Aalberts Industries

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Press Release

Aalberts Industries more than doubles earnings per share

Headlines 2010

- Revenue +20% to EUR 1,683 million
- Organic revenue growth +12% (at constant exchange rates)
- Added-value* margin from 58.9% to 59.7%
- Operating profit (EBITA) +82% to EUR 179.9 million
- Net profit before amortisation +116% to EUR 117.3 million
- Net profit before amortisation per ordinary share +116% to EUR 1.10
- Decrease in net debt; sharp reduction in leverage ratio to 2.3
- Industrial Services very profitable
- Flow Control retains margins and strengthens market positions
- Acquisition Conbraco Industries in the US

Key figures

in EUR million

	2010	2009	Δ
Revenue	1,682.8	1,404.9	20%
Added-value*	1,004.2	827.6	21%
Added-value* margin in % of revenue	59.7	58.9	
Operating profit (EBITDA)	248.2	168.8	47%
EBITDA in % of revenue	14.8	12.0	
Operating profit (EBITA)	179.9	98.9	82%
EBITA in % of revenue	10.7	7.0	
Net profit before amortisation	117.3	54.2	116%
Average number of ordinary shares (x million)	106.7	106.1	1%
Earnings per share before amortisation (x EUR 1)	1.10	0.51	116%
Total equity as a % of total assets	42.0	39.7	
Net debt	593.7	630.6	(6%)
Leverage ratio: Net debt/EBITDA (12 month rolling)	2.3	3.4	
Interest cover: EBITDA/Net interest expense (12 month rolling)	10.4	5.8	
Net debt/Total equity	0.8	1.0	
Cash flow (net profit + depreciation + amortisation)	185.6	124.1	50%
Capital expenditure	63.2	45.1	40%
Net working capital	304.0	243.6	25%
Number of employees at end of period (x1)	11,536	9,999	15%
Effective tax rate in %	23.7	18.4	

* Revenue minus raw materials and work subcontracted

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Jan Aalberts, President & CEO: *"In 2010 the company recovered well and developed further. We had expected to recover from the difficult market situation of 2009 based on our continued strategy and business operations. This expectation was confirmed. Revenue rose by 20% and net profit more than doubled. The added-value margin improved, the net cash flow was positive and stringent cost management and active control of the working capital contributed largely to further strengthening the financial positions.*

Not all markets that are important to us recovered to the same extent and at the same speed. Nonetheless, we won ground on various markets. The takeover of Conbraco was an important step towards strengthening the North-American market position.

The good course of affairs at Industrial Services was mainly thanks to positive developments on the semiconductor, automotive and precision engineering markets in particular, in combination with increased innovation and commercial power efforts. At Flow Control the recovery on a number of markets, the more intensive collaboration between the group companies and the accelerated grouping of sales and distribution power were contributory factors.

We are pleased to have learned from the Court of first instance in Luxembourg that the ruling on the appeal concerning the in 2006 imposed penalty by the European Commission will take place on 24 March 2011.

We remain committed to our strategy and objectives, continue to keenly observe costs, put extra energy into the further expansion of our commercial activities and endeavour to assist our customers with high quality, innovative products and excellent service. We are convinced that in 2011 we will again live up to the confidence that our customers and partners have in us."

Financial results

Revenue The revenue for 2010 was EUR 1,683 million (2009: EUR 1,405 million), an increase of 20%. The organic revenue growth was 12% (at constant exchange rates).

Added-value margin The added-value (revenue less raw materials and work subcontracted) was EUR 1,004.2 million in 2010 and rose to 59.7% of revenue (2009: EUR 827.6 million 58.9% of revenue).

Operating profit The operating profit before depreciation and amortisation (EBITDA) rose by 47% to EUR 248.2 million (2009: EUR 168.8 million). The EBITDA margin was 14.8% of the revenue (2009: 12.0%), at Flow Control 13.3% (2009: 13.8%) and at Industrial Services 18.7% (2009: 6.8%).
In 2010 depreciation and amortisation amounted to EUR 81.2 million (2009: EUR 82.7 million). The operating profit after depreciation and before amortisation (EBITA) increased by 82% to EUR 179.9 million (2009: EUR 98.9 million).

Net finance cost In 2010 the net finance cost amounted to EUR 27.5 million (2009: EUR 34.6 million) of which net interest expenses were EUR 26.7 million (2009: EUR 32.3 million). This drop was thanks to the average lower interest percentages and lower surcharges of the banks due to the strongly improved leverage ratio.

