CAMBREX CORP
Form 10-Q
May 04, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the quarterly period ended March 31, 2012

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from to
Commission file number 1-10638

CAMBREX CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	22-2476135
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

ONE MEADOWLANDS PLAZA, EAST RUTHERFORD, NEW JERSEY 07073
(Address of principal executive offices)

(201) 804-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x. No o.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer x Non-accelerated filer o (Do not check if a Smaller reporting

o	smaller reporting company)	company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o. No x.

As of April 30, 2012, there were 29,622,079 shares outstanding of the registrant's Common Stock, $.10 par value.

CAMBREX CORPORATION AND SUBSIDIARIES

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Forward-Looking Statements

This document contains and incorporates by reference “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding expected performance, especially expectations with respect to sales, research and development expenditures, earnings per share, capital expenditures, acquisitions, divestitures, collaborations or other expansion opportunities. These statements may be identified by the fact that they use words such as “may,” “will,” “could,” “should,” “would,” “expect,” “anticipate,” “intend,” “estimate,” “believe” or similar expressions. Any forward-looking stat contained herein are based on current plans and expectations and involve risks and uncertainties that could cause actual outcomes and results to differ materially from current expectations. The factors described in Item 1A of Part I contained in the Company’s Annual Report on Form 10-K for the period ended December 31, 2011, captioned “Risk Factors,” or otherwise described in the Company’s filings with the Securities and Exchange Commission, as well as any cautionary language in the Company’s Annual Report on Form 10-K for the period ended December 31, 2011, provide examples of such risks and uncertainties that may cause the Company’s actual results to differ materially from the expectations the Company describes in its forward-looking statements, including, but not limited to, pharmaceutical outsourcing trends, competitive pricing or product developments, government legislation and regulations (particularly environmental issues), tax rate, interest rate, technology, manufacturing and legal issues, including the outcome of outstanding litigation disclosed in the Company’s public filings, changes in foreign exchange rates, uncollectable receivables, loss on disposition of assets, cancellation or delays in renewal of contracts, lack of suitable raw materials or packaging materials, and the Company’s ability to receive regulatory approvals for its products.

The forward-looking statements are based on the beliefs and assumptions of Company management and the information available to Company management at the time these disclosures were prepared. Although the Company believes the expectations reflected in these statements are reasonable, expectations regarding future results, levels of activity, performance, achievements or other forward-looking statements should not be relied upon. The information contained in this Quarterly Report on Form 10-Q is provided by the Company as of the date hereof, and, unless required by law, the Company does not undertake and specifically disclaims any obligation to update these forward-looking statements contained in this Quarterly Report on Form 10-Q as a result of new information, future events or otherwise.

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

CAMBREX CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(dollars in thousands, except per share data)

	March 31, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$20,777	$ 31,921
Trade receivables, net	39,216	36,510
Inventories, net	67,325	62,095
Prepaid expenses and other current assets	5,348	6,083
Total current assets	132,666	136,609
Property, plant and equipment, net	140,825	139,628
Goodwill	37,680	36,731
Intangible assets, net	4,334	4,261
Investment in partially-owned affiliates	15,563	15,090
Other non-current assets	3,264	3,425
Total assets	$334,332	$ 335,744
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$21,635	$ 21,200
Accrued expenses and other current liabilities	37,312	37,933
Total current liabilities	58,947	59,133
Long-term debt	84,000	98,000
Deferred income tax	16,588	16,243
Accrued pension benefits	51,358	52,089
Other non-current liabilities	9,909	9,938
Total liabilities	220,802	235,403
Stockholders' equity:		
Common stock, $.10 par value; authorized 100,000,000, issued 31,452,888 and 31,441,138 shares at respective dates	3,145	3,143
Additional paid-in capital	101,818	101,646
Retained earnings	49,998	42,960
Treasury stock, at cost, 1,836,809 and 1,866,258 shares at respective dates	(15,571)	(15,821)
Accumulated other comprehensive loss	(25,860)	(31,587)
Total stockholders' equity	113,530	100,341
Total liabilities and stockholders' equity	$334,332	$ 335,744

See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES
Consolidated Income Statements
(unaudited – dollars in thousands, except per share data)

	Three months ended March 31, 2012	Three months ended March 31, 2011
Gross sales	$70,559	$61,654
Commissions, allowances and rebates	535	291
Net sales	70,024	61,363
Other	204	(778)
Net revenues	70,228	60,585
Cost of goods sold	47,800	43,130
Gross profit	22,428	17,455
Operating expenses:		
Selling, general and administrative expenses	9,960	9,088
Research and development expenses	2,358	3,060
Total operating expenses	12,318	12,148
Operating profit	10,110	5,307
Other expenses/(income):		
Interest expense, net	651	573
Other expenses/(income), net	8	(3)
Equity in losses of partially-owned affiliates	208	364
Income before income taxes	9,243	4,373
Provision for income taxes	2,205	1,518
Income from continuing operations	7,038	2,855
Loss from discontinued operations, net of tax	-	(146)
Net income	$7,038	$2,709
Basic earnings/(loss) per share of common stock:		
Income from continuing operations	$0.24	$0.10
Loss from discontinued operations, net of tax	$-	$(0.01)
Net income	$0.24	$0.09
Diluted earnings/(loss) per share of common stock:		

Income from continuing operations	$0.24	$0.10
Loss from discontinued operations, net of tax	$-	$(0.01)
Net income	$0.24	$0.09
Weighted average shares outstanding:		
Basic	29,602	29,448
Effect of dilutive stock based compensation	284	70
Diluted	29,886	29,518

See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(unaudited – dollars in thousands)

	Three months ended March 31, 2012	Three months ended March 31, 2011
Net income	$7,038	$2,709
Other comprehensive income:		
Foreign currency translation adjustments	5,973	11,374
Foreign currency forward contracts, net of tax of $73 and $32 at respective dates	(165)	(66)
Interest rate swap agreements	(380)	-
Pension plan amortization to net income of net actuarial loss and prior service cost, net of tax of $13 and $7 at respective dates	299	274
Comprehensive income	$12,765	$14,291

See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited – dollars in thousands)

