




we engineer mission-critical technologies for
ground-breaking industries and everyday life

half-year investor update, July 2018

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Wim Pelsma (CEO)
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Oliver Jäger (Executive Director)
Arno Moninx (Executive Director)



1. Aalberts introduction



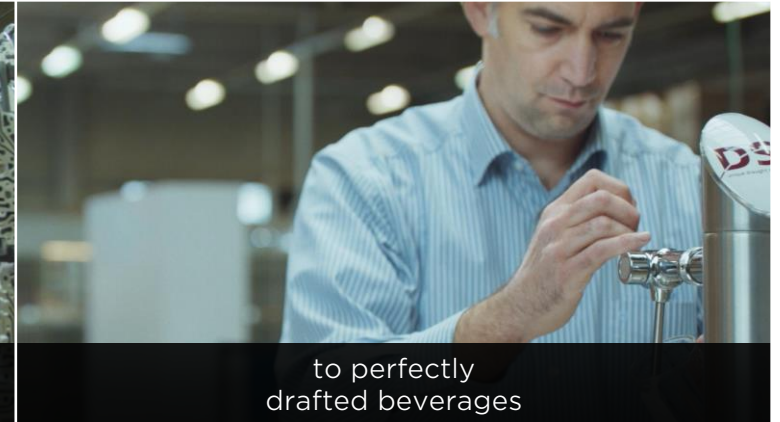
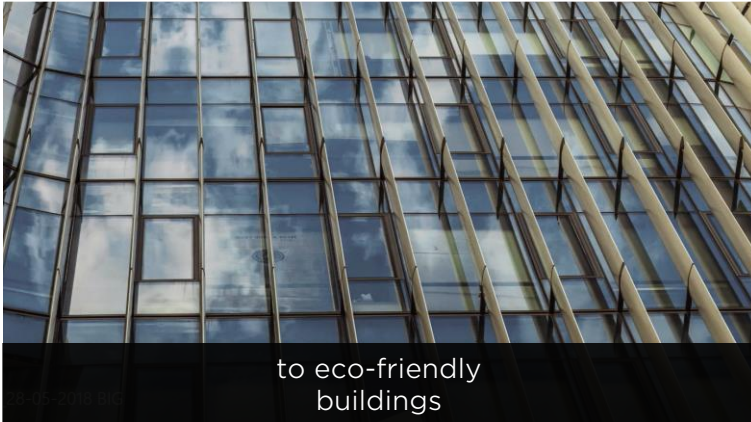
we engineer **mission-critical technologies**
for ground-breaking industries and everyday life

we are a company of mission-critical people who can't resist
going beyond the line of duty - **good is never good enough**

sharing and discussing 'bad' gets us to brilliant
- **greatness is made of shared knowledge**

we are relentless in our pursuit of excellence

our mission-critical technologies - used in everyday life



we are where technology matters and real progress can be made
humanly, environmentally and financially

the Aalberts way - winning with people



**be an
entrepreneur**

We explore and make
dreams happen.
We adapt and innovate
with a clear focus on
our customers.



**take
ownership**

We are responsible
for achieving our
own commitments.



**go for
excellence**

We are passionate,
self-critical and persistent
in everything we do.
And we deliver results.



**share and
learn**

We learn from each other
by being professional
and open-minded.
We get better every day.



**act with
integrity**

We lead by example,
act transparently
and speak up.

A high-angle, wide shot of a large group of approximately 100 employees of Aalberts Industries N.V. They are posed in a modern office atrium with a light-colored floor and large white columns. The employees are arranged in many rows, filling the central space. To the left, there are purple and orange modular seating blocks. To the right, there is a wooden staircase with large orange and purple cushions. The lighting is bright and even.

our people

greatness is made of shared knowledge
the unique advantage of Aalberts

our businesses



installation technology

develops and manufactures integrated piping systems and multilayer systems to distribute and control water or gas in heating, cooling, (drinking) water, gas and sprinkler systems in residential, commercial and industrial buildings and industrial installations



material technology

offers a unique combination of advanced heat & surface treatment technology and highly specialised manufacturing expertise making use of a global network of locations with excellent local knowledge and service



climate technology

develops and manufactures complete hydronic & air flow control systems and treatment solutions for heating, cooling, ventilation and drinking water. All designed for residential and commercial buildings



industrial technology

engineers and manufactures (custom made) solutions for specific niche applications to regulate and control gasses and liquids under often severe and critical conditions and co-develops and integrates specialised manufacturing technologies



installation technology



develops and manufactures integrated piping systems and multilayer systems to distribute and control water or gas in heating, cooling, (drinking) water, gas and sprinkler systems in residential, commercial and industrial buildings and industrial installations

our niche technologies



our end markets



commercial
buildings



residential
buildings



industrial
installations



water & gas
supply, irrigation

material technology



offers a unique combination of advanced heat & surface treatment technology and highly specialised manufacturing expertise making use of a global network of locations with excellent local knowledge and service.

