and, on the other, because of catching up with necessary renovation and maintenance of factories for connection systems and associated regulator valves. In this segment, new initiatives in the area of cross selling will be launched during the coming period.

The activities in the **beer & soft drinks market** developed strongly. Further initiatives have also been taken to accelerate growth in this area by the combined offering of the portfolio in various countries.

The **irrigation activities** also had a good first half-year, especially in North America, due to the introduction of various new products. New connection technologies were combined with existing plastic connection systems and regulator valves of the North American companies, making use of strong brand names. These new developments will lead to continued growth in this segment.

Outlook

On the basis of the intensive market contacts, the broad spread of the market portfolio, the solid order position, an ever-increasingly active market approach, the development of numerous new products and technologies, and a high number of initiatives to continue improving production efficiency, barring unforeseen circumstances, an improvement in earnings per share is anticipated for the whole of 2012 compared to 2011.

Attachment: Semi-annual report 2012

Semi-annual report 2012

CONSOLIDATED INCOME STATEMENT in EUR million	1H2012	1H2011
Revenue	**1,029.6**	**973.8**
Raw materials and work subcontracted	(416.3)	(393.0)
Personnel expenses	(285.4)	(266.9)
Depreciation of property, plant and equipment	(38.2)	(34.5)
Amortisation of intangible assets	(8.4)	(6.5)
Other operating expenses	(176.6)	(170.8)
Total operating expenses	**(924.9)**	**(871.7)**
Operating profit	**104.7**	**102.1**
Net interest expense	(10.7)	(10.8)
Foreign currency exchange results	(0.5)	(0.8)
Derivative financial instruments	1.3	(0.3)
Net finance cost	**(9.9)**	**(11.9)**
Profit before tax	**94.8**	**90.2**
Tax expenses	(24.7)	(24.2)
Net profit after tax	**70.1**	**66.0**
Attributable to:		
Shareholders	69.7	65.8
Non-controlling interests	0.4	0.2
Net profit before amortisation	**78.1**	**72.3**
Earnings per share before amortisation		
Basic	0.72	0.67
Diluted	0.72	0.67

Semi-annual report 2012

CONSOLIDATED BALANCE SHEET before profit appropriation in EUR million	30 June 2012	31 December 2011	30 June 2011
ASSETS			
Goodwill	508.2	504.3	490.4
Other intangible assets	191.5	196.7	179.2
Property, plant and equipment	577.0	565.3	523.2
Deferred income tax assets	16.4	17.4	18.4
Non-current assets	**1,293.1**	**1,283.7**	**1,211.2**
Inventories	456.4	421.1	438.1
Trade receivables	299.7	199.2	298.0
Other current assets	31.3	27.9	33.3
Cash and cash equivalents	0.1	0.1	0.1
Current assets	**787.5**	**648.3**	**769.5**
Total assets	**2,080.6**	**1,932.0**	**1,980.7**
EQUITY AND LIABILITIES			
Shareholders' equity	910.3	849.0	777.8
Non-controlling interests	10.2	9.5	10.7
Total equity	**920.5**	**858.5**	**788.5**
Non-current borrowings	317.8	384.4	435.4
Employee benefit plans	26.4	26.7	25.4
Deferred income tax liabilities	72.4	71.4	63.0
Other provisions and long-term liabilities	7.9	27.3	18.9
Non-current liabilities	**424.5**	**509.8**	**542.7**
Current borrowings	232.7	84.7	143.3
Current portion of non-current borrowings	133.6	136.6	136.6
Trade and other payables	221.3	211.3	232.6
Current income tax liabilities	10.9	13.7	19.0
Other current liabilities	137.1	117.4	118.0
Current liabilities	**735.6**	**563.7**	**649.5**
Total equity and liabilities	**2,080.6**	**1,932.0**	**1,980.7**

