

Aalberts Industries: organic revenue +5%, net profit +9% and earnings per share +8%

Headlines

- Revenue EUR 1,054 million, increase 4% (organic +5%)
- Operating profit (EBITA) +9% to EUR 117 million; EBITA margin 11.1%
- Net profit before amortisation +9% to EUR 79 million; per share EUR 0.72
- Return on capital employed (ROCE) improved to 14.0%
- Strengthening market position in Climate Control by acquisitions of Nexus & Flamco
- Public offer Impreglon to strengthen market position of Industrial Services



Key figures

in EUR million	1H2014	1H2013	Delta
Revenue	1,053.5	1,016.5	4%
Added-value	640.8	613.1	5%
Added-value in % of revenue	60.8	60.3	
Operating profit (EBITDA)	157.2	147.1	7%
EBITDA as a % of revenue	14.9	14.5	
Operating profit (EBITA)	116.6	107.4	9%
EBITA as a % of revenue	11.1	10.6	
Net profit before amortisation	79.3	73.0	9%
Average number of shares (x million)	110.6	109.7	1%
Earnings per share before amortisation (x EUR 1)	0.72	0.67	8%
Total equity as a % of balance sheet total	49.6	46.1	
Net debt	605.3	668.3	(9%)
Leverage ratio: Net debt / EBITDA (12 months-rolling)	1.9	2.3	
Interest cover: EBITDA / Net interest expense (12 months-rolling)	21.0	16.5	
Net debt / Total equity	0.6	0.7	
Cash flow from operations	20.6	15.3	35%
Cash flow (net profit + depreciation + amortisation)	119.9	112.7	6%
Capital expenditure	37.8	57.7	(34%)
Net working capital	512.9	498.5	3%
Capital employed	1,687	1,659	2%
Return on capital employed (ROCE 12 months-rolling)	14.0	13.0	
Number of employees at end of period (x1)	12,678	12,585	1%
Effective tax rate in %	28.1	27.0	

Wim Pelsma

Chief Executive Officer

“WE HAD A GOOD FIRST HALF YEAR OF 2014. OUR REVENUE INCREASED BY 4% (ORGANIC +5%) TO EUR 1,054 MILLION COMPARED TO THE SAME PERIOD LAST YEAR.”

“The operating profit (EBITA) increased by 9% to EUR 117 million, with an improved EBITA margin of 11.1% (1H2013: 10.6%). The net profit increased by 9% to EUR 79 million, EUR 0.72 per share. The return on capital employed (ROCE) improved to 14.0%.

In addition to the good organic growth, we strengthened the market position also through acquisitions in Climate Control in North America (Nexus) and Europe (Flamco).

In the second half of the year the worldwide market position of Industrial Services will be further strengthened with the successful conclusion of the public offer for Impreglon.

In the coming period our focus will remain on strengthening the market positions close to the end user (through both organic growth and acquisitions), continuous improvement of the marketing and sales approach and further implementation of projects that increase efficiency, profitability and the return on capital employed.

We expect this focus and a good order position will enable us to achieve further progress in 2014 and subsequent years.”

Financial results

Revenue increased by 4% (organic +5.0%) to EUR 1,053.5 million (1H2013: EUR 1,016.5 million). The added-value margin (revenue minus raw materials and work subcontracted) amounted to 60.8% (1H2013: 60.3%). The operating profit (EBITA) increased by 9% to EUR 116.6 million (1H2013: EUR 107.4 million); 11.1% of revenue (1H2013: 10.6%).

Net finance cost amounted to EUR 8.5 million, a decrease of 15% (1H2013: 10.0 million). On the other hand tax expenses increased by 16% to 27.8 million (1H2013: 23.9 million); the effective tax rate was 28.1% (1H2013: 27.0%). Net profit before amortisation increased by 9% to EUR 79.3 million (1H2013: EUR 73.0 million) and per share 8% to EUR 0.72 (1H2013: EUR 0.67).

Capital expenditure decreased by 34% to EUR 37.8 million (1H2013: EUR 57.7 million). Net working capital amounted to EUR 513 million (1H2013: EUR 499 million). Cash flow from operations improved strongly and increased by 35%. The return on capital employed (ROCE) improved to 14.0% (1H2013: 13.0%).

Total equity amounted to 49.6% of the balance sheet total (1H2013: 46.1%), where the net debt decreased by EUR 63 million, being 9%, to EUR 605 million (1H2013: EUR 668 million). The leverage ratio improved from 2.3 to 1.9; the interest cover ratio from 16.5 to 21.0 and the gearing from 0.7 to 0.6.