our niche technologies



our end markets



automotive



general
industries



power generation,
aerospace



climate technology



develops and manufactures complete hydronic & air flow control systems and treatment solutions for heating, cooling, ventilation and drinking water. All designed for residential and commercial buildings

our niche technologies



our end markets



commercial
buildings



residential
buildings

industrial technology



engineers and manufactures (custom made) solutions for specific niche applications to regulate and control gasses and liquids under often severe and critical conditions and co-develops and integrates specialised manufacturing technologies.

our niche technologies



our end markets



semicon
& science



district
energy, gas



beverage
dispense



automotive



general
industries

our responsibility



Aalberts takes on a sustainable role with technologies for **eco-friendly buildings**, **sustainable transportation** and **lifetime extension of materials**



2. creating shareholder value

our way of value creation

strength

mission-critical technologies

good is never good enough

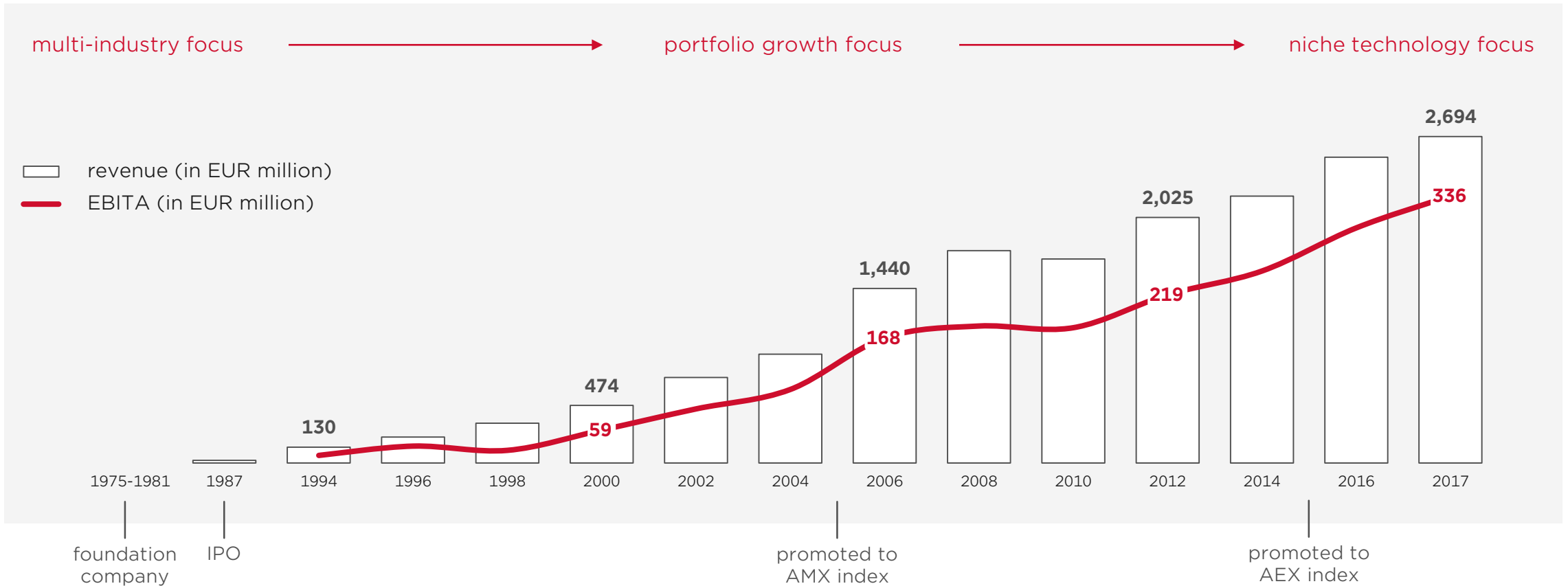
greatness is made of
shared knowledge

shareholder value

- leading niche technology positions
- high entry barriers, pricing power
- high added-value margins, sustainable growth
- operational excellence
- improve EBITA margins, strong cash conversion
- disciplined capital allocation
- technology exchange
- innovation speed
- fast learning & adaptation

our open and pragmatic internal culture keeps us ahead of the game,
no matter how frequently or significantly the game is disrupted

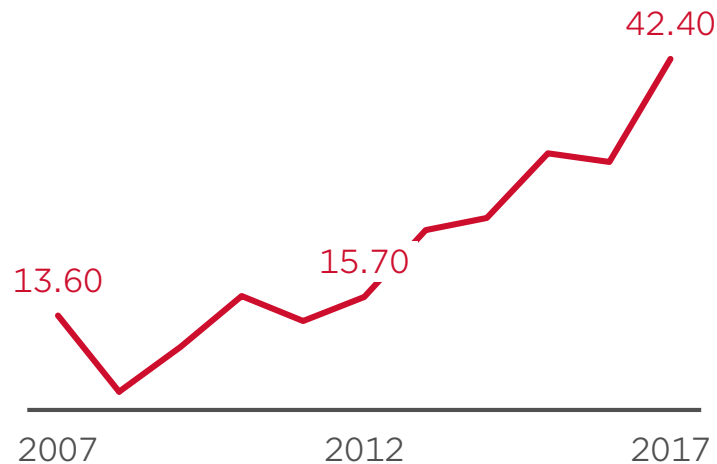
our track record - sustainable, profitable growth



