



# 2015

## GENERAL MEETING

AMSTERDAM, 19 APRIL 2016



**AALBERTS  
INDUSTRIES**



The background image shows a large industrial facility, likely a refinery or chemical plant. In the foreground, a large, polished, cylindrical metal tank is being moved or positioned by a red overhead crane. A worker in a blue uniform is visible, interacting with the crane's controls. In the background, several smaller red cylindrical tanks are visible, along with complex piping and structural steel. The lighting is bright, typical of an industrial interior.

# 2015

## ANNUAL REPORT

- HIGHLIGHTS 2015
- OPERATIONAL REVIEW
- FINANCIAL REVIEW
- STRATEGY & OBJECTIVES
- QUESTIONS & ANSWERS



**REVENUE**  
(in EUR million)

**2,475** ○ +12%

**ADDED-VALUE**  
(% of revenue)

**61.5**

**EBITA**  
(in EUR million)

**272** ○ +10%

**EBITA %**  
(% of revenue)

**11.0**

**NET PROFIT**  
(in EUR million)

**190** ○ +13%

**EARNINGS PER SHARE**  
(in EUR)

**1.72** ○ +13%

**FREE CASH FLOW**  
(in EUR million)

**243** ○ +10%

**CAPITAL  
EXPENDITURE**  
(in EUR million)

**96** ○ +14%

- Revenue +12% to EUR 2,475 million (organic +2%)
- Operating profit (EBITA) +10% to EUR 272 million; EBITA-margin 11.0%
- Net profit before amortisation +13% to EUR 190 million; earnings per share EUR 1.72 (+13%)
- Free cash flow +10% to EUR 243 million
- Strengthened market position Industrial Controls due to acquisition VENTREX
- Integration and optimisation of 2014 acquisitions proceeded well
- Dividend proposal +13% to EUR 0.52 in cash per share



# OPERATIONAL REVIEW



**REVENUE**  
(in EUR million)

**1,153** ○ +10%

**EBITA**  
(in EUR million)

**123** ○ +23%

**EBITA %**  
(% of revenue)

**10.6**

**CAPITAL EXPENDITURE**  
(in EUR million)

**38** ○ +39%

- Realised organic growth and good results
- Europe:
  - » positive development in several countries
  - » good performance due to focus on
    - > technologies with growth potential
    - > improved marketing and sales approach
    - > Operational Excellence projects
  - » Some regions still challenging, especially France and Russia or are coming from a low market activity level
- North America:
  - » market environment weaker during year than expected
  - » continued focus on
    - > improvement joint marketing and sales approach
    - > sales of technologies with growth potential
    - > many product improvements and new products
  - » Operational Excellence projects made good progress to increase efficiency
- Strengthened business management teams



**REVENUE**  
(in EUR million)

**407** ○ +20%

**EBITA**  
(in EUR million)

**41** ○ +16%

**EBITA %**  
(% of revenue)

**10.1**

**CAPITAL EXPENDITURE**  
(in EUR million)

**7** ○ +45%

- Good growth of revenue and results
- Mainly driven by two acquisitions in 2014 and intensified group cooperation
- Project activities in many markets still on a low level, especially France and Russia challenging
- Good growth in North America and United Kingdom
- In Europe we continued to
  - » integrate and optimise the acquisitions
  - » improve joint marketing and system sales approach
  - » execute many Operational Excellence projects
- Strengthened business management team
- Technology portfolio more clearly defined including innovation roadmaps



**REVENUE**  
(in EUR million)

**367** ○ -12%

**EBITA**  
(in EUR million)

**46** ○ -14%

**EBITA %**  
(% of revenue)

**12.5**

**CAPITAL EXPENDITURE**  
(in EUR million)

**14** ○ +19%

- District Energy, Oil & Gas market was difficult:
  - » During second half year order intake stabilised due to
    - > renovation and repair segment
    - > new customers
    - > growth in new products, markets and regions
  - » Operational Excellence projects intensified to consolidate locations and increase efficiency
- Automotive and industrial markets
  - » high pressure gas regulators and valves good growth
  - » strengthened with acquisition VENTREX
- Semicon & Science market:
  - » did well in 1H, but slowed down in 2H
  - » additional actions to increase market focus & efficiency
- General Industries market
  - » precision extrusion and machining performed well
  - » invested in additional equipment to facilitate growth
- Beverage Dispense activities North America good year
- Divestment two non-core activities, effected annual revenue