	Three months ended March 31, 2012	2011
Cash flows from operating activities:		
Net income	$7,038	$2,709
Adjustments to reconcile net income to cash flows:		
Depreciation and amortization	5,486	5,725
Increase in inventory reserve	1,219	44
Stock based compensation included in net income	357	325
Deferred income tax provision	(95)	(404)
Equity in losses of partially-owned affiliates	208	364
Other	252	74
Changes in assets and liabilities:		
Trade receivables	(1,991)	1,926
Inventories	(4,886)	(3,339)
Prepaid expenses and other current assets	625	287
Accounts payable and other current liabilities	(1,000)	76
Other non-current assets and liabilities	(1,367)	(3,941)
Discontinued operations:		
Net cash used in discontinued operations	(1,080)	(75)
Net cash provided by operating activities	4,766	3,771
Cash flows from investing activities:		
Capital expenditures	(2,616)	(1,690)
Net cash used in investing activities	(2,616)	(1,690)
Cash flows from financing activities:		
Long-term debt activity (including current portion):		
Borrowings	-	4,900
Repayments	(14,000)	(2,900)
Other financing activities	64	(329)
Net cash (used in)/provided by financing activities	(13,936)	1,671
Effect of exchange rate changes on cash and cash equivalents	642	1,976
Net (decrease)/increase in cash and cash equivalents	(11,144)	5,728
Cash and cash equivalents at beginning of period	31,921	29,614
Cash and cash equivalents at end of period	$20,777	$35,342

See accompanying notes to unaudited consolidated financial statements.

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CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(dollars in thousands, except share data)
(Unaudited)

(1) Basis of Presentation

Unless otherwise indicated by the context, "Cambrex" or the "Company" means Cambrex Corporation and subsidiaries.

The accompanying unaudited consolidated financial statements have been prepared from the records of the Company. In the opinion of management, the financial statements include all adjustments, which are of a normal and recurring nature, except as otherwise described herein, and are necessary for a fair statement of financial position and results of operations in conformity with generally accepted accounting principles ("GAAP"). These interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2011.

The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results expected for the full year.

For the three months ended March 31, 2011, the Company recorded expense, net of tax, of $146 as discontinued operations, primarily related to expenses for environmental remediation at sites of divested businesses.

(2) Impact of Recently Issued Accounting Pronouncements

Fair Value Measurement

In May 2011, the FASB issued "Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements" that established a framework for how to measure fair value and the disclosures required about fair value measurements. The updated guidance is largely consistent with fair value measurement principles that existed prior to the update and became effective on January 1, 2012. The effect of adopting this update did not have a material impact on the Company's financial position or results of operations.

Comprehensive Income

In June 2011, the FASB issued "Comprehensive Income – Presentation of Comprehensive Income." This statement gives companies two options for presenting other comprehensive income ("OCI"), which currently is included as part of the statement of shareholders' equity. An OCI statement can be included within the income statement, which together will make a statement of total comprehensive income. Alternatively, companies can have an OCI statement separate from an income statement, but the two statements will have to appear consecutively within a financial report. This statement is effective for fiscal quarters and years beginning after December 15, 2011. The effect of adopting this statement did not have an impact on the Company's financial position or results of operations.

Testing Goodwill for Impairment

In September 2011, the FASB issued "Intangibles—Goodwill and Other: Testing Goodwill for Impairment" to simplify the goodwill impairment test. The change allows companies to first decide whether they need to do the two-step test by allowing companies to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. A business no longer has to calculate the fair value of a reporting unit unless it believes it is very likely that the unit's fair value is less than the value carried on the balance sheet. This amendment also includes examples of how the amended test should be carried out. This amendment is effective for annual and interim tests performed for fiscal years beginning after December 15, 2011. The effect of adopting this statement does not have an impact on the Company's financial position or results of operations.

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(3) Net Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market.

Net inventories at March 31, 2012 and December 31, 2011 consist of the following:

	March 31, 2012	December 31, 2011
Finished goods	$ 23,405	$ 26,885
Work in process	27,025	19,190
Raw materials	11,951	11,261
Supplies	4,944	4,759
Total	$ 67,325	$ 62,095

(4) Goodwill and Intangible Assets

The change in the carrying amount of goodwill for the three months ended March 31, 2012, is as follows:

Balance as of December 31, 2011	$36,731
Translation effect	949
Balance as of March 31, 2012	$37,680

Acquired intangible assets, which are amortized, consist of the following:

	As of March 31, 2012			
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology-based intangibles	20 years	$ 4,060	$ (406)	$ 3,654
Customer-related intangibles	10 - 15 years	788	(108)	680
		$ 4,848	$ (514)	$ 4,334

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CAMBREX CORPORATION AND SUBSIDIARIES
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(dollars in thousands, except share data)
(Unaudited)

(4) Goodwill and Intangible Assets (continued)

	As of December 31, 2011			
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology-based intangibles	20 years	$ 3,933	$ (344)	$ 3,589
Customer-related intangibles	10 - 15 years	763	(91)	672
		$ 4,696	$ (435)	$ 4,261

The change in the gross carrying amount is primarily due to the impact of foreign currency translation.

Amortization expense was $63 and $96 for the three months ended March 31, 2012 and 2011, respectively.

Amortization expense related to current intangible assets is expected to be approximately $253 for 2012 and for each of the next four years.

(5) Investment in Partially-Owned Affiliates

Investment in partially-owned affiliates consist primarily of the Company's equity stake in Zenara Pharma for which the Company recorded a loss of $485 and $364 for the three months ended March 31, 2012 and 2011, respectively. These amounts include amortization expense of $256 and $282, for the three months ended March 31, 2012 and 2011, respectively. Equity in losses of partially-owned affiliates also includes income of $277 related to an investment in a European joint venture.

(6) Income Taxes

The Company recorded tax expense in continuing operations of $2,205 and $1,518 in the three months ended March 31, 2012 and 2011, respectively. The increase for the three months ended March 31, 2012 is due primarily to the geographic mix of income.

The Company expects to maintain a full valuation allowance against its net domestic, and certain foreign, deferred tax assets, subject to the consideration of all prudent and feasible tax planning strategies, until such time as the Company attains an appropriate level of future profitability and the Company is able to conclude that it is more likely than not that its deferred tax assets are realizable.