40 years of sustainable, profitable growth
focused technology leader, strongly positioned for accelerated future growth

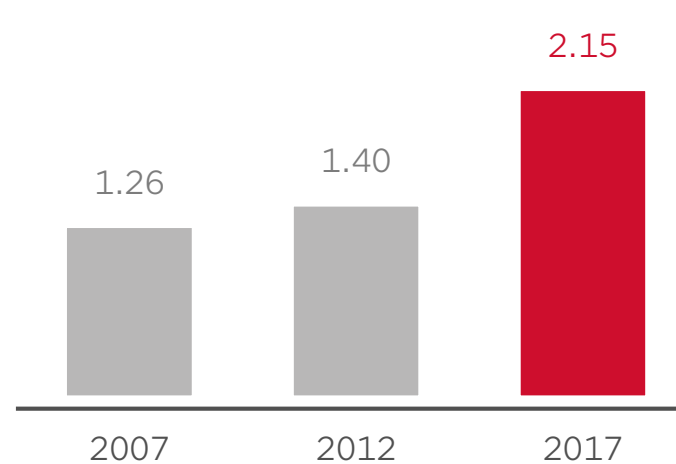
our track record - shareholder value creation

share price development
(in EUR)



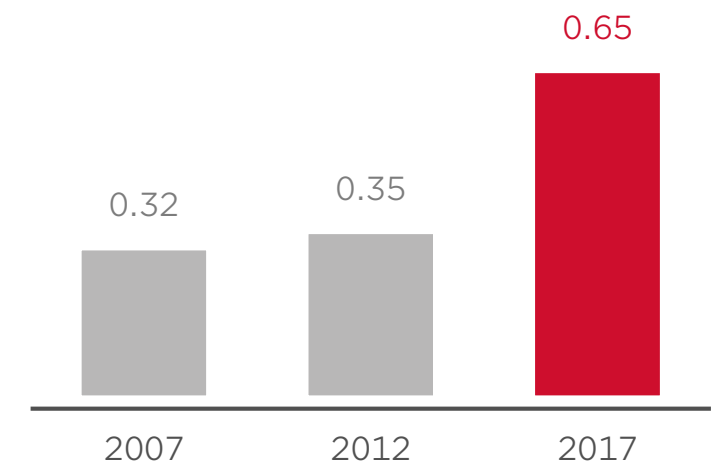
CAGR ↗ 18%

earnings per share
(in EUR)



CAGR ↗ 12%

dividend per share
(in EUR)



CAGR ↗ 14%

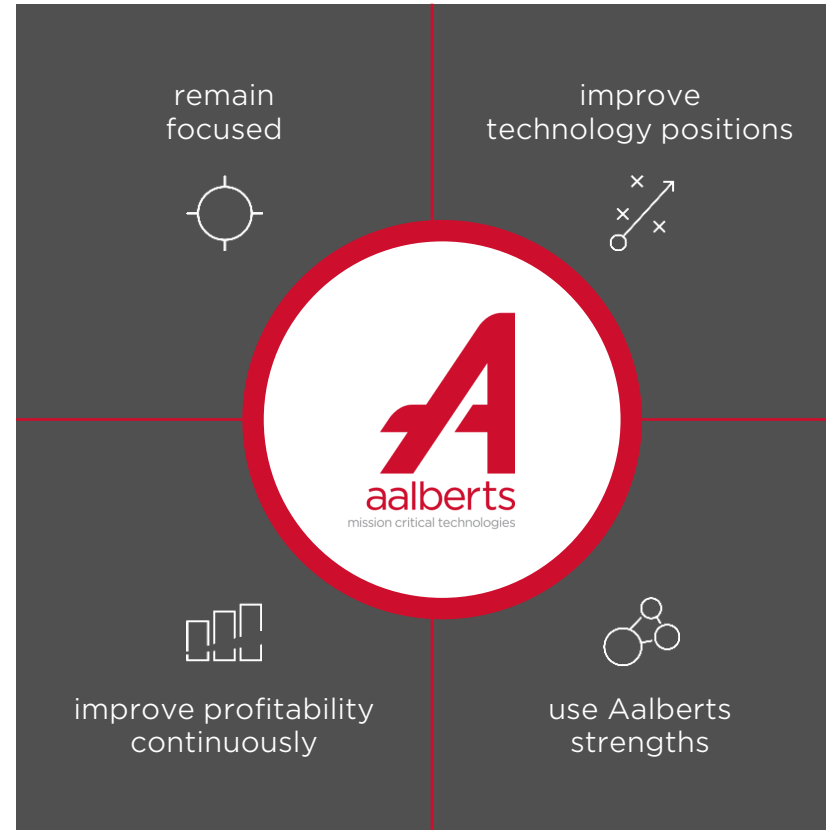
our relentless pursuit of excellence drives true shareholder value,
performance exceeds market average

