Press release

Aalberts Industries

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

Aalberts Industries posts 17% rise in net profit, revenue more than EUR 1 billion

2005 good year with stable growth

Highlights 2005

- Increase in revenue 18% to more than EUR 1 billion
- Net profit rose by 17% to EUR 83.1 million
- Earnings per share EUR 3.41, an increase of more than 16%
- Cash flow from operations EUR 176.7 million, an increase of 42%
- Dividend goes up 21% to EUR 0.85
- Capital base increases to 34% of total assets
- Realisation of eight acquisitions
- Preparation acquisition Comap (France)
- New products for American Flow Control market

Key figures (before amortisation)
in EUR x million

	2005	2004	Change
Revenue	**1,055.0**	897.7	18%
Operating profit (EBITA)	**120.4**	106.5	13%
Net profit	**83.1**	70.8	17%
Average number of ordinary shares	**24.4**	24.2	1%
Earnings per ordinary share (x EUR 1)	**3.41**	2.93	16%
Cash flow (net profit plus depreciation)	**129.8**	111.3	17%
Cash flow from operations	**176.7**	124.8	42%
Capital base as a % of total assets	**34.0**	32.5	
Interest-bearing debt	**439.4**	408.6	8%
Interest cover (EBITA/Net finance cost)	**7.0**	6.5	
Gearing (Interest-bearing debt/Total equity)	**1.5**	1.8	

Jan Aalberts, President & CEO: *"Growth in 2005 was good, the more so if we take account of the excellent results for 2004. Again the group proved that its selected strategy, combined with its decentralised organisation, enables it year after year to create growth, even under still generally moderate economic conditions. Organic growth, too, was good in all but a few of the group's activities...*

The pace at which we introduce new products to the market is high, witness the introduction of new press and push fittings in the United States...

The eight acquisitions we made in 2005 have again given us better market positions that will stand us in good stead in the years ahead. The continuous price rises in raw materials and energy require extra efforts on the part of our group companies, also in the period ahead, despite the fact that we are in a position to pass on these price rises to the market…

This year has started well and our order book is in good shape; we are counting on another good year."

Financial results (before amortisation)

Revenue increased to EUR 1,055 million, an increase of 18%. The organic growth in revenue was approximately 3%. The operating profit, which closed at EUR 120.4 million, was up by 13% on 2004. The cash flow (net profit plus depreciation) amounted to EUR 129.8 million, which is 17% more than in 2004. Net profit for 2005 rose by 17% to EUR 83.1 million. The earnings per ordinary share amounted to EUR 3.41, up by 16%.

Return

The return on capital employed amounted to some 15%, as it did in 2004. Equity at the end of 2005 amounted to EUR 302.2 million while the capital base reached 34% of total assets (EUR 332.8 million compared to EUR 267.7 million as at the end of 2004).
Interest-bearing debt increased to EUR 439.4 million (EUR 408.6 million at the end of 2004).
Changes in the principal financial ratios were as follows:

Ratios

- Debt service ratio (interest bearing debt/EBITDA) from 2.8 to 2.6
- Interest rate cover from van 6.5 to 7.0
- Gearing (interest bearing debt/total equity) from 1.8 to 1.5

Dividend

In conformity with Aalberts Industries' policy to consistently set aside some 25% of the profit achieved for dividend distribution purposes, the Annual General Meeting of Shareholders will be asked to declare a dividend for 2005 of EUR 0.85 per ordinary share having a nominal value of EUR 1.00. The dividend is payable in cash or, at the option of shareholders, in the form of ordinary shares, chargeable to the tax-exempt share premium account or to the unappropriated profit. This amounts to a dividend increase of 21% (2004: EUR 0.70 in cash). The stock dividend will be determined after trading on 17 May 2006 based on the volume weighted average price of all Aalberts Industries N.V. shares traded on 11, 12, 15, 16 and 17 May 2006, in such a way that the value of the dividend in shares is substantially the same as the value of the cash dividend.

Operational developments

Industrial Services

The growth in revenue of Industrial Services was driven largely by the acquisitions in France, Spain and the United States. Organic growth was limited owing to the less auspicious market conditions in 2005. Improved market conditions prevailed in the last months of 2005, however.