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Balance sheet ratios At the end of 2010 total equity amounted to EUR 745.7 million (2009: EUR 626.5 million), 42.0% of the balance sheet total (2009: 39.7%). Net debt at the end of the year was EUR 593.7 million (2009: EUR 630.6 million). Solid balance sheet ratios were maintained which is also evidenced by the development of the three ratios important for the company: the leverage ratio improved from 3.4 to 2.3; the interest cover ratio went from 5.8 to 10.4 and the gearing was 0.8 compared to 1.0 in 2009.

Net profit Net profit before amortisation for 2010 was EUR 117.3 million (2009: EUR 54.2 million), an increase of 116%. Net profit (before amortisation) per outstanding ordinary share for 2010 was EUR 1.10 (2009: EUR 0.51), an increase of 116%.

Capital expenditure and cash flow In 2010 capital expenditure was EUR 63.2 million (2009: EUR 45.1 million) of which EUR 21.6 million at Industrial Services and EUR 41.6 million at Flow Control.
At the end of 2010 the net working capital was EUR 304.0 million (at the end of 2009: EUR 243.6 million). The cash flow (net profit+depreciation+amortisation) amounted to EUR 185.6 million in 2010 (2009: EUR 124.1 million). The cash flow from operations for 2010 was EUR 235.4 million (2009: EUR 240.5 million). This clearly indicates the strong cash flow generating capabilities of Aalberts Industries.

Dividend proposal A proposal will be made to the General Meeting to set the dividend for 2010 at EUR 0.28 in cash per ordinary share or at the shareholders' discretion in ordinary shares. This will continue Aalberts Industries' policy of appropriating approximately 25% of the achieved net profit before amortisation for dividend payment. This means an increase of 115% in 2010 compared to 2009 (EUR 0.13). The stock dividend conversion ratio will be determined on May 18, 2011 after trading.

Operational developments

Industrial Services In 2010 Industrial Services' revenue increased by 29% to EUR 464.8 million (2009: EUR 361.0 million), of which 27.9% was organic. The operating profit before depreciation and amortisation (EBITDA) was EUR 86.8 million (2009: EUR 24.4 million), 18.7% of the revenue compared to 6.8% in 2009. The EBITA was EUR 58.1 million (2009: EUR 6.4 million negative). The added-value margin of this group activity was 79.5%.

The considerable volume growth at existing and new customers in 2010 led to a rapid recovery of profitability. In particular the improvements on the semiconductor, automotive and precision engineering markets ensured a strong increase in demand.
The semiconductor industry developed well. There was a strong demand for engineering, production and assembly of systems and frames for semiconductor machines. Systems were also supplied for a new generation of machines.
The demand from the automotive industry showed a strong recovery in practically all countries, in particular the high-quality car segment in Germany. Various new products and processes were introduced. Examples of these include the treatment of exhaust systems for trucks and the surface treatment of turbo parts.
Throughout the year, the precision engineering market showed healthy recovery, in particular for industrial products.

Various successful initiatives were undertaken in the medical segment to expand market positions.
The turbine industry in the United States underwent favourable developments. Heat treatment of parts in the North American branches took place on a large scale in 2010, in particular due to an increase in activities for the overhaul of gas turbines. Parts for a recently introduced aircraft jet engine were also treated.
The market remained stable in the defence area. This also applied for the energy sector even though the number of new products on this market increased.

In the second half of the year the activities in the heat treatment field increased in the United Kingdom and Spain. Sales organisations in France and Germany were reinforced and with a view to future growth various new products and processes were introduced. The volume of surface treatment for piston parts grew strongly in Poland. Vacuum soldering activities in the Netherlands showed strong growth, in particular in the semiconductor industry. In China, Industrial Services was particularly successful with fine precision stamping parts for the metal and electronics industry.

Flow Control In 2010 this group activity achieved a revenue of EUR 1,218.0 million (2009: EUR 1,043.9 million), an increase of 17%, of which 7.5% was organic. The operating profit before depreciation and amortisation (EBITDA) was EUR 161.4 million (2009: EUR 144.4 million) and therefore 13.3% of revenue (2009: 13.8%). The EBITA was EUR 121.8 million (2009: EUR 105.3 million), an increase of 16%. The added-value margin of this group activity was 52.1%.