our strategy



continued focus on businesses, end markets and niche technologies with sustainable profitable growth potential, delivering high added value for our customers

relentlessly continue and expand our operational excellence programme through pricing excellence, make or buy decisions, further consolidation of locations, manufacturing and supply chain efficiency improvements



accelerate organic growth, increase game changing innovations executing our long-term innovation roadmap, combine our offerings to Key Accounts and strengthen our market positions with mainly bolt-on acquisitions

together, winning with people, by exchanging best practices of manufacturing technology, innovations, working methods & know-how utilising our Aalberts brand, global footprint, investment power, acquisition expertise and talented people

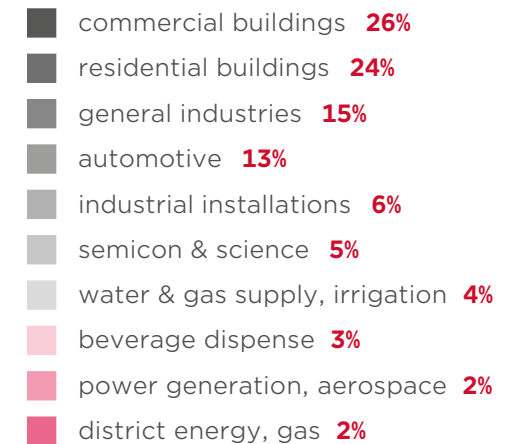
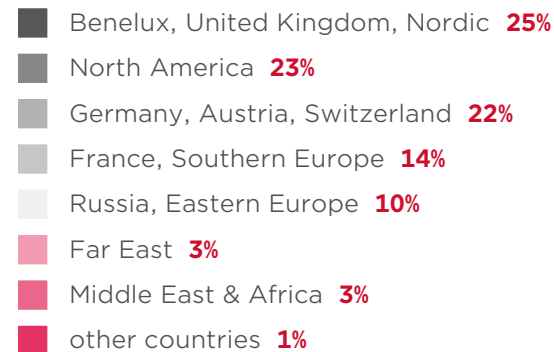
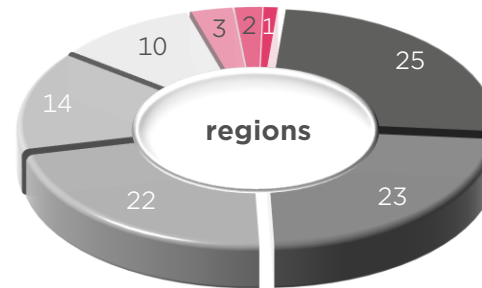
‘focused acceleration’ 2018-2022

our objectives 2018-2022

 worldwide leading niche technology positions	 creating sustainable profitable growth	 generating high added- value margins	 converting strong operational execution into free cash flow	 achieving following financial ratios
in the defined end markets and businesses supported by strong brand names, serving a variety of global end markets.	in earnings per share with a good spread in businesses, technologies, end markets and geographical regions with good growth potential.	by creating leading niche technology-end market positions, operational excellence, providing excellent services to our customers and continuously driving innovations.	to reinvest in selected businesses and technologies, with disciplined allocation of capital, to accelerate organic growth, innovations and acquisitions.	average organic revenue growth > 3% EBITA margin > 14% ROCE > 18% FCF conversion ratio > 70% leverage ratio < 2.5 solvability > 40%

executing our strategy

niche technologies



15 motivated business teams drive **five-year business plans**,
long-term innovation roadmaps and integrate **bolt-on acquisitions**

additional growth drivers



climate change

growing need for energy saving and efficiency in buildings, combined with a transition to electrification of vehicles



urbanisation

larger cities and aging population drive the demand for comfort and services, and result in more travel (cars & aeroplanes)



raw material scarcity

industry-wide need for lifetime extension of materials through heat & surface treatments and strong focus on water saving



internet of things

new and direct business channels, plus connected hardware and smart driving impel breakthroughs in the semicon market

