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Aalberts Industries achieves sharp improvement of results

Headlines 1st half of 2010

- Revenue increases organically by 12% to EUR 782 million
- Added value* margin improves substantially to 60.9%
- Operating profit before depreciation (EBITDA) up by 55% to EUR 114.0 million
- Operating profit (EBITA) up by 110% to EUR 81.1 million
- Net profit increases by 180% to EUR 51.3 million
- Earnings per ordinary share up by 182% to EUR 0.48
- Improved balance sheet ratios and sharp decrease leverage ratio to < 3.0
- Industrial Services shows a robust recovery with an organic revenue growth of 23%
- Flow Control realises an organic revenue growth of 7%
- Announcement of intended acquisition of Conbraco Industries (United States)

Key figures (before amortisation)

in EUR million

	1H2010	1H2009	Δ%
Revenue	782.0	701.0	12%
Added value*	476.3	410.4	16%
Added value* margin in % of revenue	60.9	58.5	
Operating profit before depreciation (EBITDA)	114.0	73.8	55%
EBITDA in % of revenue	14.6	10.5	
Operating profit (EBITA)	81.1	38.7	110%
EBITA in % of revenue	10.4	5.5	
Net profit	51.3	18.3	180%
Average number of ordinary shares (x million)	106.7	106.1	1%
Earnings per ordinary share (x EUR 1)	0.48	0.17	182%
Total equity as a % of total assets	40.2	35.2	
Net debt	666.6	787.7	(15%)
Leverage ratio: Net debt / EBITDA (12 month rolling)	2.98	3.93	
Interest cover: EBITDA / Net interest expense (12 month rolling)	7.7	5.1	
Net debt / Total equity	1.0	1.3	
Cash flow (net profit plus depreciation)	84.1	53.4	58%
Capital expenditure	22.4	23.3	(4%)
Net working capital	331.7	344.5	(4%)
Number of employees at end of period (x1)	10,568	10,140	4%
Effective tax rate in %	22.3	21.4	

*Revenue minus raw materials and work subcontracted

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Jan Aalberts, President & CEO: *"During the first six months of this year we made sharp progress compared to 2009. Revenue rose organically by 12% to EUR 782.0 million and our added value margin improved substantially to 60.9% (1H2009: 58.5%). During the first six months of this year our net profit almost tripled to EUR 51.3 million (1H2009: EUR 18.3 million). This robust improvement was mainly due to the increased demand for our products, systems and processes, stringent cost control, a further strengthening of our global market positions and a continued focus on sales efforts.*

Net profit during the first half of 2010 was virtually the same as during the whole of 2009 (EUR 54.2 million). This proves the strength of our strategy and portfolio, despite the changeable and sometimes mediocre market conditions in some countries and segments.

Industrial Services' activities improved significantly. Operating profit (EBITA) rose to EUR 24.3 million compared with EUR 7.1 million negative in 1H2009. Flow Control's activities also improved and an EBITA of EUR 56.8 million was achieved compared with EUR 45.8 million in 1H2009.

To sum up: during the first half of 2010 the foundation for our future was strengthened further through not only an increase in revenue and net profit but also a substantial reduction of the leverage ratio (Net debt/EBITDA), stronger balance sheet ratios and market positions that, thanks to our current potential, offer considerable scope for expansion. Our strategy of profitable growth, both organically and through acquisitions, will be continued."

Financial results (before amortisation)

Revenue During the first six months of 2010 Aalberts Industries achieved an organic revenue growth of 12% to EUR 782.0 million compared with the first half of 2009. At constant exchange rates this amounts to a growth of 10.1%.

Added value During the first half of 2010 added value (revenue minus raw materials and work subcontracted) rose by 16% to EUR 476.3 million (1H2009: EUR 410.4 million). The added value margin rose to 60.9% of revenue (1H2009: 58.5%).

Operating profit Operating profit before depreciation and amortisation (EBITDA) rose by 55% to EUR 114.0 million (1H2009: EUR 73.8 million), 14.6% of revenue (1H2009: 10.5%). Operating profit after depreciation and before amortisation (EBITA) more than doubled to EUR 81.1 million (1H2009: EUR 38.7 million), 10.4% of revenue (1H2009: 5.5%).

Net interest expense In the first half of 2010 the net interest expense decreased further to EUR 13.9 million (1H2009: EUR 15.6 million) due to lower interest rates and a lower average debt position (despite working capital being increased by over EUR 76 million).