In 2009, a subsidiary of the Company was examined by a European tax authority, who challenged the business purpose of the deductibility of certain intercompany transactions from 2003, and issued two formal assessments against the subsidiary. In 2010, the Company filed an appeal to litigate the matter. The first court date related to this matter was held in 2011, after which the court issued its ruling in favor of the Company. However, this ruling has been appealed by the tax authorities and only applies to the smaller of the two assessments made by the authorities related to this matter. The first court date for the larger of the two assessments is scheduled for September 2012. The Company still believes this dispute to be in the early stages of the judicial process since any ruling reached by any of the courts may be appealed, and as such the

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(6) Income Taxes (continued)

final date of resolution and outcome of this matter are uncertain at this time. However, within the next twelve months it is possible that factors such as new developments, judgments or settlements may require the Company to increase its reserve for unrecognized tax benefits by up to $8,000 or decrease its reserve by $5,500, including interest and penalties. If the court rules against the Company in subsequent court proceedings, a payment of between $6,000 and $9,000 including interest and penalties will be due immediately while the case is appealed. The Company has analyzed these issues in accordance with guidance on uncertain tax positions and believes at this time that its reserves are adequate, and intends to vigorously defend itself. During the first quarter of 2012, the tax authorities completed a general examination of the subsidiary’s 2008 tax return, and issued a small assessment against the subsidiary. The assessment, which had already been provided for in the Company’s reserves, was settled in April 2012.

In the next twelve months, other than as noted above, the Company may increase its reserve for unrecognized tax benefits for intercompany transactions and acquired tax attributes by $450. This would affect the effective tax rate.

Tax years 2007 and forward in the U.S. are open to examination by the IRS. The Company is also subject to examinations in its non-U.S. jurisdictions for 2006 and later years.

The Company is also subject to audits in various states for various years in which it has filed income tax returns. Previous state audits have resulted in immaterial adjustments. In the majority of states where the Company files, the Company is subject to examinations for tax years 2007 and forward.

(7) Derivatives and Hedging Activities

The Company operates internationally and is exposed to fluctuations in foreign exchange rates and interest rates in the normal course of business. The Company considers the use of derivative financial instruments to reduce exposure to market risks resulting from fluctuations in interest rates and foreign exchange rates.

All financial instruments involve market and credit risks. The Company is exposed to credit losses in the event of non-performance by the counterparties to the contracts. While there can be no assurance, the Company does not anticipate non-performance by these counterparties.

Foreign Currency Forward Contracts

The Company enters into forward exchange contracts to hedge forecasted cash flows associated with foreign currency transaction exposures, as deemed appropriate. This hedging strategy mitigates some of the impact of short-term foreign exchange rate movements on the Company's operating results primarily in Sweden and Italy. The Company's primary market risk relates to exposures to foreign currency exchange rate fluctuations on transactions entered into by these international operations that are denominated primarily in U.S. dollars, Swedish krona and euros.

The Company’s forward exchange contracts substantially offset gains and losses on the transactions being hedged. The forward exchange contracts have varying maturities with none exceeding twelve months.

All forward contracts outstanding at March 31, 2012 have been designated as cash flow hedges and, accordingly, changes in the fair value of these derivatives are not included in earnings but are included in accumulated other comprehensive income/(loss) ("AOCI"). Changes in the fair value of the derivative instruments reported in AOCI will be recorded into earnings as a component of product revenue or expense, as applicable, when the forecasted transaction occurs. The ineffective portion of all hedges is recognized in current-period earnings and is immaterial to the Company's financial results.

CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(7) Derivatives and Hedging Activities (continued)

The notional amounts of foreign exchange forward contracts were $4,169 and $11,005 at March 31, 2012 and December 31, 2011, respectively.

Included in AOCI is the fair value of the Company's forward exchange contracts which is a gain of $142 and $380 as of March 31, 2012 and December 31, 2011, respectively. These gains are located under the caption "Prepaid expenses and other current assets" on the balance sheet as of March 31, 2012 and December 31, 2011. Assuming current market conditions continue, the entire amount recorded in AOCI related to foreign exchange forward contracts is expected to be recorded into other revenue within the next 12 months to reflect the fixed prices obtained from the forward contracts.

The Company recorded a pre-tax unrealized loss in OCI from foreign exchange contracts of $189 for the three months ended March 31, 2012. The Company also reclassified a pre-tax gain for the settlement of forward contracts of $49 into other revenue for the three months ended March 31, 2012.

Interest Rate Swap Agreement

The Company entered into an interest rate swap agreement in March 2012 to reduce the impact of changes in interest rates on its floating rate debt. The swap agreement is a contract to exchange floating rate for fixed interest payments periodically over the life of the agreement without the exchange of the underlying notional debt amount.

The swap contract outstanding at March 31, 2012 has been designated a cash flow hedge and, accordingly, changes in the fair value of this derivative are not recorded in earnings but are recorded each period in AOCI and reclassified into earnings as interest expense in the same period during which the hedged transaction affects earnings. The ineffective portion of all hedges will be recognized in current-period earnings and has been immaterial to the Company's financial results.

As of March 31, 2012, the Company had an interest rate swap in place with a notional value of $60,000, at a fixed rate of 0.92%, maturing in September 2015. The Company's strategy has been to cover a portion of its outstanding floating rate debt with fixed interest rate protection. At March 31, 2012 the Company had floating rate debt of $84,000, of which $60,000 is fixed by an interest rate swap. Interest expense under this agreement, and the respective debt instrument that it hedges, is recorded at the net effective interest rate of the hedged transaction. The fair value of this agreement is based on quoted market prices and was in a loss position of $380 at March 31, 2012. This loss is reflected in the Company's balance sheet under the caption "Accrued expenses and other current liabilities." The Company did not have any interest rate swaps outstanding at December 31, 2011.

The Company recorded a loss in OCI of $380 related to the interest rate swap for the three months ended March 31, 2012. Assuming current market conditions continue, $373 is expected to be reclassed out of AOCI within the next 12 months.