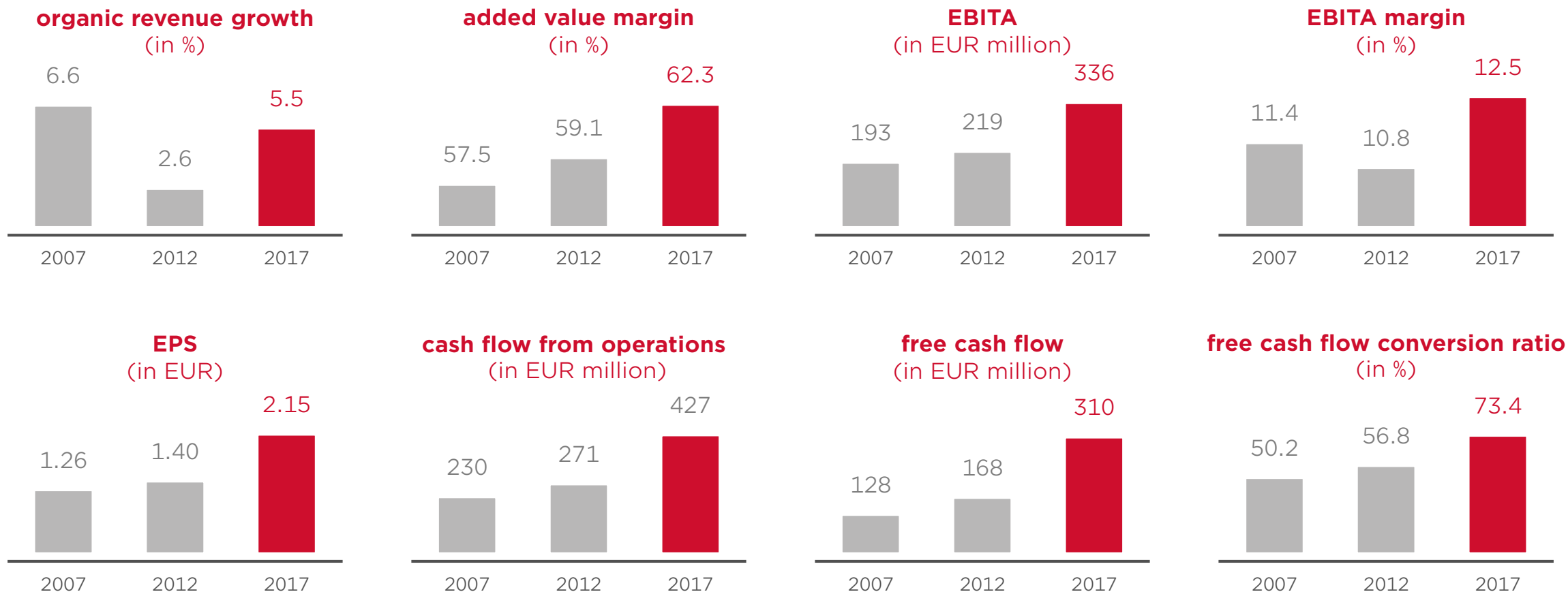


globalisation
co-development

growing need for worldwide active partners, strong financials, investment power and integrated system offering

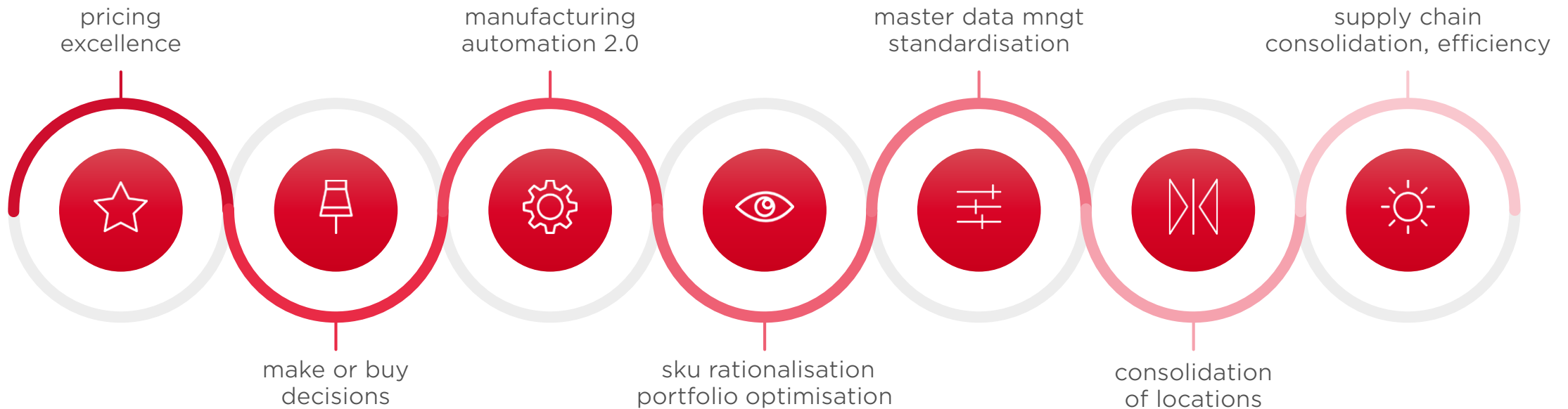
our open and pragmatic culture helps us
exchange fresh thinking and embrace new technologies

executing strong performance driving cash conversion



compounding cash drives shareholder value

operational excellence



we relentlessly continue and expand our
operational excellence programme, still lot to improve



3. disciplined capital allocation

disciplined capital allocation

cash dividend policy

30% of net profit before amortisation

organic growth

CAPEX EUR 130-170 million p.a.