France

The Industrial Services activities in France were able to grow substantially, both organically and through acquisitions. Orders for large product packages were again secured from leading customers in the automotive, aerospace and electro-technical industries. Preparations for the expected revival in the production of parts for nuclear installations started at the end of 2005. In the bio-medical industry, progress was made in strengthening the market position in the field of prostheses.

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The two acquisitions in the area of material technology increased the service centre network in France by six additional locations. The acquisition of SGI has made Aalberts Industries into the market leader in France in the field of surface treatments for the aerospace industry specialised in the treatment of very large aircraft components (including wings for Dassault and Airbus parts). Apart from the aerospace industry, SGI will strengthen Aalberts Industries' position in the French automotive industry as well. This is also true of the C.G. Industrie group taken over in 2005, which is established in the industrial area around Lyon. C.G Industrie will be expanded in the coming years into an important service centre for both heat and surface treatments.

Netherlands

While the Industrial Services activities in the Netherlands had to contend with a quiet market in the first nine months of the year, they experienced an upward trend, notably in the last three months of 2005. The Industrial Products Group secured orders for large product packages in the defence, oil & gas, and semi-conductor industries. Developments in 2005 confirmed the need for the strategy since put in place to cluster Industrial Services around sophisticated, specialised technologies, and use these clusters as a platform from which to build strong positions in the market based on sophisticated technologies.

Poland

Business in Poland is promising and the Industrial Services activities in this country are set to grow significantly in the years ahead. The dearth of high-tech sub-contractors in Poland who can serve the growing assembly needs of important customers offers Aalberts Industries good opportunities. A start will accordingly be made on new production facilities in Poland in 2006.

Spain

The Spanish heat treatment activities were expanded through the takeover of Industrias Tey. The company has high-tech knowledge, notably in the area of vacuum heat treatments and is one of the main suppliers to the Spanish, and to a lesser extent the French, aerospace industries.

United States

With the takeover of Accurate Brazing (United States) Aalberts Industries is taking the next modest, yet high-quality step in the context of its Industrial Services strategy there. The takeover is the start of a network of service centres in the United States, which currently consists of three establishments.

Capital expenditure

Capital expenditure in 2005 amounted to EUR 40 million, which was some 70% higher than in 2004 (EUR 23.5 million).

Flow Control

Growth

The revenue of Flow Control was up by more than 28%. In all regions, with the exception of Germany, revenue growth amounted to at least 9%. Organic increase in revenue was 5%, and was boosted by the acquisitions' contribution to turnover.

The drop in turnover in Germany, attributable in part to the disposal of a number of product groups, was larger than planned. This was due to the weak market conditions during a large part of 2005. An upward trend set in by the end of that year.

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The consistently implemented combined multi-brand strategy (combination of strong local/regional trade name with relevant brand names) contributed also in 2005 to further strengthening the market position in the various countries. Aalberts Industries' product portfolio, which is still growing, makes it into one of the few international providers of a broad, complementary package of Flow Control products for drinking water, gas and heating applications.

Multi-brand strategy

Growth in high-tech steel and stainless steel products in 2005 was spectacular, and this trend may well continue in the years ahead. This growth is supported by a substantial capital expenditure programme that has provided Aalberts Industries with fully automated production facilities for these products. Not only does this yield considerable efficiency benefits, it also ensures constant high product quality.

United States

In the United Kingdom and the United States, significant efforts were spent on meeting the 2005 fourth quarter delivery deadline to supply the new products to the American market. In addition to significant marketing efforts in the US, this also meant extra pressure on both product development and product organisation in the United States, the United Kingdom and Hungary. The first products were supplied to the US market by the end of 2005. These products have already achieved wide market acceptance, and prospects for 2006 are good.

United Kingdom

In the United Kingdom, the takeover of Pegler strengthened Aalberts Industries' position and added a full, complementary product package in the field of heating (thermostatic radiator valves) and drinking water (sanitary fittings). The close collaboration in the area of sales between Pegler and Yorkshire Fittings adds to the market penetration of both organisations. Collaboration in the production sphere should produce efficiency improvements and purchasing benefits that will become apparent in 2006.