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CAMBREX CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(dollars in thousands, except share data)
(Unaudited)

(8) Fair Value Measurements

U.S. GAAP establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation; Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following tables provide the assets and liabilities carried at fair value, measured on a recurring basis, as of March 31, 2012 and December 31, 2011:

		Fair Value Measurements at March 31, 2012 using:		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign currency forwards, assets	$142	$ -	$ 142	$ -
Interest rate swap	(380)	-	(380)	-
Total	$(238)	$ -	$ (238)	$ -

		Fair Value Measurements at December 31, 2011 using:		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign currency forwards, assets	$380	$ -	$ 380	$ -
Total	$380	$ -	$ 380	$ -

The Company's derivative assets and liabilities include foreign exchange forward contracts that are measured at fair value using observable market inputs such as forward rates, the Company's credit risk and its counterparties' credit risks. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. Based on the Company's continued ability to enter into forward contracts, the Company considers the markets for its fair value instruments to be active.

The fair value of the interest rate swap is estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rate and the expected cash flows at current market interest rates using observable benchmarks for London Interbank Offered Rate forward rates at the end of the period.

As of March 31, 2012, there had not been any significant impact to the fair value of the Company’s derivative liabilities due to its own credit risk. Similarly, there had not been any significant adverse impact to the Company’s derivative assets based on the Company’s evaluation of its counterparties’ credit risks.

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Retail mutual funds

(31) *(191)* *84* *(50)* *38*

Individual savings & retirement products

(296) (285) *(4)* (631) *53*

Employer solutions & pensions

1,797 (950) 485

Canada

(105) (37) *(184)* (158) *34*

Latin America

4 4

Total net deposits excluding run-off businesses	**1,390**	**(1,277)**		**(318)**	
Run-off businesses	(1,519)	(812)	*(87)*	(1,202)	*(26)*
Total net deposits	**(129)**	**(2,089)**	***94***	**(1,520)**	***92***

THE NETHERLANDS

Underlying earnings before tax of EUR 79 million, including a loss of EUR 5 million in Non-life

Net income increases to EUR 141 million

New life sales decrease to EUR 32 million as result of lower sales in Life and Pensions

Underlying earnings before tax

In the first quarter 2012, underlying earnings from AEGON s operations in the Netherlands decreased to EUR 79 million as higher earnings in Life & Savings were offset by lower earnings in Non-life. In addition, earnings were impacted by recurring charges for Corporate Center expenses of EUR 4 million.

Earnings from AEGON s Life & Savings operations in the Netherlands increased to EUR 56 million, up 30% compared to the first quarter of 2011, partly driven by a higher contribution from AEGON s growing mortgage loan portfolio and cost savings.

Earnings from the Pension business amounted to EUR 21 million, as the benefit of expense savings was mainly offset by lower investment income.

Non-life recorded a loss of EUR 5 million, as a result of adverse claim experience on disability products which has been only partly offset by a reserve release following an update of assumptions. General trends in claim experience in disability in the Dutch non-life market are negative and are expected to continue throughout 2012 as a result of the current economic conditions.

Earnings from the distribution businesses decreased to EUR 7 million mainly driven by deteriorated market conditions.

Net income

Net income from AEGON s businesses in the Netherlands increased to EUR 141 million and included a one-off tax benefit of EUR 19 million. Results on fair value items improved compared to the first quarter of 2011 and amounted to EUR 42 million. Gains on investments totaled EUR 34 million for the quarter and were a result of normal trading activity in the portfolio. Other charges included EUR 3 million related to the restructuring program in the Netherlands.

Return on capital

The return on average capital, excluding revaluation reserves, invested in AEGON s businesses in the Netherlands declined to 6.4%, the combined result of higher average capital levels and lower net underlying earnings. Return on capital of AEGON s businesses excludes the benefit of leverage at the holding.

Operating expenses

Operating expenses declined 1% to EUR 187 million, mainly driven by realized cost savings. Operating expenses included additional charges of EUR 3 million related to the restructuring of the Dutch operations.

Sales and deposits

New life sales decreased in the first quarter to EUR 32 million. Pension sales declined to EUR 14 million, as the comparable quarter of 2011 included a large single contract. Individual life sales declined and amounted to EUR 18 million, primarily driven by a shrinking Dutch life insurance market and lower production levels of mortgage-related life insurance.

Production of mortgages in the first quarter of 2012 declined to EUR 649 million, primarily the result of less activity on the Dutch mortgage market.

Premium production for accident & health amounted to EUR 9 million. Sales in income insurance products declined compared to the first quarter of 2011, as a result of price increases to improve margins. General insurance production amounted to EUR 9 million, up 13% compared to the first quarter of 2011, due to growth in newly added distribution channels.

Gross deposits increased to EUR 560 million, following a marketing campaign at AEGON Bank and the offering of more competitive interest rates.

Market consistent value of new business

The market consistent value of new business in the Netherlands increased significantly compared to the first quarter of 2011 to EUR 27 million. The increase was mainly driven by a higher contribution from mortgage loans and the successful introduction of a new mortgage product in 2011 (Banksparen).

Revenue-generating investments

Revenue-generating investments increased 3% to EUR 64 billion, compared with the previous quarter. The increase was driven mainly by the positive effect of higher equity markets and lower credit spreads.

THE NETHERLANDS

EUR millions	Notes	Q1 2012	Q4 2011	%	Q1 2011	%
Underlying earnings before tax by line of business						
Life and Savings		56	40	*40*	43	*30*
Pensions		21	36	*(42)*	22	*(5)*
Non-life		(5)	2		5	
Distribution		7			11	*(36)*
Share in underlying earnings before tax of associates			(3)			
Underlying earnings before tax		**79**	**75**	***5***	**81**	***(2)***
Fair value items		42	189	*(78)*	(60)	
Realized gains / (losses) on investments		34	33	*3*	35	*(3)*
Impairment charges		(3)	(5)	*40*	(2)	*(50)*
Other income / (charges)		(3)	(84)	*96*	(8)	*63*
Income before tax		**149**	**208**	***(28)***	**46**	
Income tax		(8)	(60)	*87*	(7)	*(14)*
Net income		**141**	**148**	***(5)***	**39**	
Net income / (loss) attributable to:						
Equity holders of AEGON N.V.		*141*	*148*	*(5)*	*39*	
Net underlying earnings		**62**	**50**	***24***	**66**	***(6)***
Commissions and expenses		270	261	*3*	272	*(1)*
of which operating expenses		187	191	*(2)*	189	*(1)*
New life sales						
Life single premiums		245	856	*(71)*	457	*(46)*
Life recurring premiums annualized		7	31	*(77)*	19	*(63)*