- » 40% innovation
- » 30% efficiency
- » 30% capacity

disciplined allocation

1. invest in future strategic growth
2. capacity always combined with efficiency improvement
3. 'no returns – no money' policy

acquisitions bolt-on 'sweetspot'

size EUR 20-150 million annual revenue

deployment EUR 100-200 million p.a.

- » technology – portfolio
- » regional footprint
- » customer group

disciplined allocation

1. 100% cultural and strategic fit
2. Aalberts management committed to realise 5Y Business Integration Plan (BIP)
3. payback based on BIP cash flow

acquisitions strategic footprint

size EUR 150+ million annual revenue

deployment EUR 100+ million*

- » strategic positioning
- » management structure
- » sales & distribution platform

*) depending on opportunity

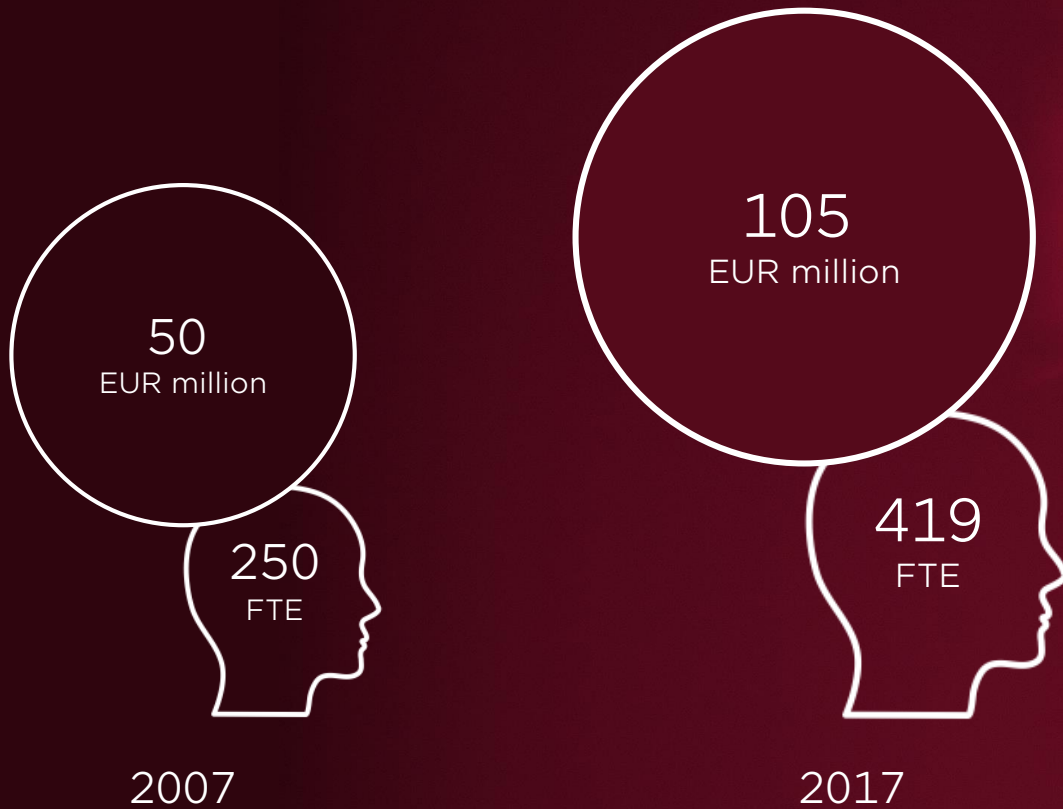
converting strong operational execution into free cash flow, allocated in a disciplined way to accelerate organic growth, innovations and acquisitions

return on incremental capital employed (ROICE)



ROICE further improved in past five years

continuous investments in R&D



R&D investments increased from 3% to 4% of total revenue

reasons to invest in Aalberts



- 1. track record of creating shareholder value**
- 2. leading niche technology positions with high entry barriers and pricing power**
- 3. long-term sustainable, high added-value growth**
- 4. continuous investments in R&D**
- 5. continuous margin improvement**
 - » portfolio optimisation
 - » operational excellence
 - » operational leverage
- 6. disciplined capital allocation**
 - » cash dividend
 - » organic growth
 - » acquisitions



4. business update 1H2018

Aalberts highlights



revenue
(in EUR million)

1,387
+1%

added-value
(% of revenue)

62.8
1H2017: 63.0

EBITA
(in EUR million)

179
+6%

EBITA %
(% of revenue)

12.9
1H2017: 12.4

net profit
(in EUR million)

130
+11%

earnings per share
(in EUR)

1.18
+11%

capital expenditure
(in EUR million)