Balance sheet ratios and covenants Mid 2010 total equity amounted to 40.2% of the balance sheet total (1H2009: 35.2%). Net debt was EUR 666.6 million compared with EUR 787.7 million in mid 2009. Aalberts Industries amply complies with its bank covenants.

During the past twelve months the primary financial ratios developed as follows:

- Leverage ratio: Net debt / EBITDA (twelve months rolling) from 3.93 to 2.98;
- Interest cover ratio: EBITDA / net interest expense (twelve months rolling) from 5.1 to 7.7;
- Gearing: Net debt / total equity from 1.3 to 1.0.

Net profit Net profit over the first half of 2010 amounted to EUR 51.3 million (1H2009: EUR 18.3 million) and earnings per ordinary share amounted to EUR 0.48 (1H2009: EUR 0.17).

Capital expenditure and cash flow In the first six months of 2010 capital expenditure on property, plant and equipment amounted to EUR 22.4 million compared with EUR 23.3 million in 1H2009. In recent years significant sums have been invested. As a result the current level of investment is lower, partly in view of the fact that the capacity has not yet been fully utilised.

In the first half of 2010 net working capital was EUR 331.7 million (1H2009: EUR 344.5 million) and cash flow (net profit plus depreciation) amounted to EUR 84.1 million (1H2009: EUR 53.4 million).

Operational developments

Industrial Services During the first six months of 2010 Industrial Services' revenue rose organically by 23% (22.8% at constant exchange rates) to EUR 225.0 million (1H2009: EUR 182.3 million). Operating profit before depreciation and amortisation (EBITDA) was EUR 37.9 million (1H2009: EUR 8.2 million), 16.8% of revenue (1H2009: 4.5%). Operating profit (EBITA) amounted to EUR 24.3 million (1H2009: EUR 7.1 million *negative*), or 10.8% of revenue (1H2009: 3.9% *negative*).

Industrial Services supplies products, systems and processes to specific market segments, such as the semiconductor and automotive industries, the medical sector, the aerospace and defence industries, the precision engineering sector and the sustainable energy market. This is achieved with the aid of a number of specialised and complementary technologies. Demand rose sharply, especially in the semiconductor and automotive market. The precision engineering market also showed signs of recovery. The medical sector and the defence market remained reasonably stable while certain segments of the aerospace industry still showed no improvement. Within Industrial Services the focus is on continuously increasing the added value margin by constantly improving the revenue, quality and service, with relatively fewer employees.

Flow Control Despite virtually every country experiencing a harsh winter during the first quarter of 2010, Flow Control improved both its revenue and its profit. During the first six months of 2010 revenue rose organically by 7% (5.6% at constant exchange rates) to EUR 557.0 million (1H2009: EUR 518.7 million). Operating profit before depreciation and amortisation (EBITDA) amounted to EUR 76.1 million (1H2009: EUR 65.6 million), 13.7% of revenue (1H2009: 12.6%). Operating profit (EBITA) amounted to EUR 56.8 million (1H2009: EUR 45.8 million), or 10.2% of revenue (1H2009: 8.8%).

Flow Control focuses on a complete portfolio for residential new-build, commercial buildings, renovation and maintenance, solar energy, utility networks, district heating, fire protection, irrigation systems, the beer and soft drinks industry and other industries. Despite the market being challenging in most sectors, Flow Control achieved a relatively strong organic revenue growth and with it an increased market share. This was primarily due to the introduction of new 'own' products, a further intensifying of cross-selling and a focus on strengthening the sales efforts. The result was an improved added value margin. The efficiency measures implemented included the clustering of sales and distribution channels and intensifying the key account management.

In Western and Northern Europe the markets were hesitant. Although the markets in Eastern Europe improved slightly they remained difficult due to the limited availability of liquidity for new-build projects and the long, hard winter. The markets in Southern Europe continued to suffer from the effects of the financial crisis. In the United States the irrigation market showed signs of recovery while the markets for both residential and commercial buildings remained hesitant. In Asia Flow Control responded pro-actively to the many golf course projects. In the beer and soft drinks industry a number of new projects were carried out for existing customers, partly based on new products and intensive cooperation between Europe and the United States.

The intended acquisition of Conbraco Industries in the United States, announced 2 June 2010, was completed successfully on 15 July 2010 and upon closing of the books, accounting effects and disclosures will be determined. With more than 1,000 employees Conbraco Industries generates an annual revenue of approximately USD 200 million. Conbraco Industries' results will make a direct contribution to earnings per share and will be consolidated with effect from July 2010.

Employees

The number of employees on 30 June 2010 was 10,568 (1H2009: 10,140).

