Press release

Semi-annual report 2009

Aalberts Industries

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more information J. Aalberts
e-mail info@aalberts.nl
phone +31 (0)343 565 080

Aalberts Industries achieves EUR 18.3 million net profit

Highlights 1st half of 2009

- Revenue of EUR 701.0 million, maintaining the added value margin
- Decline in organic revenue of 25% (at constant exchange rates)
- Operating profit before depreciation (EBITDA) EUR 73.8 million (10.5% of revenue)
- Operating profit (EBITA) EUR 38.7 million (5.5% of revenue)
- Net profit EUR 18.3 million; earnings per ordinary share EUR 0.17
- Cash flow from operations EUR 44.4 million
- Maintenance of solid balance sheet ratios: total equity 35.2% of total assets

Key figures (before amortisation)

in EUR x million

	1H2009	1H2008	Δ%
Revenue	**701.0**	913.2	(23%)
Added value (revenue minus raw materials and work subcontracted)	**410.4**	534.5	(23%)
Added value margin in % of revenue	**58.5**	58.5	
Operating profit before depreciation (EBITDA)	**73.8**	139.8	(47%)
EBITDA in % of revenue	**10.5**	15.3	
Operating profit (EBITA)	**38.7**	105.7	(63%)
EBITA in % of revenue	**5.5**	11.6	
Net profit	**18.3**	66.7	(73%)
Average number of ordinary shares (x million)	**106.1**	103.3	3%
Earnings per ordinary share (x EUR 1)	**0.17**	0.65	(74%)
Cash flow from operations	**44.4**	22.8	95%
Total equity as a % of total assets	**35.2**	31.2	
Net debt (interest-bearing debt)	**787.7**	886.2	(11%)
Leverage ratio: Net debt / EBITDA (12 month rolling)	**3.9**	3.0	
Interest cover: EBITDA / Net interest expense (12 month rolling)	**5.1**	7.4	
Net debt / Total equity	**1.3**	1.5	
Cash flow (net profit plus depreciation)	**53.4**	100.8	(47%)
Capital expenditure	**23.3**	51.1	(54%)
Net working capital	**344.5**	459.9	(25%)
Number of employees at end of period (x1)	**10,140**	11,899	(15%)
Effective tax rate in %	**21.4**	22.3	

Jan Aalberts, President & CEO: *'Over the last six months, we have managed to increase our operational cash flow and achieved a net profit despite significantly lower levels of activities. Without loss of the added value margin, our market position has been strengthened by additional sales activities, new products and processes, and by intensifying cross-selling. In addition, costs were structurally reduced in combination with organisational improvements and specific investments. By actively managing our working capital it was possible to limit the normal seasonal build up in the first six months.*

As a result of an organic decline in the market and the de-stocking at our clients, Industrial Services experienced lower production volumes, which reduced considerably the efficiency resulting in a negative result. In particular, the level of repeat orders was too low which could only be partially compensated for by new products and/or processes.

Flow Control similarly experienced an organic decline in its markets; and clients also ran down their stocks. Due to the introduction of new products, increasing and accelerating the cross-selling of our broad portfolio and its strong presence in various market segments, Flow Control was partially able to compensate for the fall in the market.

Due to the measures we took, we witnessed an upward trend in the second quarter's results. We are beginning to see a cautious recovery in the volume of repeat orders.'

Financial results (before amortisation)
Over the first six months, the group achieved a revenue of EUR 701.0 million, 23% less than in 1H2008. The measures implemented, including a reduction of the workforce and the introduction of short-time working, resulted in a significant reduction in the level of costs. The operating profit before depreciation and amortisation (EBITDA) was EUR 73.8 million (1H2008: EUR 139.8 million), i.e. 10.5% of revenue. The operating profit (EBITA) was EUR 38.7 million (1H2008: EUR 105.7 million), i.e. 5.5% of revenue. The earnings per ordinary share were EUR 0.17 compared to EUR 0.65 for the first half of 2008.

Due to lower interest rates, a lower build up of working capital (EUR 27.3 million compared to EUR 107.7 million in 1H2008) and a lower average debt position, net interest expense amounted to EUR 15.6 million, a fall of EUR 4.9 million compared to 1H2008 (EUR 20.5 million). In mid-2009, net debt was EUR 787.7 million compared to EUR 886.2 million in mid-2008, a reduction of approximately EUR 100 million. Total equity ended up at 35.2% of total assets, interest cover was 5.1 and the net debt/total equity ratio 1.3.

Aalberts Industries has reached an agreement with its banks regarding an adjustment to its covenants, which means the net debt/EBITDA ratio (as at end of 2009: <4.5, mid-2010: <4.0 and end of 2010: <3.5) and the interest margin have been adjusted.