The revenue of Flow Control increased by more than 2% (organic +4.2%) to EUR 730.1 million (1H2013: EUR 714.2 million). The operating profit (EBITA) amounted to EUR 75.5 million (1H2013: EUR 69.7 million) an increase of 8% or 10.3% of revenue (1H2013: 9.8%). Capital expenditure decreased by 29% to EUR 15.8 million (1H2013: EUR 22.4 million).

The revenue of Industrial Services increased by 7% (organic +6.8%) to EUR 323.4 million (1H2013: EUR 302.3 million). The operating profit (EBITA) amounted to EUR 41.1 million (1H2013: EUR 37.7 million) an increase of 9% or 12.7% of revenue (1H2013: 12.5%). Capital expenditure decreased by 38% to EUR 22.0 million (1H2013: EUR 35.3 million).

Operational developments

Building Installations

Europe showed a different picture per country. Some Western and Eastern European countries slightly improved, mainly as a result of the many initiatives taken in the past years. In most countries the market conditions were still challenging. North America realised a good first six months as the result of strong growth in new products and the joint marketing and sales approach. Both in Europe and North America, own initiatives to strengthen the market position continue to be important, by focusing on specific product lines with growth prospects, continuously improving the marketing and sales approach through more intensive cooperation, further completing the system portfolio and implementing the many efficiency projects to reduce costs and optimally utilising the production resources in the locations.

Climate Control

Good growth was realised during the first half of the year and joint cooperation was further intensified. The optimisation of the sales and distribution channels in the various countries is still fully under development and will be expanded with the product portfolios of the two additional acquisitions (Nexus and Flamco). Efforts were also devoted to improving the joint marketing, an improved approach for specifying projects, educating and training end users and partners and the joint set-up of key account management.

Industrial Controls

This segment had a good first half of the year as well. The activities in the markets for district energy and beer and soft drinks performed well. The oil and gas markets in Eastern Europe and the industrial activities in North America developed well and realised good growth. This was partly thanks to the investments in production capacity for larger dimensions.

A number of promising new product developments were realised in the market for high pressure valve systems for engines for the automotive and truck sector.

Industrial Services

The situations in the different markets varied. The activities in the German automotive and machine build performed well. For the French activities in the automotive and metal and electronics market the conditions were still challenging. The production locations in Poland and China had a slower start, with some improvement in the last months. The semiconductor activities had a good start during the first months of the year, but showed lower order volume in the last few months. The orders and revenue in the turbine and aerospace industries and oil and gas markets increased compared to last year.

Outlook

The focus remains on continuous strengthening of the market positions and achieving sustainable profitable growth. As a result of this focus, the good order position, and the strong motivation to bring the many improvement plans to successful results, it is expected that further progress will be made in 2014 and subsequent years.

For more information (from 8 am CET):

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Attachment: Semi-annual report 2014

Semi-annual report 2014

Consolidated income statement

in EUR million	1H2014	1H2013
REVENUE	1,053.5	1,016.5
Raw materials and work subcontracted	(412.7)	(403.4)
Personnel expenses	(295.3)	(285.8)
Depreciation of property, plant and equipment	(40.6)	(39.7)
Amortisation of intangible assets	(9.0)	(8.8)
Other operating expenses	(188.3)	(180.2)
Total operating expenses	(945.9)	(917.9)
OPERATING PROFIT	107.6	98.6
Net interest expense	(7.1)	(8.0)
Foreign currency exchange results	(0.2)	(1.0)
Derivative financial instruments	-	0.3
Net interest expense on employee benefit plans	(1.2)	(1.3)
Net finance cost	(8.5)	(10.0)
PROFIT BEFORE TAX	99.1	88.6
Tax expenses	(27.8)	(23.9)
NET PROFIT AFTER TAX	71.3	64.7
Attributable to:		
Shareholders	70.3	64.2
Non-controlling interests	1.0	0.5
NET PROFIT BEFORE AMORTISATION	79.3	73.0
Earnings per share before amortisation		
Outstanding	0.72	0.67
Diluted	0.72	0.67