Outlook

Structural cost reductions, organisational improvements and growth as a result of a more active market approach and earlier investments, have further strengthened Aalberts Industries' foundations. Based on the current, but admittedly fluctuating, developments in the various markets and countries, and barring unforeseen circumstances, Aalberts Industries anticipates the result for 2010 will be significantly better than for 2009.

Solid balance sheet ratios will be maintained through a continuing focus on profitability, working capital management and cost control.

Attachments:

Interim 2010 financial statements

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CONSOLIDATED INCOME STATEMENT

in EUR million

	1H2010	1H2009
Revenue	782.0	701.0
Raw materials and work subcontracted	(305.7)	(290.6)
Personnel expenses	(224.3)	(208.5)
Depreciation of property, plant and equipment	(32.8)	(35.1)
Amortisation of intangible assets	(6.1)	(6.4)
Other operating expenses	(138.0)	(128.1)
Total operating expenses	(706.9)	(668.7)
Operating profit	75.1	32.3
Net interest expense	(13.9)	(15.6)
Foreign exchange results	(1.5)	(0.9)
Derivative financial instruments	(0.1)	(0.4)
Net finance cost	(15.5)	(16.9)
Profit before tax	59.6	15.4
Tax expenses	(13.3)	(3.3)
Profit after tax	46.3	12.1
Attributable to:		
Ordinary shareholders	45.2	11.9
Minority interest	1.1	0.2
Net profit before amortisation	51.3	18.3
Earnings per ordinary share before amortisation		
Basic	0.48	0.17
Diluted	0.48	0.17

CONSOLIDATED BALANCE SHEET

before profit appropriation

in EUR million

ASSETS

	30 June 2010	31 December 2009	30 June 2009
Goodwill	456.9	446.4	448.2
Other intangible assets	140.6	138.4	145.3
Property, plant and equipment	495.8	493.6	508.3
Deferred income tax assets	19.7	19.7	23.0
Non-current assets	1,113.0	1,098.1	1,124.8
Inventories	346.7	298.4	325.6
Trade receivables	238.4	153.7	211.1
Other current assets	27.4	27.6	28.7
Cash and cash equivalents	0.1	0.1	0.1
Current assets	612.6	479.8	565.5
Total assets	1,725.6	1,577.9	1,690.3

EQUITY AND LIABILITIES

Shareholders' equity	682.6	615.6	585.7
Minority interests	11.7	10.9	9.8
Total equity	694.3	626.5	595.5
Non-current borrowings	413.0	468.4	535.8
Employee benefit plans	28.8	27.9	29.8
Deferred income tax liabilities	39.7	38.2	38.3
Other provisions	4.0	5.7	5.4
Non-current liabilities	485.5	540.2	609.3
Current borrowings	121.7	54.0	166.0
Current portion of non-current borrowings	132.0	108.2	86.0
Trade and other payables	187.7	160.5	140.7
Current income tax liabilities	3.1	0.5	-
Other current liabilities	101.3	88.0	92.8
Current liabilities	545.8	411.2	485.5
Equity and liabilities	1,725.6	1,577.9	1,690.3

CONSOLIDATED CASH FLOW STATEMENT

in EUR million

1H2010

1H2009

Cash flows from operating activities

Operating profit	75.1	32.3
Adjustments for:		
Depreciation of property, plant and equipment	32.8	35.1
Amortisation of intangible assets	6.1	6.4
Result on sale of equipment	(0.2)	-
Changes in provisions and other movements	(2.0)	(2.1)
Changes in inventories	(35.8)	41.0
Changes in trade and other receivables	(78.4)	(32.6)
Changes in trade and other payables	37.8	(35.7)
Changes in working capital	(76.4)	(27.3)

Cash flow from operations

Net finance expenses paid	(17.1)	(19.7)
Income taxes paid	(11.4)	(3.5)
Net cash from operating activities	6.9	21.2

Cash flows from investing activities

Acquisition of subsidiaries	0.2	(1.8)
Purchase of property, plant and equipment	(26.2)	(31.6)
Purchases of intangible assets	(0.7)	(1.1)
Proceeds from sale of equipment	1.6	2.5
Net cash from investing activities	(25.1)	(32.0)

Cash flows from financing activities

Proceeds from non-current borrowings	0.4	0.1
Repayment of non-current borrowings	(42.8)	(39.0)
Dividends paid	(6.7)	(10.7)
Net cash from financing activities	(49.1)	(49.6)