The residential new-build market remained at a low level whereas the renovation and maintenance market demonstrated stability. The decrease in the commercial building market was compensated by the increased quantity of products per project. Developments were clearly positive in the field of utility networks, district heating and floor heating for buildings. The product offer of control systems for water was expanded and combined with energy efficiency systems to an increasing extent. New activities for fire protection had an excellent start, mainly focused on Europe and the United States. New contracts were entered into in shipbuilding. Development of activities for the beer and soft drink industry were also positive.

In the Netherlands, despite the small number of new-build projects, sales were somewhat compensated by the introduction of new group products (cross selling) and increased sales in floor heating, plastic and metal piping systems and balancing valves. The utility market showed a favourable development, in particular from the second quarter onwards. The market developed well in Belgium.
After a hesitant start in Scandinavia, market circumstances improved halfway through 2010. In Sweden and Norway positions on the utility markets were strengthened and the first orders for the new fibre-reinforced composite piping systems were recorded.
A positive trend was seen in Russia, Poland and the Czech Republic from halfway through 2010, which continued further throughout the year. The district heating market was particularly favourable in Russia.
Healthy growth was recorded in Germany, despite a reticent market, in particular due to the increased revenue in many group products. The number of projects for high-pressure gas valves and regulators also increased in the market.

In the United Kingdom, the housing and commercial market remained at a low level; the renovation and maintenance market maintained a stable level. Market shares were reinforced and various new products were put onto the market, including a number of industrial products from Conbraco.
In France, the sales organisation was reinforced in various areas. The sale of group products was given more form. The various product development processes were put into effect.
In Spain and Portugal bad market circumstances continued. There was growth in the field of new sanitary products.
The markets in the Middle East showed strong growth. Market positions were further expanded, inter alia with additional sanitary tap systems and many group products (cross selling).
Despite price pressure in the United States, margins were maintained in a number of segments. A positive impulse was felt on the acquisition of Conbraco. The portfolio was further expanded with a number of strong branded products and additional market segments, such as the industrial segment. A start was made on combining sales and distribution organisations in the United States and marketing complete product packages focused on specific market segments.

Organisation and Employees

The average number of employees increased from 10,241 to 11,042. At the end of 2010 the number of employees was 11,536 (at the end of 2009: 9,999). This increase was mainly thanks to the takeover of more than 1,000 employees from Conbraco in the United States.

Outlook

A wider recovery in various markets, an active market approach and the increased order position will lead to further improvement of the earnings per share in 2011 - barring unforeseen circumstances.
Solid balance sheet ratios remain maintained due to the continuing large amount of attention given to profitability and the control of working capital and costs.

Attachments:

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KEY FIGURES	2010	2009	2008	2007	2006
Result (in EUR million)					
Revenue	1,682.8	1,404.9	1,750.8	1,702.5	1,440.3
Added-value*	1,004.2	827.6	1,014.8	978.8	874.7
Operating profit (EBITDA)	248.2	168.8	251.6	254.2	222.1
Operating profit (EBITA)	179.9	98.9	181.5	193.3	168.1
Net profit before amortisation	117.3	54.2	105.0	128.0	107.5
Depreciation	68.3	69.9	70.1	60.9	54.0
Cash flow** (net profit+depreciation)	185.6	124.1	175.1	188.9	161.4
Cash flow from operations	235.4	240.5	264.5	230.1	186.0
Balance sheet (in EUR million)					
Intangible fixed assets	609.2	584.8	594.7	410.2	340.1
Property, plant and equipment	530.4	493.6	516.3	444.9	378.0
Capital expenditure	63.2	45.1	110.5	108.8	77.3
Net working capital	304.0	243.6	315.8	292.0	265.8
Total equity	745.7	626.5	587.0	538.2	387.6
Net debt	593.7	630.6	765.2	524.9	532.9
Total assets	1,777.5	1,577.9	1,703.4	1,434.5	1,278.9
Number of staff at year-end					
Industrial Services	4,026	3,706	4,253	4,356	4,086
Flow Control	7,494	6,276	6,608	6,544	5,264
Other	16	17	19	18	20
Total	11,536	9,999	10,880	10,918	9,370
Ratios					
Added-value* as a % of revenue	59.7	58.9	58.0	57.5	60.7
EBITDA as a % of revenue	14.8	12.0	14.4	14.9	15.4
EBITA as a % of revenue	10.7	7.0	10.4	11.4	11.7
Interest cover ratio (twelve months-rolling)	10.4	5.8	6.0	7.3	8.8
Net profit** as a % of revenue	7.0	3.9	6.0	7.5	7.5
Total equity as a % of balance sheet total	42.0	39.7	34.5	37.5	30.3
Net debt / total equity	0.8	1.0	1.3	1.0	1.4
Leverage ratio (twelve months-rolling)	2.3	3.4	2.9	2.0	2.3
Shares issued (x million)					
Ordinary shares (average)	106.7	106.1	103.3	101.7	98.2
Ordinary shares (at year-end)	106.7	106.1	103.3	102.0	98.2
Cumulative preference shares	-	-	0.45	1.00	1.55
Figures per ordinary share (in EUR 1)					
Cash flow**	1.74	1.17	1.69	1.86	1.64
Net profit**	1.10	0.51	1.02	1.26	1.09
Dividend**	0.28	0.13	0.28	0.32	0.28
Share price at year-end	15.77	10.09	5.06	13.60	16.38