**REVENUE**  
(in EUR million)

**611**

○ — +30%

**EBITA**  
(in EUR million)

**77**

○ — +23%

**EBITA %**  
(% of revenue)

**12.6**

**CAPITAL EXPENDITURE**  
(in EUR million)

**38**

○ — -8%

- Heat treatment and surface treatment Europe:
  - » good level in Automotive and Machine Build end markets
  - » especially Eastern Europe performed well and realised good growth, utilising the capital investments of the last years
- Brazing and heat treatment activities in North America:
  - » Power Generation end market made an excellent year, additional capital investments made to drive further growth
- Complex precision stamping activities:
  - » France still challenging
  - » Compensated by a good growth in Eastern Europe and Asia
  - » New global technology development centre opened in December 2015 to support our global Key Accounts
- Impreglon integration good progress, especially H2 due to:
  - » strengthened management team
  - » improved technology focused business structure
  - » squeeze out process successfully finalised December 2015



# FINANCIAL REVIEW



**AALBERTS  
INDUSTRIES**



in EUR million	2015	2014	DELTA
Revenue	2,475.3	2,200.8	12%
Operating profit (EBITDA)	367.3	331.4	11%
Depreciation	(95.3)	(84.8)	12%
Operating profit (EBITA)	272.0	246.6	10%
Net interest expense	(17.8)	(15.7)	13%
Other net finance cost	(2.6)	(4.5)	-
Income tax expenses	(58.6)	(56.4)	4%
Non-controlling interests	(2.5)	(2.1)	-
<b>NET PROFIT BEFORE AMORTISATION</b>	<b>190.4</b>	<b>167.9</b>	<b>13%</b>
<b>EPS before amortisation in EUR</b>	<b>1.72</b>	<b>1.52</b>	<b>13%</b>

» Revenue growth: 2% organic, 6% acquisitions/divestments, 4% FX/currency impact



in EUR million	31.12.2015	RESTATED 31.12.2014	ADJUSTMENT 31.12.2014	REPORTED 31.12.2014
Total non-current assets	1,799	1,640	(13)	1,654
Total current assets	942	912	111	801
<b>TOTAL ASSETS</b>	<b>2,741</b>	<b>2,552</b>	<b>98</b>	<b>2,454</b>
Total equity	1,285	1,163	(13)	1,176
Total non-current liabilities	763	632	(3)	635
Total current liabilities	693	757	113	644
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,741</b>	<b>2,552</b>	<b>98</b>	<b>2,454</b>
Net working capital	461	427	0	427
Days working capital (DWC)	66	65	0	65
Days sales outstanding (DSO)	49	48	11	38
Days payables outstanding (DPO)	44	46	11	35
Total equity / Total assets (in %)	46.9	45.6	(2.3)	47.9
Capital Employed	2,002	1,854	(12)	1,866
Return on Capital Employed (ROCE) (in %)	14.3	14.1	0.1	14.0



in EUR million	2015	2014	DELTA
Operating profit (EBITDA)	367.3	331.4	35.9
Result on sale of equipment / Changes in provisions	(16.1)	(17.5)	1.4
Changes in working capital	(21.1)	(6.6)	(14.5)
<b>CASH FLOW FROM OPERATIONS</b>	<b>330.1</b>	<b>307.3</b>	<b>22.8</b>
Net capital expenditure	(87.2)	(85.6)	(1.6)
<b>FREE CASH FLOW</b>	<b>242.9</b>	<b>221.7</b>	<b>21.2</b>
Finance expenses paid	(21.4)	(15.0)	(6.4)
Income taxes paid	(69.9)	(56.8)	(13.1)
Acquisition of subsidiaries	(126.4)	(258.0)	131.6
Disposal of subsidiaries	32.9	11.9	21.0
Proceeds from non-current borrowings	198.4	323.5	(125.1)
Repayment of non-current borrowings	(120.2)	(120.9)	0.7
Dividends paid	(50.9)	(45.3)	(5.6)
Non-controlling interests and other cash flows	(24.1)	(2.0)	(22.1)
<b>NET CASH FLOW</b>	<b>61.3</b>	<b>59.1</b>	<b>2.2</b>



in EUR million	2015	2014	DELTA
Building Installations	122.5	99.8	23%
Climate Control	41.2	35.4	16%
Industrial Controls	45.9	53.5	(14%)
Industrial Services	77.1	62.7	23%
<i>Holding / Eliminations</i>	<i>(14.7)</i>	<i>(4.8)</i>	-
<b>TOTAL EBITA</b>	<b>272.0</b>	<b>246.6</b>	<b>10%</b>

in %	2015	2014	DELTA
Building Installations	10.6	9.5	1.1
Climate Control	10.1	10.4	(0.3)
Industrial Controls	12.5	12.8	(0.3)
Industrial Services	12.6	13.4	(0.8)
<b>TOTAL EBITA AS A % OF REVENUE</b>	<b>11.0</b>	<b>11.2</b>	<b>(0.2)</b>