57
+3%

ROCE
(in %)

15.2
1H2017: 14.5

- organic revenue growth +5.2%
 - » reported +1.4%; FX impact -3.4%; acquisitions/divestments -0.4%
- operating profit (EBITA) +6% to EUR 179 million; EBITA margin improved to 12.9%
- net profit before amortisation +11% to EUR 130 million; earnings per share EUR 1.18 (+11%)
- continuous investments in organic growth and operational excellence
- bolt-on acquisitions PEM (1H2018) and VAF (2H2018)
- annual revenue of approximately EUR 40 million divested to optimise portfolio (2H2018)

improved EBITA margin and EPS, continued investments
in organic growth, further optimised portfolio

installation technology

revenue
(in EUR million)

576
-2%

EBITA
(in EUR million)

71
-2%

EBITA %
(in % of revenue)

12.4
1H2017: 12.4

capital expenditure
(in EUR million)

18
-23%

- good organic growth, mainly in North America
 - » newly launched product lines performed well in combination with our upgraded sales and distribution organisation
 - » in process to increase return on many investments made last years
- market circumstances Europe continued to be good
- improved European distribution footprint launched
- additional investments globally in fast-growing product lines
- continued to drive operational excellence programme through dedicated global network
- multilayer systems realised good growth in our activities in North America and Europe due to a more focused approach
 - » gained more business
 - » innovation roadmaps got more traction through capacity investments in R&D

good organic growth, increase returns, additional investments

revenue
(in EUR million)

377
+1%

EBITA
(in EUR million)

51
+2%

EBITA %
(in % of revenue)

13.5
1H2017: 13.3

capital expenditure
(in EUR million)

25
+1%

- heat and surface treatment Europe did well
 - » volumes in service locations continued on a high level
 - » increased investments in certain areas in our heat treatment business
- surface treatment organisation further aligned to realise a more coherent approach to our customers, utilising our Aalberts strengths and gain more operational efficiency.
- specialised manufacturing did well
 - » expanding R&D capacity to fulfil many development projects with Key Accounts for the electrification of vehicles
 - » continue to execute aerospace business and investment plans launched a few years ago
 - » North America difficult market circumstances due to power generation end market, continued to slow down. An action plan is in place to optimise operations and gain other business

good volumes, increased investments, further optimisation

revenue
(in EUR million)

274
+4%

EBITA
(in EUR million)

33
+9%

EBITA %
(in % of revenue)

11.9
1H2017: 11.4

capital expenditure
(in EUR million)

4
+58%

- solid organic growth, market circumstances are good
- several new and upgraded product ranges in pipeline, to be launched 2H2018
- especially Benelux, Germany and Eastern Europe business developed well
 - » Russia improved performance in local currency
- organisation further aligned to strategy and innovation roadmap for coming years and strengthened in several areas
- many initiatives to improve efficiency through operational excellence, utilising our Aalberts networks
- new digital business models in development, driven by trends like energy efficiency, system data collection, information monitoring and prefabrication of modular installation systems

solid organic growth, new product ranges, further efficiency improvement

revenue
(in EUR million)

194
+10%

EBITA
(in EUR million)

31
+20%

EBITA %
(in % of revenue)

15.7
1H2017: 14.5

capital expenditure
(in EUR million)

10
+84%

- very good first half year
- launch of upgraded product lines in fluid control for the automotive and general industries end market well received
 - » in combination with good order intake of our existing product lines
 - » additional upgrades in development pipeline
- dispense technologies continued to consolidate USA operations
 - » order intake increased compared to the same period last year
- advanced mechatronics further accelerated, excellent first half year
 - » implemented last year investments
 - » recruited many new people in development, engineering and manufacturing
 - » launched additional investments to facilitate growth for the coming years
 - » successfully delivered first systems of our last year announced project
- activities for district energy & gas faced slow start of the year

very good 1H2018, good order intake, additional investments

condensed consolidated income statement

in EUR million	1H2018	1H2017
revenue	1,386.5	1,367.6
operating profit (EBITDA)	226.5	217.9
depreciation	(47.3)	(48.1)
operating profit (EBITA)	179.2	169.8
net interest expense	(7.8)	(8.3)
other net finance cost	(2.2)	(5.2)
income tax expense (<i>ETR 1H2018: 24.4%, 1H2017: 27.0%</i>)	(37.1)	(37.7)
non-controlling interests	(1.9)	(1.6)
NET PROFIT BEFORE AMORTISATION	130.2	117.0
EPS before amortisation in EUR	1.18	1.06