* Added value = Revenue minus raw materials and work subcontracted
** Before amortisation

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CONSOLIDATED INCOME STATEMENT

in EUR million

	2010	2009
Revenue	**1,682.8**	**1,404.9**
Raw materials and work subcontracted	(678.6)	(577.3)
Personnel expenses	(473.9)	(412.1)
Depreciation of property, plant and equipment	(68.3)	(69.9)
Amortisation of intangible fixed assets	(12.9)	(12.7)
Other operating expenses	(282.1)	(246.8)
Total operating expenses	**(1,515.8)**	**(1,318.8)**
Operating profit	**167.0**	**86.1**
Interest income	7.9	5.5
Interest expense	(34.6)	(37.8)
Foreign exchange results	(2.4)	(2.8)
Derivative financial instruments	1.6	0.5
Net finance cost	**(27.5)**	**(34.6)**
Profit before tax	**139.5**	**51.5**
Tax expenses	(33.1)	(9.5)
Profit after tax	**106.4**	**42.0**
Attributable to:		
Ordinary shareholders	104.4	41.5
Minority interest	2.0	0.5
Net profit before amortisation	**117.3**	**54.2**
Earnings per ordinary share before amortisation		
Basic	1.10	0.51
Diluted	1.10	0.51

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CONSOLIDATED BALANCE SHEET before profit appropriation in EUR million	31 December 2010	31 December 2009
ASSETS		
Goodwill	465.0	446.4
Other intangible fixed assets	144.2	138.4
Property, plant and equipment	530.4	493.6
Deferred income tax assets	20.6	19.7
Non-current assets	**1,160.2**	**1,098.1**
Inventories	386.7	298.4
Trade receivables	199.9	153.7
Other current assets	30.6	27.6
Cash and cash equivalents	0.1	0.1
Current assets	**617.3**	**479.8**
Total assets	**1,777.5**	**1,577.9**
EQUITY AND LIABILITIES		
Shareholders' equity	732.5	615.6
Minority interests	13.2	10.9
Total equity	**745.7**	**626.5**
Non-current borrowings	414.6	468.4
Employee benefit plans	26.6	27.9
Deferred income tax liabilities	51.1	38.2
Other provisions and long term liabilities	21.1	5.7
Non-current liabilities	**513.4**	**540.2**
Current borrowings	49.8	54.0
Current portion of non-current borrowings	129.4	108.2
Trade and other payables	223.0	160.5
Current income tax liabilities	8.3	0.5
Other current liabilities	107.9	88.0
Current liabilities	**518.4**	**411.2**
Equity and liabilities	**1,777.5**	**1,577.9**

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CONSOLIDATED CASH FLOW STATEMENT