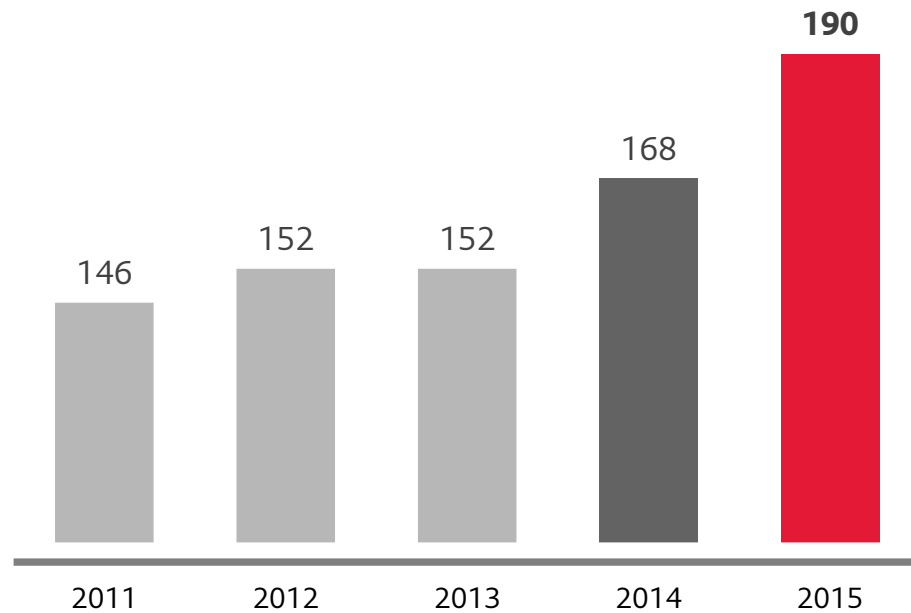


	2015	2014	2013	2012	2011
EBITA as a % of revenue	11.0	11.2	11.0	10.8	10.8
Added-value as a % of revenue	61.5	60.5	60.0	59.1	59.1
Free cash flow	243	222	175	168	169
Free cash flow conversion ratio	66.1	66.9	57.6	56.8	60.4
Return on capital employed (ROCE)	14.3	14.1	14.6	14.7	14.3
Leverage ratio	1.8	1.9	1.6	1.8	2.0
Capital expenditure (in EUR million)	96	85	106	104	84
Net working capital as a % of revenue	18.3	18.0	18.3	18.3	17.3
Net debt (in EUR million)	718	690	480	542	606
Total equity as a % of total assets	46.9	45.6	52.8	48.3	44.4



## NET PROFIT (BEFORE AMORTISATION)

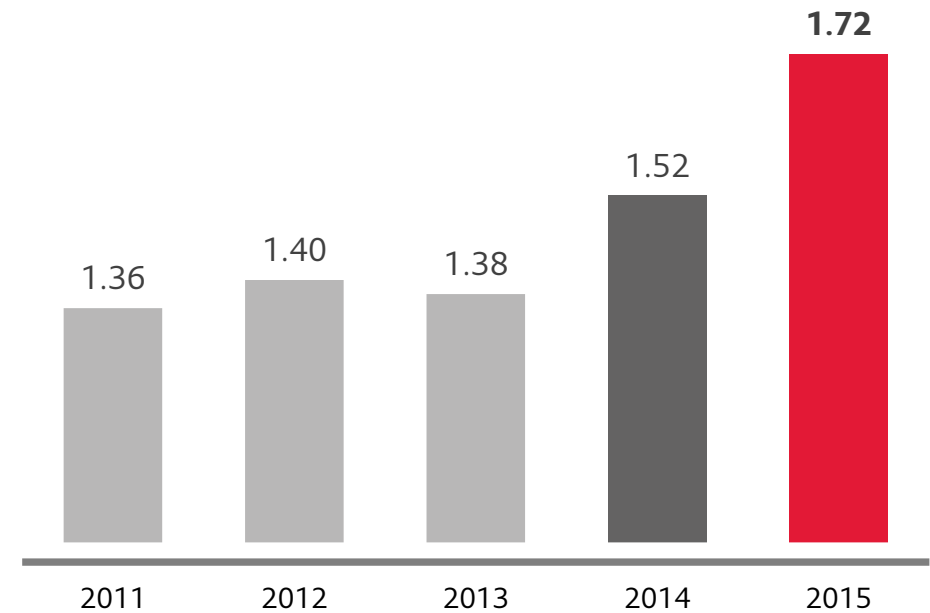
(in EUR million)