Total recurring plus 1/10 single	**32**	**117**	***(73)***	**65**	***(51)***
Life and Savings	18	13	*38*	26	*(31)*
Pensions	14	104	*(87)*	39	*(64)*
Total recurring plus 1/10 single	**32**	**117**	***(73)***	**65**	***(51)***
New premium production accident and health insurance	9	7	*29*	10	*(10)*
New premium production general insurance	9	6	*50*	8	*13*
Gross deposits (on and off balance) by line of business					
Life and Savings	560	560		382	*47*
Pensions				80	
Total gross deposits	**560**	**560**		**462**	***21***
Net deposits (on and off balance) by line of business					
Life and Savings	(185)	(160)	*(16)*	(142)	*(30)*
Pensions				27	
Total net deposits	**(185)**	**(160)**	***(16)***	**(115)**	***(61)***

REVENUE-GENERATING INVESTMENTS

	Mar. 31, 2012	Dec. 31, 2011	%
Revenue-generating investments (total)	**64,283**	**62,242**	***3***
Investments general account	39,572	39,019	*1*
Investments for account of policyholders	24,711	23,223	*6*

UNITED KINGDOM

Underlying earnings before tax increase to GBP 25 million as a result of lower expenses

Net income amounts to GBP 39 million

New life sales decrease to GBP 178 million due to anticipated lower pension sales

Underlying earnings before tax

In the first quarter of 2012, underlying earnings before tax increased to GBP 25 million, driven by lower expenses and the non-recurrence of exceptional charges. Earnings were negatively impacted by recurring charges for Corporate Center expenses of GBP 2 million.

Earnings from Life declined to GBP 15 million, the result of lower earnings from annuities and adverse claims experience in individual protection.

Earnings from Pensions improved strongly to GBP 11 million, mainly driven by the non-recurrence of exceptional charges recorded in the previous year and successful implementation of the cost reduction program in the AEGON s business in the UK.

Distribution recorded a loss of GBP 1 million.

Net income

Net income declined to GBP 39 million, as higher underlying earnings were more than offset by lower realized gains on investments. Results on fair value items amounted to a loss of GBP 2 million. There were no impairments or realized gains during the quarter. A reduction in the corporate tax rate in the United Kingdom had a positive impact of GBP 22 million.

Return on capital

The return on average capital, excluding revaluation reserves, invested in AEGON s businesses in the United Kingdom increased to 6.3%, primarily as a result of higher net underlying earnings from pensions. Net underlying earnings for the first quarter of 2012 included a tax benefit of GBP 22 million from a reduction in the corporate tax rate in the United Kingdom. There was a similar benefit in the first quarter in 2011. Return on capital of AEGON s businesses excludes the benefit of leverage at the holding.

Operating expenses

Operating expenses for the first quarter of 2012 amounted to GBP 62 million, a 37% reduction following the successful implementation of the cost reduction program in the United Kingdom. Operating expenses in the first quarter benefited from favorable timing differences. For the full year, AEGON expects to achieve operating expenses at target level.

Sales and deposits

New life sales decreased 16% to GBP 178 million compared to the first quarter of 2011, as a result of an anticipated decrease in sales of pensions. In group pensions, increases in new business from increments and new entrants to existing schemes was offset by an anticipated decrease in sales of new schemes following reductions in commission levels to maintain margins. Compared to the fourth quarter of 2011, sales increased by 11%.

Market consistent value of new business

The market consistent value of new business in the United Kingdom increased to GBP 22 million, mainly driven by lower acquisition expenses and positive margin on the annuities business, partly offset by lower margins on unitized and protection business.

Revenue-generating investments

Revenue-generating investments increased 3% to GBP 53 billion, compared with year-end of 2011, primarily the result of higher equity markets.

UNITED KINGDOM

GBP millions	Notes	Q1 2012	Q4 2011	%	Q1 2011	%
Underlying earnings before tax by line of business						
Life		15	30	*(50)*	21	*(29)*
Pensions		11	(50)		(9)	
Distribution		(1)	(2)	*50*	(2)	*50*
Underlying earnings before tax		**25**	**(22)**		**10**	***150***
Fair value items		(2)	3		(1)	*(100)*
Realized gains / (losses) on investments			6		25	
Impairment charges			(1)			
Other income / (charges)	7	5	(49)		(5)	
Income before tax		**28**	**(63)**		**29**	***(3)***
Income tax attributable to policyholder return		(5)	(4)	*(25)*	(1)	
Income before income tax on shareholders return		**23**	**(67)**		**28**	***(18)***
Income tax on shareholders return		16	(9)		18	*(11)*
Net income		**39**	**(76)**		**46**	***(15)***
Net income / (loss) attributable to:						
Equity holders of AEGON N.V.		*39*	*(76)*		*46*	*(15)*
Net underlying earnings		**40**	**(40)**		**33**	***21***
Commissions and expenses		142	184	*(23)*	172	*(17)*
of which operating expenses		62	98	*(37)*	98	*(37)*
New life sales	8					
Life single premiums		600	648	*(7)*	841	*(29)*
Life recurring premiums annualized		118	96	*23*	127	*(7)*
Total recurring plus 1/10 single		**178**	**161**	***11***	**211**	***(16)***
Life		17	17		16	*6*
Pensions		161	144	*12*	195	*(17)*
Total recurring plus 1/10 single		**178**	**161**	***11***	**211**	***(16)***
Gross deposits (on and off balance) by line of business						
Variable annuities		7	8	*(13)*	17	*(59)*
Total gross deposits		**7**	**8**	***(13)***	**17**	*(59)*

Net deposits (on and off balance) by line of business			
Variable annuities	(1)	1	2
Total net deposits	**(1)**	**1**	**2**

REVENUE-GENERATING INVESTMENTS

	Mar. 31, 2012	Dec. 31, 2011	%
Revenue-generating investments (total)	**52,761**	**51,052**	***3***
Investments general account	8,298	8,313	
Investments for account of policyholders	44,463	42,739	*4*

NEW MARKETS

- **Underlying earnings before tax increase to EUR 88 million driven by asset management and Asia**
- **Net income amounts to EUR 48 million, including EUR 17 million charge for Hungarian bank tax**
- **New life sales decline 5% to EUR 80 million, the result of lower sales in Asia**
- **Strong deposits of EUR 3.1 billion driven by both retail and institutional inflows for asset management**

Underlying earnings before tax

In New Markets, underlying earnings before tax increased 29% to EUR 88 million. The increase is mainly the result of higher underlying earnings at AEGON Asset Management and Asia, only partly offset by lower underlying earnings from Central & Eastern Europe and Variable Annuities Europe. In addition, earnings were impacted by recurring charges for Corporate Center expenses to all operating units of EUR 2 million.