CONSOLIDATED CASH FLOW STATEMENT in EUR million	1H2012	1H2011
Cash flows from operating activities		
Operating profit	104.7	102.1
Adjustments for:		
Depreciation of property, plant and equipment	38.2	34.5
Amortisation of intangible assets	8.4	6.5
Result on sale of equipment	(0.5)	(0.1)
Changes in provisions and other movements	(1.7)	(1.8)
Changes in inventories	(27.7)	(48.5)
Changes in trade and other receivables	(100.1)	(95.7)
Changes in trade and other payables	14.7	11.9
Changes in working capital	(113.1)	(132.3)
Cash flow from operations	**36.0**	**8.9**
Finance income received	4.0	4.2
Finance expenses paid	(16.2)	(14.3)
Income taxes paid	(26.2)	(9.0)
Net cash from operating activities	**(2.4)**	**(10.2)**
Cash flows from investing activities		
Acquisition of subsidiaries	-	(72.6)
Purchase of property, plant and equipment	(50.9)	(42.0)
Purchase of intangible assets	(1.1)	(1.2)
Proceeds from sale of equipment	1.4	1.7
Net cash from investing activities	**(50.6)**	**(114.1)**
Cash flows from financing activities		
Proceeds from non-current borrowings	0.5	101.9
Repayment of non-current borrowings	(73.9)	(64.8)
Dividends paid	(19.9)	(8.5)
Non-controlling interests and other cash flows	(0.2)	-
Net cash from financing activities	**(93.5)**	**28.6**
Net decrease in cash and current borrowings	**(146.5)**	**(95.7)**
Cash and current borrowings at beginning of period	(84.6)	(49.7)
Net decrease in cash and current borrowings	(146.5)	(95.7)
Currency differences on cash and current borrowings	(1.5)	2.2
Cash and current borrowings as at end of period	**(232.6)**	**(143.2)**

SEGMENT REPORTING

before amortisation in EUR million

Industrial services	1H2012	1H2011	Δ
Revenue	313.0	284.0	10%
Operating profit (EBITDA)	58.6	54.6	7%
EBITDA as a % of revenue	18.7	19.2	
Operating profit (EBITA)	43.1	41.3	4%
EBITA as a % of revenue	13.8	14.5	
Capital expenditure	22.4	15.1	48%
Depreciation	15.4	13.3	16%
Average number of employees (x1)	4,766	4,212	13%
Number of employees at end of period (x1)	4,822	4,557	6%

Flow Control	1H2012	1H2011	Δ
Revenue	716.6	689.8	4%
Operating profit (EBITDA)	92.7	88.5	5%
EBITDA as a % of revenue	12.9	12.8	
Operating profit (EBITA)	70.0	67.3	4%
EBITA as a % of revenue	9.8	9.8	
Capital expenditure	20.9	20.9	-
Depreciation	22.8	21.2	8%
Average number of employees (x1)	7,652	7,800	(2%)
Number of employees at end of period (x1)	7,668	7,684	-