Operational developments

Industrial Services

Due to the decline in market volumes and strong de-stocking at clients, Industrial Services experienced a decline in organic revenue of 35% in the first six months compared to 1H2008. As a percentage of revenue, operating profit before depreciation and amortisation (EBITDA) was 4.5% (1H2008: 16.9%) and operating profit (EBITA) amounted to EUR 7.1 million negative.

In particular, activities in the precision engineering industries, and the automotive and semi-conductor industries were at a significantly lower level in the first half of 2009 than in previous years. The developments within the aerospace industry, and the medical and energy sectors were relatively favourable, enabling activities focussing on these markets to remain reasonably stable. To enhance its commercial clout, Industrial Services strengthened its organisation in a number of areas, whereby the focus was on the growth of market share through intensified sales efforts and the introduction of new customer specific products and processes. In addition, the level of costs in various sites was lowered structurally.

Flow Control

Flow Control was also confronted by challenging market conditions including the de-stocking at clients and, in the first six months, it witnessed an organic revenue decrease by 21% in comparison to 1H2008. By improving margins, intensifying the cross-selling activities and introducing new products into various market segments, such as sprinkler and sustainable energy systems, the market position has been strengthened. In addition, organisational improvements and enhanced efficiency contributed to a reduction of the structural costs and stocks were run down. As a percentage of revenue the operating profit before depreciation and amortisation (EBITDA) amounted to 12.6% (1H2008: 14.5%) and operating profit (EBITA) ended up at EUR 45.8 million.

Being active in a range of market sectors, such as district heating, the medical industry, irrigation, utility, solar energy, sprinkler systems and construction, Flow Control's results were varied. In the Benelux, Germany and France it fared relatively well, mainly due to its strong position and the focus being on the renovation and maintenance markets. In Scandinavia, de-stocking at clients was noticeable and a large number of new group products was introduced. Certain countries, such as Russia and Ukraine, were severely affected by a lack of financial resources. In Italy and, in particular, Spain, where the group has a relatively small position, the market continued to be very challenging. This dip in the market was partly compensated for by an increase in revenue from high-quality sanitary products. In the United Kingdom, there was a visible downturn in commercial projects, but exports and cross-selling were intensified. The North American market stabilised at a low level. Currently, the introduction of new (cross-sell) products and the strengthening of the market approach by offering a complete portfolio are being worked on intensively.

Capital expenditure

Investments in tangible fixed assets amounted to EUR 23.3 million in the first six months, a sharp decline when compared to 1H2008 (EUR 51.1 million). Over the last few years, considerable sums have been invested in new technologies, capacity expansion and efficiency, as a result of which investments can be made on a lower level for the moment.

Employees

In mid-2008, there were 11,899 employees. Due to the exceptional market circumstances in the past twelve months, the number of jobs has been reduced by approximately 1,750 to 10,140 by mid-2009.

Outlook

Given the current economic circumstances and the corresponding uncertainties, it is not possible to give an outlook for the whole of 2009. The extra sales efforts, organisational improvements and structural reduction of costs, will enable Aalberts Industries to emerge strengthened from the current market situation when the economy improves.

Annexes:

Interim financial statements 2009

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CONSOLIDATED BALANCE SHEET

before profit appropriation
in EUR x million

	30 June 2009	31 December 2008	30 June 2008
ASSETS			
Goodwill	448.2	445.6	445.1
Other intangible assets	145.3	149.1	151.4
Property, plant and equipment	508.3	516.3	494.6
Deferred income tax assets	23.0	25.4	16.7
Non-current assets	**1,124.8**	**1,136.4**	**1,107.8**
Inventories	325.6	360.2	403.8
Trade receivables	211.1	178.7	314.4
Other current assets	28.7	28.0	35.8
Cash and cash equivalents	0.1	0.1	0.1
Current assets	**565.5**	**567.0**	**754.1**
Total assets	**1,690.3**	**1,703.4**	**1,861.9**
EQUITY AND LIABILITIES			
Shareholders' equity	585.7	577.0	569.6
Minority interests	9.8	10.0	11.7
Total equity	**595.5**	**587.0**	**581.3**
Non-current borrowings	535.8	572.8	614.1
Cumulative preference shares	-	-	10.2
Employee benefit plans	29.8	27.7	31.6
Deferred income tax liabilities	38.3	37.6	37.4
Other provisions	5.4	5.9	5.6
Non-current liabilities	**609.3**	**644.0**	**698.9**
Current borrowings	166.0	107.8	184.7
Current portion of non-current borrowings	86.0	84.8	77.2
Trade and other payables	140.7	181.4	190.0
Current income tax liabilities	-	1.7	18.5
Other current liabilities	92.8	96.7	111.3
Current liabilities	**485.5**	**472.4**	**581.7**
EQUITY AND LIABILITIES	**1,690.3**	**1,703.4**	**1,861.9**