- Earnings from **Central & Eastern Europe** declined to EUR 23 million, primarily as a result of adverse currency movements. In Hungary, favorable claim experience was offset by lower margins on mortgage loans. In Poland, earnings declined as a result of the pension legislation changes implemented in 2011.
- Results from AEGON s operations in **Asia** increased to EUR 9 million as a result of higher investment income, favorable currency movements and implemented cost savings.
- Earnings from **Spain & France** increased 9% to EUR 25 million as result of business growth in Spain and the inclusion of earnings from Caixa Sabadell Vida.
- Earnings from **Variable Annuities Europe** declined to EUR 2 million which was mainly the result of higher expenses related to projects to position the company for future growth.
- Earnings from **AEGON Asset Management** increased significantly to EUR 29 million, which is the result of growth, increased fee income and timing differences in operating expenses.

Net income

Net income from AEGON s operations in New Markets declined 2% and amounted to EUR 48 million. Higher underlying earnings and positive results from fair value items were offset by higher impairment charges.

The first quarter also included a charge of EUR 17 million related to the full year Hungarian bank tax, while the comparable quarter last year had included a charge of EUR 20 million which was more than offset by a benefit of EUR 37 million related to a settlement of legal claims.

Return on capital

The return on average capital, excluding revaluation reserves, invested in AEGON s businesses in New Markets increased to 9.0%, mainly the result of higher net underlying earnings. Return on capital of AEGON s businesses excludes the benefit of leverage at the holding.

Operating expenses

Operating expenses declined 4% to EUR 143 million in the first quarter, mainly the result from timing differences in asset management operating expenses, which are expected to reverse in the remainder of the year.

Sales and deposits

New life sales declined 5% compared with the first quarter 2011 to EUR 80 million.

In Central & Eastern Europe, new life sales amounted to EUR 27 million. At constant currencies, new life sales increased 7% as lower production in Hungary was more than offset by higher production in Poland and Turkey.

In Asia, new life sales declined to EUR 15 million, mainly as a result of lower universal life sales in Hong Kong and Singapore after repricing and lower sales in India following regulatory changes. This was only partly offset by higher production in China due to a more focused approach towards distribution channels.

New life sales in Spain & France remained level at EUR 38 million as the inclusion of Caixa Sabadell Vida offset the lower production at other joint venture partners in Spain.

New premium production from AEGON s general insurance in Central & Eastern Europe remained level and amounted to EUR 5 million. New premium production from AEGON s accident & health insurance in CEE and Asia remained level at EUR 10 million.

Gross deposits in New Markets amounted to EUR 3.1 billion and increased strongly compared to first quarter of 2011. Gross deposits in AEGON Asset Management increased substantially to EUR 2.8 billion as a result of good performance in both the retail and institutional segments. In the CEE gross deposits declined following pension legislation changes in Hungary and Poland.

Market consistent value of new business

The market consistent value of new business in New Markets decreased to EUR 24 million as a result of lower margins in Spain and the effect of lower interest rates on margins in Asia and for Variable Annuities Europe.

Revenue-generating investments

Revenue-generating investments increased 13% compared with the fourth quarter of 2011 to EUR 63 billion, mainly driven by the positive performance of capital markets.

REVENUE-GENERATING INVESTMENTS

	Mar. 31, 2012	Dec. 31, 2011	%
Revenue-generating investments (total)	**63,288**	**56,156**	*13*
Investments general account	4,957	4,782	*4*
Investments for account of policyholders	6,663	6,415	*4*
Off balance sheet investments third parties	51,668	44,959	*15*

NEW MARKETS [c)]

EUR millions	Notes	Q1 2012	Q4 2011	%	Q1 2011	%
Underlying earnings before tax						
Central Eastern Europe		23	26	*(12)*	26	*(12)*
Asia		9	1			
Spain & France		25	24	*4*	23	*9*
Variable Annuities Europe		2	1	*100*	5	*(60)*
AEGON Asset Management		29	13	*123*	14	*107*
Underlying earnings before tax		**88**	**65**	***35***	**68**	***29***
Fair value items		7	(10)			
Realized gains / (losses) on investments		2	2		3	*(33)*
Impairment charges		(4)	(25)	*84*	(2)	*(100)*
Other income / (charges)		(18)	1		11	
Income before tax		**75**	**33**	***127***	**80**	***(6)***
Income tax		(27)	(10)	*(170)*	(31)	*13*
Net income		**48**	**23**	***109***	**49**	***(2)***
Net income / (loss) attributable to:						
Equity holders of AEGON N.V.		*48*	*21*	*129*	*49*	***(2)***
Non-controlling interests			*2*			
Net underlying earnings		**59**	**55**	***7***	**44**	***34***
Commissions and expenses		208	217	*(4)*	203	*2*
of which operating expenses		143	153	*(7)*	149	*(4)*
New life sales	12					
Life single premiums		146	230	*(37)*	209	*(30)*
Life recurring premiums annualized		66	60	*10*	63	*5*
Total recurring plus 1/10 single		**80**	**83**	***(4)***	**84**	***(5)***
Life		75	80	*(6)*	70	*7*
Associates		5	3	*67*	14	*(64)*
Total recurring plus 1/10 single		**80**	**83**	***(4)***	**84**	***(5)***
Central Eastern Europe		27	26	*4*	27	
Asia		15	15		19	*(21)*
Spain & France		38	42	*(10)*	38	
Total recurring plus 1/10 single		**80**	**83**	***(4)***	**84**	***(5)***
New premium production accident and health insurance		10	9	*11*	10	
New premium production general insurance		5	7	*(29)*	5	