Semi-annual report 2014

Consolidated balance sheet

before amortisation in EUR million	30-06-2014	31-12-2013	30-06-2013
ASSETS			
Goodwill	529.0	513.2	510.5
Other intangible assets	184.1	177.7	190.9
Property, plant and equipment	614.5	616.2	609.8
Deferred income tax assets	20.3	20.4	23.3
Non-current assets	1,347.9	1,327.5	1,334.5
Inventories	478.2	425.0	453.6
Trade receivables	318.1	212.0	325.1
Other current assets	36.7	31.8	36.2
Cash and cash equivalents	0.1	0.1	0.1
Current assets	833.1	668.9	815.0
TOTAL ASSETS	2,181.0	1,996.4	2,149.5
EQUITY AND LIABILITIES			
Shareholders' equity	1,069.4	1,042.3	979.9
Non-controlling interests	12.2	12.1	10.6
Total equity	1,081.6	1,054.4	990.5
Non-current borrowings	136.1	159.4	215.2
Employee benefit plans	65.1	63.8	62.4
Deferred income tax liabilities	72.5	69.5	74.4
Other provisions and long-term liabilities	16.2	9.4	12.0
Non-current liabilities	289.9	302.1	364.0
Current borrowings	362.8	207.8	327.1
Current portion of non-current borrowings	106.5	113.1	126.1
Trade and other payables	216.4	205.5	218.2
Current income tax liabilities	8.2	7.7	11.7
Other current liabilities	115.6	105.8	111.9
Current liabilities	809.5	639.9	795.0
TOTAL EQUITY AND LIABILITIES	2,181.0	1,996.4	2,149.5

Semi-annual report 2014

Consolidated cash flow statement

in EUR million	1H2014	1H2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit	107.6	98.6
Adjustments for:		
Depreciation of property, plant and equipment	40.6	39.7
Amortisation of intangible assets	9.0	8.8
Result on sale of equipment	(0.4)	(0.1)
Changes in provisions and other movements	(2.7)	(1.3)
Changes in inventories	(47.6)	(27.6)
Changes in trade and other receivables	(107.4)	(126.3)
Changes in trade and other payables	21.5	23.5
Changes in working capital	(133.5)	(130.4)
CASH FLOW FROM OPERATIONS	20.6	15.3
Finance expenses paid	(7.1)	(11.5)
Income taxes paid	(29.4)	(24.2)
Net cash from operating activities	(15.9)	(20.4)
Cash flows from investing activities		
Acquisition of subsidiaries	(20.5)	(18.7)
Purchase of property, plant and equipment	(40.8)	(65.3)
Purchase of intangible assets	(1.3)	(1.2)
Proceeds from sale of equipment	1.4	0.6
Net cash from investing activities	(61.2)	(84.6)
Cash flows from financing activities		
Proceeds from non-current borrowings	29.3	19.2
Repayment of non-current borrowings	(59.9)	(72.1)
Dividends paid	(45.3)	(17.3)
Non-controlling interests and other cash flows	(1.1)	(0.3)
Net cash from financing activities	(77.0)	(70.5)
NET CASH FLOW (CHANGE IN CASH AND CURRENT BORROWINGS)	(154.1)	(175.5)
Cash and current borrowings at beginning of period	(207.7)	(150.2)
Net cash flow (change in cash and current borrowings)	(154.1)	(175.5)
Currency differences on cash and current borrowings	(0.9)	(1.3)
Cash and current borrowings as at end of period	(362.7)	(327.0)

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Segment reporting – Flow Control

before amortisation in EUR million	1H2014	1H2013	Delta
Revenue	730.1	714.2	2%
Operating profit (EBITDA)	98.8	93.2	6%
EBITDA as a % of revenue	13.5	13.0	
Operating profit (EBITA)	75.5	69.7	8%
EBITA as a % of revenue	10.3	9.8	
Capital expenditure	15.8	22.4	(29%)
Depreciation	23.3	23.4	-
Average number of employees (x1)	7,610	7,629	-
Number of employees at end of period (x1)	7,613	7,734	(2%)

Segment reporting – Industrial Services

before amortisation in EUR million	1H2014	1H2013	Delta
Revenue	323.4	302.3	7%
Operating profit (EBITDA)	58.4	53.9	8%
EBITDA as a % of revenue	18.1	17.8	
Operating profit (EBITA)	41.1	37.7	9%
EBITA as a % of revenue	12.7	12.5	
Capital expenditure	22.0	35.3	(38%)
Depreciation	17.3	16.3	6%
Average number of employees (x1)	4,981	4,733	5%
Number of employees at end of period (x1)	5,044	4,834	4%

Geographical spread of revenue

before amortisation in EUR million	1H2014 in EUR million	1H2014 in % of revenue	1H2013 in EUR million	1H2013 in % of revenue
United States	216.9	21	199.5	20
Germany	184.9	18	182.0	18
Southern Europe	151.4	14	146.1	14
Benelux	136.6	13	137.3	14
Eastern Europe	99.2	9	100.3	10
United Kingdom	93.7	9	91.7	9
Scandinavia	53.1	5	48.3	5
Middle East, Asia and Africa	52.1	5	47.0	5
Other countries	65.6	6	64.3	6
Total	1,053.5	100	1,016.5	100