CONSOLIDATED INCOME STATEMENT

in EUR x million

	1H2009	1H2008
Revenue	**701.0**	**913.2**
Raw materials and work subcontracted	(290.6)	(378.7)
Personnel expenses	(208.5)	(241.2)
Depreciation of property, plant and equipment	(35.1)	(34.1)
Amortisation of intangible assets	(6.4)	(5.6)
Other operating expenses	(128.1)	(153.5)
Total operating expenses	**(668.7)**	**(813.1)**
Operating profit	**32.3**	**100.1**
Net interest expense	(15.6)	(20.5)
Foreign exchange results	(0.9)	(1.7)
Derivative financial instruments	(0.4)	2.0
Net finance cost	**(16.9)**	**(20.2)**
Profit before tax	**15.4**	**79.9**
Tax expenses	(3.3)	(17.8)
Net profit	**12.1**	**62.1**
Attributable to:		
Ordinary shareholders	11.9	61.1
Minority interest	0.2	1.0

	1H2009	1H2008
Net profit before amortisation	**18.3**	**66.7**
Earnings per ordinary share before amortisation		
Basic	0.17	0.65
Diluted	0.17	0.65

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY in EUR x million	Issued capital	Share premium account	Other reserves	Currency translation and hedging reserve	Retained earnings	Shareholders' equity	Minority interests	Total equity
As at 1 January 2008	**25.5**	**203.0**	**197.6**	**(14.4)**	**118.7**	**530.4**	**7.8**	**538.2**
Dividend 2007	0.3	(0.3)	-	-	(15.7)	**(15.7)**	-	**(15.7)**
Profit appropriation	-	-	103.0	-	(103.0)	**-**	-	**-**
Acquisitions	-	-	-	-	-	**-**	2.2	**2.2**
Comprehensive income								
Profit for the period	-	-	-	-	61.1	**61.1**	1.0	**62.1**
Exchange rate differences	-	-	-	(6.2)	-	**(6.2)**	0.7	**(5.5)**
Comprehensive income	**-**	**-**	**-**	**(6.2)**	**61.1**	**54.9**	**1.7**	**56.6**
As at 30 June 2008	**25.8**	**202.7**	**300.6**	**(20.6)**	**61.1**	**569.6**	**11.7**	**581.3**
As at 1 January 2009	**25.8**	**202.6**	**301.1**	**(45.3)**	**92.8**	**577.0**	**10.0**	**587.0**
Dividend 2008	0.7	(0.7)	-	-	(10.7)	**(10.7)**	-	**(10.7)**
Profit appropriation	-	-	82.1	-	(82.1)	**-**	-	**-**
Comprehensive income								
Profit for the period	-	-	-	-	11.9	**11.9**	0.2	**12.1**
Exchange rate differences	-	-	-	5.7	-	**5.7**	(0.4)	**5.3**
Fair value changes derivative financial instruments	-	-	-	2.4	-	**2.4**	-	**2.4**
Deferred taxes on fair value changes	-	-	-	(0.6)	-	**(0.6)**	-	**(0.6)**
Comprehensive income	**-**	**-**	**-**	**7.5**	**11.9**	**19.4**	**(0.2)**	**19.2**
As at 30 June 2009	**26.5**	**201.9**	**383.2**	**37.8**	**11.9**	**585.7**	**9.8**	**595.5**

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CONSOLIDATED CASH FLOW STATEMENT

in EUR x million

	1H2009	1H2008
Cash flows from operating activities		
Operating profit	32.3	100.1
Adjustments for:		
Depreciation of property, plant and equipment	35.1	34.1
Amortisation of intangible assets	6.4	5.6
Result on sale of equipment	-	(0.1)
Changes in provisions and direct equity movements	(2.1)	(9.2)
Changes in inventories	41.0	(27.0)
Changes in trade and other receivables	(32.6)	(93.2)
Changes in trade and other payables	(35.7)	12.5
Changes in working capital	(27.3)	(107.7)
Cash flow from operations	**44.4**	**22.8**
Net finance expenses paid	(19.7)	(25.0)
Income taxes paid	(3.5)	(21.2)
Net cash from operating activities	**21.2**	**(23.4)**
Cash flows from investing activities		
Acquisition of subsidiaries	(1.8)	(266.9)
Capital expenditure	(31.6)	(56.4)
Purchases of intangible assets	(1.1)	(1.8)
Proceeds from sale of equipment	2.5	1.8
Net cash from investing activities	**(32.0)**	**(323.3)**
Cash flows from financing activities		
Proceeds from non-current borrowings	0.1	306.9
Repayment of non-current borrowings	(39.0)	(35.4)
Dividends paid	(10.7)	(15.7)
Net cash from financing activities	**(49.6)**	**255.8**
Net increase/(decrease) in cash and current borrowings	**(60.4)**	**(90.9)**
Cash and current borrowings at beginning of period	(107.7)	(93.7)
Net increase/(decrease) in cash and current borrowings	(60.4)	(90.9)
Currency differences on cash and current borrowings	2.2	-
Cash and current borrowings as at end of period	**(165.9)**	**(184.6)**