Gross deposits (on and off balance)	12					
Central Eastern Europe		116	153	*(24)*	182	*(36)*
Asia		34	32	*6*	11	
Spain & France		10	34	*(71)*	8	*25*
Variable Annuities Europe		120	118	*2*	131	*(8)*
AEGON Asset Management		2,803	1,185	*137*	935	*200*
Total gross deposits		**3,083**	**1,522**	***103***	**1,267**	***143***
Net deposits (on and off balance)	12					
Central Eastern Europe		42	144	*(71)*	108	*(61)*
Asia		31	29	*7*	11	*182*
Spain & France		(26)	(12)	*(117)*	(11)	*(136)*
Variable Annuities Europe		28	38	*(26)*	26	*8*
AEGON Asset Management		1,289	(91)		(1,853)	
Total net deposits		**1,364**	**108**		**(1,719)**	

APPENDIX II

MARKET CONSISTENT VALUE OF NEW BUSINESS

EUR millions, after tax	Q1 2012	Q4 2011	%	Q1 2011	%
		MC VNB			
Americas	47	(5)		66	*(29)*
The Netherlands	27	37	*(27)*	1	
United Kingdom	27	24	*13*	19	*42*
New Markets	24	15	*60*	35	*(31)*
Total	**125**	**71**	***76***	**121**	***3***

MODELED NEW BUSINESS, APE AND DEPOSITS

EUR millions	Notes	Q1 2012	Q4 2011	%	Q1 2011	%
			Premium business APE			
	9					
Americas		279	284	*(2)*	218	*28*
The Netherlands		70	173	*(60)*	75	*(7)*
United Kingdom		216	187	*16*	237	*(9)*
New Markets		129	108	*19*	120	*8*
Total		**694**	**752**	***(8)***	**650**	***7***

EUR millions	Notes	Q1 2012	Q4 2011	%	Q1 2011	%
			Deposit business Deposits			
	9					
Americas		4,935	3,449	*43*	4,340	*14*
United Kingdom		8	10	*(20)*	19	*(58)*
New Markets		180	251	*(28)*	215	*(16)*
Total		**5,123**	**3,710**	***38***	**4,574**	***12***

MC VNB/PVNBP SUMMARY

			Premium business		
		MC VNB	PVNBP	MC VNB / PVNBP	MC VNB / APE
EUR millions	Notes	Q1 2012		%	%
	10				
Americas		32	1,212	2.6	11.3
The Netherlands		27	816	3.3	38.5
United Kingdom		27	1,408	1.9	12.4
New Markets		23	962	2.4	18.1

Total		**109**	**4,398**	**2.5**	**15.7**

			Deposit business		
		MC VNB	PVNBP	MC VNB / PVNBP	MC VNB / Deposits
EUR millions	Notes	Q1 2012		%	%
	10				
Americas		15	7,424	0.2	0.3
United Kingdom			8		
New Markets		1	280	0.2	0.4
Total		**16**	**7,712**	**0.2**	**0.3**

Notes:

1) For segment reporting purposes underlying earnings before tax, net underlying earnings, commissions and expenses, operating expenses, income tax including associated companies, income before tax including associated companies and market consistent value of new business are calculated by consolidating on a proportionate basis the revenues and expenses of certain of our associated companies in Spain, India, Brazil and Mexico. We believe that our non-IFRS measures provide meaningful information about the underlying operating results of our business including insight into the financial measures that our senior management uses in managing our business. Among other things our senior management is compensated based in part on AEGON s results against targets using the non-IFRS measures presented here. While other insurers in our peer group present substantially similar non-IFRS measures, the non-IFRS measures presented in this document may nevertheless differ from the non-IFRS measures presented by other insurers. There is no standardized meaning to these measures under IFRS or any other recognized set of accounting standards and readers are cautioned to consider carefully the different ways in which we and our peers present similar information before comparing them.

AEGON believes the non-IFRS measures shown herein, when read together with our reported IFRS financial statements, provide meaningful supplemental information for the investing public to evaluate AEGON s business after eliminating the impact of current IFRS accounting policies for financial instruments and insurance contracts, which embed a number of accounting policy alternatives that companies may select in presenting their results (i.e. companies can use different local GAAPs) and that can make the comparability from period to period difficult.

For a definition of underlying earnings and the reconciliation from underlying earnings before tax to income before tax we refer to Note 3 Segment information of our Condensed consolidated interim financial statements.

2) Net income refers to net income attributable to equity holders of AEGON N.V. and minority interest.

3) Sales is defined as new recurring premiums plus 1/10 of single premiums plus 1/10 of gross deposits plus new premium production accident and health plus new premium production general insurance.

4) The present value, at point of sale, of all cashflows for new business written during the reporting period, calculated using approximate point of sale economics assumptions. Market consistent value of new business is calculated using a risk neutral approach, ignoring the investment returns expected to be earned in the future in excess of risk free rates (swap curves), with the exeption of an allowance for liquidity premium. The market consistent value of new business is calculated on a post tax basis, after allowing for the time value financial options and guarentees, a market value margin for non-hedgeable financial and non-financial risks and the costs of non-hedgeable stranded capital.

5) Return on equity is calculated by dividing the net underlying earnings after cost of leverage by the average shareholders equity excluding the preferred shares and the revaluation reserve.

6) Capital securities that are denominated in foreign currencies are, for purposes of calculating the capital base ratio, revalued to the period-end exchange rate. All ratios exclude AEGON s revaluation reserve.

7) Included in other income/(charges) are charges made to policyholders with respect to income tax in the United Kingdom.

8) Includes production on investment contracts without a discretionary participation feature of which the proceeds are not recognized as revenues but are directly added to our investment contract liabilities.

9) APE = recurring premium + 1/10 single premium.

10) PVNBP: Present value of new business premiums (PVNBP) is the premiums for the new business sold during the reporting period, projected using assumptions and projection periods that are consistent with those used to calculate the market consistent value of new business, discounted back to point of sale using the swap curve (plus liquidity premium where applicable).

11) Reconciliation of operating expenses, used for segment reporting, to our IFRS based operating expenses.

	Q1 2012
Employee expenses	504
Administrative expenses	262
Operating expenses for IFRS reporting	**766**

Operating expenses related to associates	15
Operating expenses in earnings release	**781**

12) New life sales, gross deposits and net deposits data include results of our associated companies in Spain, India, Brazil and Mexico which are consolidated on a proportionate basis.