Semi-annual report 2014

Consolidated statement of comprehensive income

in EUR million	1H2014	1H2013
Profit for the period	71.3	64.7
Exchange rate differences	3.1	(8.8)
Fair value changes derivative financial instruments	0.8	2.7
Taxes on direct equity movements	(0.4)	(0.5)
Total comprehensive income	74.8	58.1
Attributable to:		
Shareholders	73.8	58.3
Non-controlling interests	1.0	(0.2)

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 2013	27.3	201.1	596.0	(20.6)	135.1	938.9	11.1	950.0
Dividend 2012	0.3	(0.3)	-	-	(17.3)	(17.3)	(0.3)	(17.6)
Addition to other reserves	-	-	117.8	-	(117.8)	-	-	-
Comprehensive income	-	-	-	(5.9)	64.2	58.3	(0.2)	58.1
As at 30 June 2013	27.6	200.8	713.8	(26.5)	64.2	979.9	10.6	990.5
As at 1 January 2014	27.6	200.8	712.9	(33.2)	134.2	1,042.3	12.1	1,054.4
Dividend 2013	-	-	-	-	(45.3)	(45.3)	(0.4)	(45.7)
Addition to other reserves	-	-	88.9	-	(88.9)	-	-	-
Own shares acquired for Performance Share Plan	-	-	(0.7)	-	-	(0.7)	-	(0.7)
Acquisition of non-controlling interests	-	-	(0.7)	-	-	(0.7)	(0.5)	(1.2)
Comprehensive income	-	-	-	3.5	70.3	73.8	1.0	74.8
As at 30 June 2014	27.6	200.8	800.4	(29.7)	70.3	1,069.4	12.2	1,081.6

Semi-annual report 2014

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, 2014 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, 2013. The accounting policies applied in these interim financial statements are the same as those applied in the financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as adopted by the European Union. As of 1 January 2014, IFRS standards 10, 11 and 12 became effective and had no impact on the Group's equity and result.

The interim financial statements have not been audited.

Acquisitions

Aalberts Industries N.V. announced on 13 March 2014 to acquire 100% of the shares of Nexus Valve, Inc. ("**Nexus**"). Nexus is based in Fishers (IN) in North America. With about 60 employees, Nexus generates annual revenues of approximately USD 20 million.

Nexus Valve's results are consolidated effective 1 March 2014 and contributed directly to the earnings per share. However, the impact on revenue and profit over the first six months of 2014 is not material. The acquisition is financed from existing credit facilities.

Subsequent events

On 4 July 2014 Aalberts Industries N.V. announced that it has reached an agreement to acquire 100% of the shares of Flamco Holding B.V. and its subsidiaries ("**Flamco**"), with head office in Bunschoten, the Netherlands. Flamco generates annual revenues of approximately EUR 125 million with 700 employees. The acquisition will be effected after all formalities and approvals are realised. The results of Flamco will be consolidated effective 1 July 2014 and will contribute directly to the earnings per share. The acquisition will be financed from credit facilities.

Aalberts Industries has reached an agreement on 7 July 2014 with the majority shareholders of Impreglon SE ("**Impreglon**"), a public listed company in Germany and has decided to make a public offer on all outstanding shares. The shareholders of Impreglon are offered a consideration of EUR 14.00 in cash per share, which equals a total consideration of approximately EUR 119 million for all outstanding shares. In addition, it is decided to make a public offer in cash of EUR 132.33 plus accrued interest to the holders of convertible bonds issued by Impreglon.

Impreglon, with head office based in Lüneburg, Germany, is expecting annual revenues of approximately EUR 140 million in 2014 and is active worldwide in surface treatment via 31 owned production locations and 4 franchise operations. If the public offer is successful, the results of Impreglon will contribute directly to the earnings per share of Aalberts Industries.

Management Board declaration

The Management Board of Aalberts Industries N.V. declares that, to the best of their 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 financieeltoezicht).

Langbroek, 13 August 2014

Wim Pelsma, Chief Executive Officer
John Eijgendaal, Chief Financial Officer
Oliver Jäger, Executive Director

Financial calendar 2014-2015

Date	Event
23 October 2014	Trading update (before start of trading)
26 February 2015	Publication of annual figures 2014 (before start of trading)
10 March 2015	Publication annual report 2014 (website)
24 March 2015	Registration date for General Meeting
20 April 2015	Trading update (before start of trading)
21 April 2015	General Meeting
13 August 2015	Publication of interim figures 2015 (before start of trading)
22 October 2015	Trading update (before start of trading)
25 February 2016	Publication of annual figures 2015 (before start of trading)