Germany

The German Flow Control organisation was under pressure from the market and had to implement significant cost savings programmes, which went hand in hand with a substantial reduction in the number of employees. The extra costs of these organisational adjustments depressed the results of the German Flow Control activities. A clear improvement in operations became evident in the last quarter. Implementation of the adjustments has put the German activities in a good position to improve their results, even in moderate market conditions. The enhanced integration of the sales organisation in particular will play an important part in this.

Spain

With the takeover of Hidroaplicaciones (Spain), Aalberts Industries has distinctly broadened its Spanish market. The takeover means that the group has become a significant player in the Spanish utility market (water supply and gas companies). Organic developments in this market were positive as well, thanks in part to the introduction of a number of new product lines.

Eastern Europe

In terms of size, turnover in Eastern Europe still constitutes a modest slice of total Flow Control turnover, yet growth in both revenue and profitability was above average. The main markets in Eastern Europe, Poland and Russia again achieved significant increases in revenue. In a growing number of other East European markets, the group was able to build market positions that can be enlarged in the years ahead.

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We started our own purchasing organisation in China in the first half of 2005. It provides group companies with support in their purchasing activities in China. This includes direct support, including logistics issues, as well as selecting suppliers on the basis of quality, reliability and continuity. The Chinese team carried out a large number of supplier audits in 2005 and provided the companies with assistance in price negotiations.

China

Broen was able to expand the sale of its products in China and strengthened its position, albeit to a limited extent, in the Chinese market. In the coming years, the activities of Flow Control in China will be focusing more strongly on the sale of the group's total product range. Other than the two Broen sales outlets, preparations for the first steps in this regard were undertaken in 2005 and will be completed in 2006.

Dispense systems

The dispense activities were consolidated through the takeover of Kall Kühl- und Schanksysteme (Germany). It provides the group with its own cooling technology that is applied in the dispense systems for low-alcohol beverages (beers) and soft drinks. Growth in the dispense systems for the automotive industry (natural gas) moved ahead well in 2005. VTI, our German subsidiary that developed these patented systems, will be expanding its production capacity considerably in the coming years to be able to meet the demand. The first long-term contacts for the supply of these systems were concluded in the second half of 2005.

These positive developments signal the completion of VTI's transformation into a producer of high-tech systems and have enabled the organisation significantly to improve the quality of its market position.

Capital expenditure

With an amount of some EUR 24 million in 2005, Flow Control exceeded its 2004 capital expenditure by nearly 40%. Among the large capital expenditure projects were the development and production of the new fittings for the US market and the long-term capital expenditure programme for steel and stainless steel fittings.

Organisation

Decentralised organisation

In the opinion of the Management Board, the decentralised organisational structure, which leaves all operational responsibilities in the hands of local management, is still the best way for the growth of the group as a whole to be managed at holding company level.

In the eyes of the Management Board, quality, speed, flexibility and own initiative are key elements in this regard. For the Management Board, stimulating mutual collaboration in the market, in product development, production and purchasing is also one of its most important challenges.

Management and control of the decentralised structure has the continuous attention of the Management Board, and with this in mind the holding company's financial staff was strengthened in 2005.

Number of staff

The number of employees rose from more than 7,100 to 8,000 in 2005. This increase is due to the eight acquisitions completed in 2005 and a considerable increase in the number of employees in Eastern Europe. For several activities, the number of jobs was reduced thanks to efficiency improvements and adjustments to market conditions. The largest reduction took place in Germany where various companies were streamlined. It has put them in a better position to operate successfully, even under difficult market conditions, and make the most of their enhanced efficiency once the German economy shows an upward trend.

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Outlook

Growth

The good results for 2005 confirm that, even under moderate general economic conditions, the group is able year after year and under its own steam to achieve healthy growth both organically and by means of acquisitions. The capital expenditure in 2005 directed at the market as well as at products and production resources and the full consolidation of the eight acquisitions will contribute to continuation of this growth in 2006.

Comap acquisition

The takeover of Comap (France), announced early 2006, will exert a positive influence on growth.