13) Operational free cash flow reflect the sum of the return on free surplus, earnings on in-force business, release of required surplus on in-force business reduced by new business first year strain and required surplus on new business. Refer to our Embedded Value 2011 report for further details.

a) The calculation of the IGD (Insurance Group Directive) capital surplus and ratio are based on Solvency I capital requirements on IFRS for entities within the EU (Pillar 1 for AEGON UK), and local regulatory solvency measurements for non-EU entities. Specifically, required capital for the life insurance companies in the US is calculated as two times the upper end of the Company Action Level range (200%) as applied by the National Association of Insurance Commissioners in the US. The calculation of the IGD ratio excludes the available and required capital of the UK With-Profit funds. In the UK solvency surplus calculation the local regulator only allows the available capital number of the With-Profit funds included in overall local available capital to be equal to the amount of With-Profit funds required capital.

b) The results in this release are unaudited.

c) The comparative 2011 figures have been revised to reflect changes in AEGON s organization. Businesses in Asia, which were previously managed by AEGON Americas, are included in the Asia line of business within the New Markets segment. This revision in financial reporting reflects changes in management of the organization, as AEGON s Asian operations are now managed from the company s regional head office in Hong Kong.

Currencies

Income statement items: average rate 1 EUR = USD 1.3101 (2011: USD 1.3663).

Income statement items: average rate 1 EUR = GBP 0.8335 (2011: GBP 0.8523).

Balance sheet items: closing rate 1 EUR = USD 1.3317 (2011: USD 1.4207; year-end 2011: USD 1.2982).

Balance sheet items: closing rate 1 EUR = GBP 0.8335 (2011: GBP 0.8837; year-end 2011: GBP 0.8353).

ADDITIONAL INFORMATION

The Hague, May 10, 2012

Media conference call

7:45 a.m. CET: Podcast available after the call on www.aegon.com

Analyst & investor conference call

9:00 a.m. CET: Audio webcast on www.aegon.com

Call-in numbers

United States: +1 480 629 9673

United Kingdom: +44 207 153 2027

The Netherlands: +31 45 631 6902

Replay

Two hours after the conference call, a replay will be available on www.aegon.com.

Supplements

AEGON s Q1 2012 Financial Supplement and Condensed Consolidated Interim Financial Statements are available on www.aegon.com.

About AEGON

As an international life insurance, pensions and asset management company based in The Hague, AEGON has businesses in over twenty markets in the Americas, Europe and Asia. AEGON companies employ over 25,000 people and have nearly 47 million customers across the globe.

Key figures EUR	**Q1 2012**	**Full year 2011**
Underlying earnings before tax	425 million	1.5 billion
New life sales	445 million	1.8 billion
Gross deposits	11.0 billion	32 billion
Revenue-generating investments *(end of period)*	437 billion	424 billion

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Cautionary note regarding non-GAAP measures

This document includes certain non-GAAP financial measures: underlying earnings before tax and market consistent value of new business. The reconciliation of underlying earnings before tax to the most comparable IFRS measure is provided in Note 3 Segment information of our Condensed consolidated interim financial statements. Market consistent value of new business is not based on IFRS, which are used to report AEGON s primary financial statements and should not be viewed as a substitute for IFRS financial measures. We may define and calculate market consistent value of new business differently than other companies. AEGON believes that these non-GAAP measures, together with the IFRS information, provide a meaningful measure for the investment community to evaluate AEGON s business relative to the businesses of our peers.

Local currencies and constant currency exchange rates

This document contains certain information about AEGON s results and financial condition in USD for the Americas and GBP for the United Kingdom, because those businesses operate and are managed primarily in those currencies. Certain comparative information presented on a constant currency basis eliminates the effects of changes in currency exchange rates. None of this information is a substitute for or superior to financial information about us presented in EUR, which is the currency of AEGON s primary financial statements.

Forward-looking statements

The statements contained in this document that are not historical facts are forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. The following are words that identify such forward-looking statements: aim, believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, goal, should, would, is confident, will, and similar expressions as they relate to AEGON. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. AEGON undertakes no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which merely reflect company expectations at the time of writing. Actual results may differ materially from expectations conveyed in forward-looking statements due to changes caused by various risks and uncertainties. Such risks and uncertainties include but are not limited to the following:

- Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
  - The frequency and severity of defaults by issuers in AEGON s fixed income investment portfolios;
  - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities AEGON holds; and
  - The effects of declining creditworthiness of certain private sector securities and the resulting decline in the value of sovereign exposure that AEGON holds;
- Changes in the performance of AEGON s investment portfolio and decline in ratings of the company s counterparties;
- Consequences of a potential (partial) break-up of the euro;
- The frequency and severity of insured loss events;

Changes affecting mortality, morbidity, persistence and other factors that may impact the profitability of AEGON s insurance products;

Reinsurers to whom AEGON has ceded significant underwriting risks may fail to meet their obligations;

Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels; changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;

Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness;

Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;

Changes in laws and regulations, particularly those affecting AEGON s operations, ability to hire and retain key personnel, the products the company sells, and the attractiveness of certain products to its consumers;

Regulatory changes relating to the insurance industry in the jurisdictions in which AEGON operates;

Acts of God, acts of terrorism, acts of war and pandemics;

Changes in the policies of central banks and/or governments;

Lowering of one or more of AEGON s debt ratings issued by recognized rating organizations and the adverse impact such action may have on the company s ability to raise capital and on its liquidity and financial condition;

Lowering of one or more of insurer financial strength ratings of AEGON s insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability of its insurance subsidiaries and liquidity;

The effect of the European Union s Solvency II requirements and other regulations in other jurisdictions affecting the capital AEGON is required to maintain;

Litigation or regulatory action that could require AEGON to pay significant damages or change the way the company does business;

As AEGON s operations support complex transactions and are highly dependent on the proper functioning of information technology, a computer system failure or security breach may disrupt the company s business, damage its reputation and adversely affect its results of operations, financial condition and cash flows;

Customer responsiveness to both new products and distribution channels;

Competitive, legal, regulatory, or tax changes that affect profitability, the distribution cost of or demand for AEGON s products;

Changes in accounting regulations and policies may affect AEGON s reported results and shareholder s equity;

The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including AEGON s ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;

Catastrophic events, either manmade or by nature, could result in material losses and significantly interrupt AEGON s business; and

AEGON s failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives.

Further details of potential risks and uncertainties affecting the company are described in the company s filings with NYSE Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the company s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.