in EUR million

	2010	2009
Cash flows from operating activities		
Operating profit	167.0	86.1
Adjustments for:		
Depreciation of property, plant and equipment	68.3	69.9
Amortisation of intangible fixed assets	12.9	12.7
Result on sale of equipment	1.2	0.3
Changes in provisions and other movements	(1.2)	(3.0)
Changes in inventories	(41.6)	66.6
Changes in trade and other receivables	(23.9)	27.3
Changes in trade and other payables	52.7	(19.4)
Changes in working capital	(12.8)	74.5
Cash flow from operations	**235.4**	**240.5**
Net finance expenses paid	(27.7)	(38.2)
Income taxes paid	(22.3)	(6.1)
Net cash from operating activities	**185.4**	**196.2**
Cash flows from investing activities		
Acquisition of subsidiaries	(72.3)	(1.8)
Purchase of property, plant and equipment	(58.7)	(50.3)
Purchases of intangible fixed assets	(2.1)	(1.8)
Proceeds from sale of equipment	2.8	3.5
Net cash from investing activities	**(130.3)**	**(50.4)**
Cash flows from financing activities		
Proceeds from non-current borrowings	72.3	0.2
Repayment of non-current borrowings	(118.8)	(83.1)
Dividends paid	(6.7)	(10.7)
Dividend minority interests	(0.1)	-
Net cash from financing activities	**(53.3)**	**(93.6)**
Net increase in cash and current borrowings	**1.8**	**52.2**
Cash and current borrowings at beginning of period	(53.9)	(107.7)
Net increase in cash and current borrowings	1.8	52.2
Currency differences on cash and current borrowings	2.4	1.6
Cash and current borrowings as at end of period	**(49.7)**	**(53.9)**

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SEGMENT REPORTING

in EUR million

Industrial Services	2010	2009	Δ
Revenue	464.8	361.0	29%
Operating profit (EBITDA)	86.8	24.4	256%
EBITDA as a % of revenue	18.7	6.8	
Operating profit (EBITA)	58.1	(6.4)	
EBITA as a % of revenue	12.5	(1.8)	
Capital expenditure	21.6	10.0	116%
Depreciation	28.7	30.8	(7%)
Average number of employees (x1)	3,911	3,847	2%
Number of employees at end of period (x1)	4,026	3,706	9%

Flow Control	2010	2009	Δ
Revenue	1,218.0	1,043.9	17%
Operating profit (EBITDA)	161.4	144.4	12%
EBITDA as a % of revenue	13.3	13.8	
Operating profit (EBITA)	121.8	105.3	16%
EBITA as a % of revenue	10.0	10.1	
Capital expenditure	41.6	35.1	19%
Depreciation	39.6	39.1	1%
Average number of employees (x1)	7,115	6,376	12%
Number of employees at end of period (x1)	7,494	6,276	19%

GEOGRAPHIC SPREAD OF THE REVENUE	2010 in EUR million	2010 in % of revenue	2009 in EUR million	2009 in % of revenue
Germany	286.1	17	241.4	17
Benelux	251.2	15	226.4	16
United States	248.7	15	149.9	11
France	193.1	11	172.0	12
United Kingdom	186.7	11	174.9	12
Eastern Europe	176.3	11	152.1	11
Scandinavia	85.7	5	73.1	5
Spain & Portugal	51.2	3	51.3	4
Other European countries	88.8	5	82.2	6
Other countries outside Europe	115.0	7	81.6	6
Total	**1,682.8**	**100**	**1,404.9**	**100**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME in EUR million	2010	2009
Profit financial year	106.4	42.0
Exchange rate differences	19.0	6.0
Fair value changes derivative financial instruments	0.2	3.4
Taxes on direct equity movements	(0.5)	(1.1)
Total result	**125.1**	**50.3**
Attributable to:		
Ordinary shareholders	122.7	49.4
Minority interest	2.4	0.9

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)	-	-	(10.8)	**(10.8)**	(0.1)	**(10.9)**
Addition to other reserves	-	-	82.0	-	(82.0)	**-**	-	**-**
Contribution and acquisitions	-	-	-	-	-	**-**	0.1	**0.1**
Total result	-	-	-	7.9	41.5	**49.4**	0.9	**50.3**
As at 31 December 2009	**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)**
Addition to other reserves	-	-	34.8	-	(34.8)	**-**	-	**-**
Share-based payments	-	-	0.9	-	-	**0.9**	-	**0.9**
Total result	-	-	-	18.3	104.4	**122.7**	2.4	**125.1**
As at 31 December 2010	**26.7**	**201.7**	**418.8**	**(19.1)**	**104.4**	**732.5**	**13.2**	**745.7**

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FINANCIAL CALENDAR

Subject to change

10 March 2011	Publication annual report 2010 (website)
24 March 2011	Registration date for the General Meeting
20 April 2011	Trading update (before start of trading)
21 April 2011	General Meeting at the Okura Hotel in Amsterdam, starting 14.00h
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)
26 April 2012	General Meeting

*The stock dividend conversion ratio 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, in such a way that the value of the dividend in shares is substantially the same as the value of the cash dividend.