Strong market positions

Financial position

The strong market positions Aalberts Industries occupies in many countries means that the group is set to benefit from the expected revival in the overall economic conditions in the various regions. Moreover, based on its healthy financial position, the company will continue to pursue its acquisition policy unchanged in 2006.

Barring unforeseen circumstances, the Management Board accordingly expects earnings per share in 2006 to increase in line with the average growth of the past years.

Annexes:

- Consolidated balance sheet
- Consolidated income statement
- Consolidated cash flow statement
- Key figures
- Segment reporting
- Financial agenda 2006

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CONSOLIDATED BALANCE SHEET

before profit appropriation in EUR x million

	31-12-2005	31-12-2004
ASSETS		
Goodwill	249.5	216.8
Other intangible assets	39.1	11.8
Property, plant and equipment	321.6	269.9
Investments in associated companies	0.1	0.1
Deferred tax assets	6.9	6.2
Non-current assets	**617.2**	**504.8**
Inventories	195.8	183.3
Trade receivables	146.3	117.7
Other current assets	18.5	17.8
Cash and cash equivalents	0.2	0.1
Current assets	**360.8**	**318.9**
Total assets	**978.0**	**823.7**
EQUITY AND LIABILITIES		
Shareholders' equity	298.5	224.5
Minority interests	3.7	2.3
Total equity	**302.2**	**226.8**
Non-current borrowings	255.2	197.6
Cumulative preference shares	30.6	40.8
Employee benefit plans	28.2	28.1
Deferred tax liabilities	9.6	8.7
Other provisions	4.7	4.2
Non-current liabilities	**328.3**	**279.4**
Current borrowings	88.3	115.9
Current portion of non-current borrowings	65.2	54.3
Trade and other payables	103.7	70.8
Other current liabilities	90.3	76.5
Current liabilities	**347.5**	**317.5**
Total equity and liabilities	**978.0**	**823.7**

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CONSOLIDATED INCOME STATEMENT

in EUR x million

	2005	2004
Revenue	**1,055.0**	**897.7**
Other income	9.6	6.0
Total operating income	**1,064.6**	**903.7**
Raw materials and work subcontracted	364.4	296.8
Personnel expenses	331.0	288.7
Depreciation of property, plant and equipment	46.7	40.4
Amortisation of intangible assets	4.3	2.2
Other operating expenses	202.1	171.3
Total operating expenses	**948.5**	**799.4**
Operating profit	**116.1**	**104.3**
Net finance cost	17.1	16.3
Profit before tax	**99.0**	**88.0**
Tax expenses	19.0	18.2
Profit after tax	**80.0**	**69.8**

Attributable to:		
Ordinary shareholders	78.8	68.6
Minority interest	1.2	1.2
Earnings per ordinary share		
Basic – before amortisation	3.41	2.93
Diluted – before amortisation	3.40	2.92

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CONSOLIDATED CASH FLOW STATEMENT

in EUR x million

	2005	2004
Cash flows from operating activities		
Operating profit	116.1	104.3
Adjustments for:		
Depreciation of property, plant and equipment	46.7	40.4
Amortisation of intangible assets	4.3	2.2
Changes in provisions	(1.4)	(2.7)
Changes in inventories	2.6	(18.6)
Changes in trade and other receivables	(2.3)	(0.4)
Changes in trade and other payables	10.7	(0.4)
Changes in working capital	11.0	(19.4)
Cash generated from operations	**176.7**	**124.8**
Finance income received	4.4	3.9
Finance expense paid	(20.9)	(20.2)
Income taxes paid	(14.3)	(10.7)
Net cash from operating activities	**145.9**	**97.7**
Cash flows from investing activities		
Acquisition of subsidiaries	(93.4)	(70.0)
Capital expenditure	(60.3)	(40.5)
Purchases of intangible assets	(1.5)	(1.7)
Proceeds from sale of equipment	3.0	2.7
Other movements	(4.0)	2.5
Net cash from investing activities	**(156.2)**	**(106.9)**
Cash flows from financing activities		
Proceeds from issue of share capital	0.2	0.1
Proceeds from non-current borrowings	112.5	60.9
Repayment of non-current borrowings	(77.6)	(67.0)
Dividends paid	(10.0)	(2.8)
Other movements	12.8	(5.6)
Net cash from financing activities	**37.9**	**(14.4)**
Net increase / (decrease) in cash and current borrowings	**27.6**	**(23.6)**
Cash and current borrowings at beginning of period	(115.8)	(92.2)
Cash and current borrowings at end of period	(88.2)	(115.8)