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SEGMENT REPORTING

(before amortisation in EUR x million)

Industrial Services	1H2009	1H2008	Δ%
Revenue	182.3	282.3	(35%)
Operating profit before depreciation (EBITDA)	8.2	47.6	(83%)
EBITDA as a % of revenue	4.5	16.9	
Operating profit (EBITA)	(7.1)	32.4	(122%)
Operating profit (EBITA) as a % of revenue	(3.9)	11.5	
Capital expenditure	4.6	19.4	(76%)
Depreciation	15.4	15.3	-
Average number of employees (x1)	3,962	4,783	(17%)
Number of employees at end of period (x1)	3,840	4,731	(19%)

Flow Control	1H2009	1H2008	Δ%
Revenue	518.7	630.9	(18%)
Operating profit before depreciation (EBITDA)	65.6	92.2	(29%)
EBITDA as a % of revenue	12.6	14.6	
Operating profit (EBITA)	45.8	73.3	(38%)
Operating profit (EBITA) as a % of revenue	8.8	11.6	
Capital expenditure	18.7	31.7	(41%)
Depreciation	19.7	18.8	5%
Average number of employees (x1)	6,418	6,858	(6%)
Number of employees at end of period (x1)	6,283	7,151	(12%)

GEOGRAPHICAL SPREAD OF REVENUE

		1H2009 in EUR million	1H2009 in % of revenue	1H2008 in EUR million	1H2008 in % of revenue
Germany		120.7	17.2	163.7	17.9
Benelux		115.6	16.5	140.8	15.4
France		89.7	12.8	106.9	11.7
United Kingdom	*(1H09 in EUR million*: 97.6)*	87.1	12.4	122.3	13.4
United States	*(1H09 in EUR million*: 68.3)*	78.3	11.2	89.8	9.8
Eastern Europe	*(1H09 in EUR million*: 76.1)*	67.0	9.6	98.6	10.8
Scandinavia	*(1H09 in EUR million*: 37.7)*	35.8	5.1	47.7	5.2
Spain & Portugal		27.1	3.9	46.2	5.1
Other European countries		40.3	5.7	50.1	5.5
Other countries outside Europe		39.4	5.6	47.1	5.2
Total		**701.0**	**100**	**913.2**	**100**

**at constant exchange rates*

FINANCIAL AGENDA

subject to change

05 November 2009	Trading update (before start of trading)
25 February 2010	Publication of annual figures 2009 (before start of trading)
01 April 2010	Registration date for General Meeting
21 April 2010	Trading update (before start of trading)
22 April 2010	General Meeting in the Okura Hotel, Amsterdam, start: 14:00 hrs
26 April 2010	Ex-dividend listing
28 April - 14 May 2010	Option period stock dividend or cash dividend
28 April 2010	Record date
17 May 2010	Fixation of stock dividend conversion ratio (after close of trading)
19 May 2010	Making payable of dividend and delivery of new ordinary shares
12 August 2010	Publication of interim figures 2010 (before start of trading)
28 October 2010	Trading update (before start of trading)

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, 2009 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, 2008, which have been prepared in accordance with IFRS as adopted by the European Union.
The accounting policies applied in these interim financial statements are consistent with those applied in the annual financial statements, except for the adoption of IAS 1 'Presentation of Financial Statements': Aalberts Industries opted to present components of comprehensive income in the 'Consolidated statement of changes in equity' as from January 1, 2009.
The interim financial statements have not been audited.

Director’s statement of responsibilities

The Executive Board states, to the best of her knowledge, that the interim financial statements provide 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 provides a true and fair view of the position at the balance sheet date and the business conducted during the first half year of Aalberts Industries N.V. and its subsidiaries, details of which are contained in the interim financial statements and expected state of affairs.

Langbroek, 12 August 2009

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