- revenue growth: +5.2% organic (reported +1.4%; FX impact -3.4%; acquisitions/divestments -0.4%)
- FX impact EUR 46 million *negative* on revenue and EUR 5.0 million *negative* on EBITA

organic revenue growth +5%, EBITA +6%, EPS +11%

condensed consolidated balance sheet

in EUR million	30.06.2018	31.12.2017	30.06.2017
total non-current assets	1,926	1,916	1,913
total current assets	1,206	994	1,101
TOTAL ASSETS	3,132	2,910	3,014
total equity	1,550	1,513	1,410
total non-current liabilities	566	640	741
total current liabilities	1,016	757	863
TOTAL EQUITY AND LIABILITIES	3,132	2,910	3,014
net debt	744	569	799
leverage ratio: Net debt / EBITDA (12-months-rolling)	1.7	1.3	1.9
net working capital	632	455	594
net working capital as a % of total revenue	23.1	16.8	22.5
total equity as a % of total assets	49.5	52.0	46.8
return on capital employed (ROCE) (in %)	15.2	16.2	14.5

return on capital employed improved from 14.5% to 15.2%

condensed consolidated cash flow statement

in EUR million	1H2018	1H2017	delta
operating profit (EBITDA)	226.5	217.9	8.6
result on sale of equipment / changes in provisions	(3.3)	(1.9)	(1.4)
changes in working capital	(173.7)	(126.1)	(47.6)
CASH FLOW FROM OPERATIONS	49.5	89.9	(40.4)
net capital expenditure	(63.2)	(61.8)	(1.4)
FREE CASH FLOW	(13.7)	28.1	(41.8)
finance cost paid	(8.6)	(12.0)	3.4
income taxes paid	(41.7)	(33.2)	(8.5)
acquisition/disposal of subsidiaries	(22.8)	(27.3)	4.5
proceeds from non-current borrowings	3.0	143.5	(140.5)
repayment of non-current borrowings	(71.1)	(72.3)	1.2
dividends paid	(71.9)	(64.1)	(7.8)
cash flow to non-controlling interests	(7.0)	0.6	(7.6)
NET INCREASE/(DECREASE) IN CASH AND CURRENT BORROWINGS	(233.8)	(36.7)	(197.1)

Δ NWC: seasonal swing EUR 125M, raw material prices EUR 20M, impact 2H2017/1H2018 EUR 30M

revenue & capex

in EUR million	1H2018	1H2017*	delta
installation technology	575.9	588.7	(2%)
material technology	377.1	375.1	1%
climate technology	273.8	262.1	4%
industrial technology	193.9	175.7	10%
<i>holding / eliminations</i>	<i>(34.2)</i>	<i>(34.0)</i>	
TOTAL REVENUE	1,386.5	1,367.6	1%

in EUR million	1H2018	1H2017*	delta
installation technology	17.6	22.9	(23%)
material technology	24.6	24.3	1%
climate technology	3.8	2.4	58%
industrial technology	10.3	5.6	84%
<i>holding / eliminations</i>	<i>0.8</i>	<i>0.1</i>	
TOTAL CAPEX	57.1	55.3	3%

* 1H2017 adjusted for comparison purposes (as disclosed in FY2017 webcast and analyst presentation)

CAPEX expectation FY2018 EUR 130-150 million

operating profit (EBITA) & EBITA margin

in EUR million	1H2018	1H2017*	delta
installation technology	71.2	72.7	(2%)
material technology	51.0	49.9	2%
climate technology	32.6	29.8	9%
industrial technology	30.5	25.4	20%
<i>holding / eliminations</i>	<i>(6.1)</i>	<i>(8.0)</i>	
TOTAL EBITA	179.2	169.8	6%
in % of revenue	1H2018	1H2017*	delta
installation technology	12.4	12.4	-
material technology	13.5	13.3	0.2
climate technology	11.9	11.4	0.5
industrial technology	15.7	14.5	1.2
TOTAL EBITA MARGIN	12.9	12.4	0.5

* 1H2017 adjusted for comparison purposes (as disclosed in FY2017 webcast and analyst presentation)

EBITA margin improved from 12.4% to 12.9%



5. objectives update 2018-2022

objectives 2018-2022 – our progress



worldwide leading niche
technology positions

- o market position strengthened in material technology (PEM) and industrial technology (VAF)
- o product portfolio optimised through divestments of activities (EUR 40 million revenue annually)



creating sustainable
profitable growth

- o driving forward many organic growth and innovation initiatives, increasing full year CAPEX
- o sustainability focus further intensified, embracing the SDGs



generating high
added-value margins

- o added-value margin 1H2018 (62.8%) improved compared to 2H2017 (61.6%)
- o continuous optimisation of product portfolio and operational/pricing excellence



converting strong operational
execution into free cash flow

- o upgraded sales and distribution organisation installation technology in process
- o in North America increase return; in Europe distribution footprint launched



achieving following
financial ratios

- o organic revenue growth +5.2% (1H2017 +4.7%)
- o EBITA margin improved to 12.9% (1H2017 12.4%), ROCE improved to 15.2% (1H2017 14.5%)

we will execute our strategy ‘focused acceleration’ and objectives, drive our long-term business plans and innovation roadmaps, and expect further sustainable profitable growth in 2018



A
aalberts



questions & answers