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KEY FIGURES

before amortisation

	2005	2004	2003	2002	2001
	IFRS		Dutch GAAP		
Result *(in EUR x million)*					
Total operating income	1,064.6	903.7	775.1	715.2	614.1
Revenue	1,055.0	897.7	784.6	706.1	603.7
Operating profit (EBITA)	120.4	106.5	88.1	84.2	68.9
Net profit	83.1	70.8	53.7	47.0	37.8
Depreciation	46.7	40.4	41.7	39.4	32.9
Cash flow (net profit plus depreciation)	129.8	111.3	95.3	86.4	70.6
Cash flow from operations	176.7	124.8	144.1	120.6	98.1
Balance sheet *(in EUR x million)*					
Intangible fixed assets	288.6	228.6	201.7	199.4	95.6
Property, plant and equipment	321.6	269.9	226.5	240.1	205.2
Capital expenditure	64.5	40.3	32.5	30.8	46.4
Total equity	302.2	226.8	213.3	181.5	90.9
Capital base	332.8	267.7	228.5	211.8	136.4
Interest-bearing debt	439.4	408.6	338.2	394.8	308.2
Total assets	978.0	823.7	699.2	735.7	536.4
Number of staff at year-end					
The Netherlands	1,437	1,478	1,407	1,552	1,546
Other countries	6,580	5,653	4,918	4,833	4,037
Total	8,017	7,131	6,325	6,385	5,583
Ratios					
Operating profit as a % of revenue	11.4	11.9	11.2	11.9	11.4
Interest cover	7.0	6.5	5.3	4.4	4.2
Net profit as a % of revenue	7.9	7.9	6.8	6.7	6.3
Capital base as a % of total assets	34.0	32.5	32.7	28.8	25.4
Interest-bearing debt / Total equity	1.5	1.8	1.6	2.2	3.4
Shares issued *(x million)*					
Ordinary shares (average)	24.4	24.2	23.7	21.9	19.5
Ordinary shares (at year-end)	24.4	24.2	23.7	23.2	19.5
Cumulative preference shares	2.10	2.10	1.95	1.95	1.80
Figures per ordinary share					
Cash flow	5.32	4.60	4.02	3.95	3.63
Net profit	3.41	2.93	2.26	2.15	1.94
Dividend	0.85	0.70	0.56	0.50	0.48
Share price at year-end	44.85	35.70	20.53	14.80	22.05

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SEGMENT REPORTING

(before amortisation in EUR x million)

Industrial Services	2005	2004	Change
Revenue	410.2	394.3	4%
Operating profit (EBITA)	45.9	45.0	2%
Operating profit (EBITA) as a % of revenue	11.2	11.4	
Capital expenditure	40.1	23.5	71%
Depreciation	25.7	24.6	5%
Average number of employees (x1)	4,014	3,715	8%

Flow Control	2005	2004	Change
Revenue	644.8	503.4	28%
Operating profit (EBITA)	74.4	61.5	21%
Operating profit (EBITA) as a % of revenue	11.5	12.2	
Capital expenditure	23.5	16.8	40%
Depreciation	20.0	15.4	30%
Average number of employees (x1)	3,688	3,055	21%

FINANCIAL AGENDA 2006

subject to change

25 April	General Meeting of Shareholders in the Okura Hotel, Amsterdam (start: 14:00 hrs)
27 April	Ex-dividend listing
27 April - 16 May	Option period stock dividend or cash dividend
17 May	Fixation of stock dividend conversion ratio (after close of trading)*
22 May	Making payable of dividend and delivery of new ordinary shares
11 August	Publication of interim figures 2006 (before start of trading)

*Fixation of stock dividend conversion ratio is based on the volume weighted average price of all Aalberts Industries N.V. shares traded on 11, 12, 15, 16 and 17 May 2006, in such a way that the value of the dividend in shares is substantially the same as the value of the cash dividend.