Net increase/(decrease) in cash and current borrowings	(67.3)	(60.4)
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Cash and current borrowings at beginning of period	(53.9)	(107.7)
Net increase/(decrease) in cash and current borrowings	(67.3)	(60.4)
Currency differences on cash and current borrowings	(0.4)	2.2
Cash and current borrowings as at end of period	(121.6)	(165.9)

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SEGMENT REPORTING

(before amortisation in EUR million)

Industrial Services	1H2010	1H2009	Δ%
Revenue	225.0	182.3	23%
Operating profit before depreciation (EBITDA)	37.9	8.2	362%
EBITDA as a % of revenue	16.8	4.5	
Operating profit (EBITA)	24.3	(7.1)	556%
Operating profit (EBITA) as a % of revenue	10.8	(3.9)	
Capital expenditure	4.9	4.6	7%
Depreciation	13.6	15.4	(12%)
Average number of employees (x1)	3,825	3,962	(3%)
Number of employees at end of period (x1)	3,924	3,840	2%

Flow Control	1H2010	1H2009	Δ%
Revenue	557.0	518.7	7%
Operating profit before depreciation (EBITDA)	76.1	65.6	16%
EBITDA as a % of revenue	13.7	12.6	
Operating profit (EBITA)	56.8	45.8	24%
Operating profit (EBITA) as a % of revenue	10.2	8.8	
Capital expenditure	17.5	18.7	(6%)
Depreciation	19.3	19.7	(2%)
Average number of employees (x1)	6,532	6,418	2%
Number of employees at end of period (x1)	6,627	6,283	5%

GEOGRAPHIC SPREAD OF REVENUE

	1H2010 in EUR million	1H2010 in % of revenue	1H2009 in EUR million	1H2009 in % of revenue
Germany	138.2	17.7	120.7	17.2
Benelux	127.4	16.3	115.6	16.5
France	98.5	12.6	89.7	12.8
United Kingdom	(1H10 in EUR million*: 89.7)	11.8	87.1	12.4
United States	(1H10 in EUR million*: 86.7)	11.1	78.3	11.2
Eastern Europe	(1H10 in EUR million*: 71.2)	9.6	67.0	9.6
Scandinavia	(1H10 in EUR million*: 38.3)	5.1	35.8	5.1
Spain & Portugal		3.4	27.1	3.9
Other European countries		5.3	40.3	5.7
Other countries outside Europe		7.1	39.4	5.6
Total	782.0	100	701.0	100

* at constant exchange rates

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR 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 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)	-	-	-
Total result								
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)
Total result	-	-	-	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
As at 1 January 2010	26.5	201.9	383.1	(37.4)	41.5	615.6	10.9	626.5
Dividend 2009	0.2	(0.2)	-	-	(6.7)	(6.7)	(0.1)	(6.8)
Profit appropriation	-	-	34.8	-	(34.8)	-	-	-
Total result								
Profit for the period	-	-	-	-	45.2	45.2	1.1	46.3
Exchange rate differences	-	-	-	28.9	-	28.9	(0.2)	28.7
Fair value changes derivative financial instruments	-	-	-	0.1	-	0.1	-	0.1
Deferred taxes on fair value changes	-	-	-	(0.5)	-	(0.5)	-	(0.5)
Total result	-	-	-	28.5	45.2	73.7	0.9	74.6
As at 30 June 2010	26.7	201.7	417.9	(8.9)	45.2	682.6	11.7	694.3

Interim financial statements 2010

FINANCIAL CALENDAR

subject to change

28 October 2010	Trading update (before start of trading)
23 February 2011	Publication of annual figures 2010 (before start of trading)
10 March 2011	Publication annual report 2010 (website)
24 March 2011	Registration date for General Meeting
20 April 2011	Trading update (before start of trading)
21 April 2011	General Meeting in the Okura Hotel, Amsterdam, start: 14:00 hrs
27 April 2011	Ex-dividend listing
29 April 2011	Record date
02 - 17 May 2011	Option period stock dividend or cash dividend
18 May 2011	Fixation of stock dividend conversion ratio* (after close of trading)
20 May 2011	Making payable of dividend and delivery of new ordinary shares
17 August 2011	Publication of interim figures 2011 (before start of trading)
27 October 2011	Trading update (before start of trading)
23 February 2012	Publication of annual figures 2011 (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 12, 13, 16, 17 and 18 May 2011.

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, 2010 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, 2009, which have been prepared in accordance with IFRS as adopted by the European Union.

The interim financial statements have not been audited.

Management Board declaration

The Management Board declares that, to the best of its knowledge, 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 interim 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, 11 August 2010

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