GEOGRAPHICAL SPREAD OF REVENUE	1H2012 in EUR million	1H2012 in % of revenue	1H2011 in EUR million	1H2011 in % of revenue
United States	196.9	19.1	177.2	18.2
Germany	179.8	17.5	178.7	18.4
Benelux	153.7	14.9	133.8	13.7
France	111.6	10.8	110.3	11.3
Eastern Europe	103.5	10.1	92.7	9.5
United Kingdom	95.5	9.3	95.7	9.8
Scandinavia	45.7	4.4	46.2	4.8
Spain & Portugal	24.8	2.4	26.3	2.7
Other European countries	52.1	5.1	50.0	5.1
Other countries outside Europe	66.0	6.4	62.9	6.5
Total	**1,029.6**	**100.0**	**973.8**	**100.0**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME in EUR million	1H2012	1H2011
Profit for the period	70.1	66.0
Exchange rate differences	13.7	(12.5)
Fair value changes derivative financial instruments	(2.0)	0.3
Taxes on direct equity movements	0.3	0.1
Total comprehensive income	**82.1**	**53.9**
Attributable to:		
Shareholders	81.2	53.8
Non-controlling interests	0.9	0.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY in EUR million	Issued capital	Share premium account	Other reserves	Currency translation & hedging reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
As at 1 January 2011	**26.7**	**201.7**	**418.8**	**(19.1)**	**104.4**	**732.5**	**13.2**	**745.7**
Dividends 2010	0.3	(0.3)	-	-	(8.5)	**(8.5)**	-	**(8.5)**
Addition to other reserves	-	-	95.9	-	(95.9)	**-**	-	**-**
Acquisition of non-controlling interests	-	-	-	-	-	**-**	(2.6)	**(2.6)**
Total comprehensive income	-	-	-	(12.0)	65.8	**53.8**	0.1	**53.9**
As at 30 June 2011	**27.0**	**201.4**	**514.7**	**(31.1)**	**65.8**	**777.8**	**10.7**	**788.5**
As at 1 January 2012	**27.0**	**201.4**	**514.2**	**(25.0)**	**131.4**	**849.0**	**9.5**	**858.5**
Dividends 2011	0.3	(0.3)	-	-	(19.9)	**(19.9)**	(0.2)	**(20.1)**
Addition to other reserves	-	-	111.5	-	(111.5)	**-**	**-**	**-**
Total comprehensive income	-	-	-	11.5	69.7	**81.2**	0.9	**82.1**
As at 30 June 2012	**27.3**	**201.1**	**625.7**	**(13.5)**	**69.7**	**910.3**	**10.2**	**920.5**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Basis of preparation and summary of accounting policies

The interim financial statements for the six months ended June 30, 2012 have been prepared in accordance with 'IAS 34 Interim Financial Reporting'. They do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2011. The accounting policies applied in these interim financial statements are the same as those applied in the financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRS as adopted by the European Union.

The interim financial statements have not been audited.

With effect from 1 January 2013, the revised IFRS standard for pensions (IAS 19R) will come into force. As at 31 December 2011, the net pension obligation amounted to more than EUR 26 million and the unrecognised actuarial results were EUR 29 million. If these actuarial results as at the end of 2011 were accounted for, taking a deferred tax asset into account, they would have had a net effect of minus EUR 22 million on the total equity of EUR 858.5 million, or 2.5%. This calculation is based on actuarial assumptions that depend particularly heavily on the development of interest rates.

Management Board declaration

The Management Board of Aalberts Industries N.V. declares that, to the best of its knowledge, the semi-annual financial statements give a true and fair view of the assets, liabilities, financial position and result of Aalberts Industries N.V. and its subsidiaries included in the consolidated statements and the semi-annual report includes a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Langbroek, 15 August 2012

Wim Pelsma, *Chief Executive Officer*
John Eijgendaal, *Chief Financial Officer*
Jan Aalberts, *President*

Aalberts Industries

Semi-annual report 2012

FINANCIAL CALENDAR

subject to change

24 October 2012	Trading update (before start of trading)
26 February 2013	Publication of annual figures 2012 (before start of trading)
14 March 2013	Publication annual report 2012 (website)
28 March 2013	Registration date for General Meeting
24 April 2013	Trading update (before start of trading)
25 April 2013	General Meeting
29 April 2013	Ex-dividend listing
2 May 2013	Record date for dividend
3 -16 May 2013	Option period stock dividend or cash dividend
17 May 2013	Fixation of stock dividend conversion ratio* (after close of trading)
22 May 2013	Making payable of dividend and delivery of new ordinary shares
15 August 2013	Publication of interim figures 2013 (before start of trading)
22 October 2013	Trading update (before start of trading)
26 February 2014	Publication of annual figures 2013 (before start of trading)

*The stock dividend will be determined based on the volume weighted average price of all Aalberts Industries N.V. shares traded on 13, 14, 15, 16 and 17 May 2013.