**190**  
+13%

## EARNINGS PER SHARE (BEFORE AMORTISATION)

(in EUR)

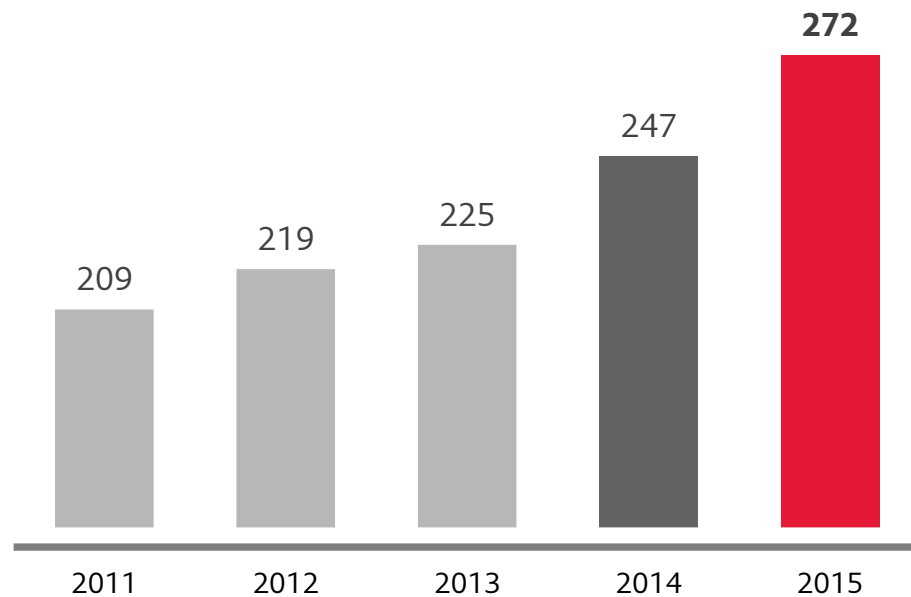


**1.72**  
+13%



## OPERATING PROFIT (EBITA)

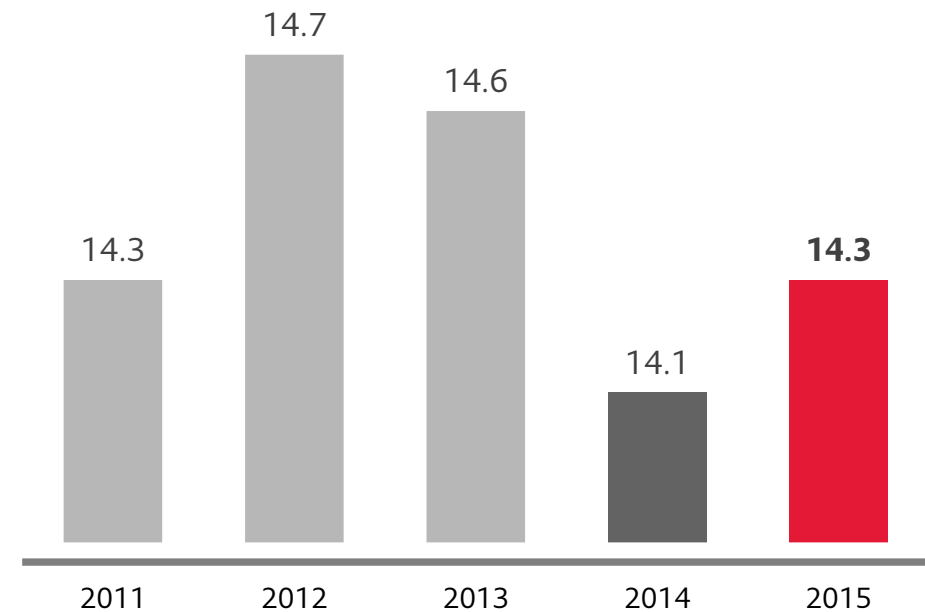
(in EUR million)



**272**  
+10%

## RETURN ON CAPITAL EMPLOYED (ROCE)

(in %)

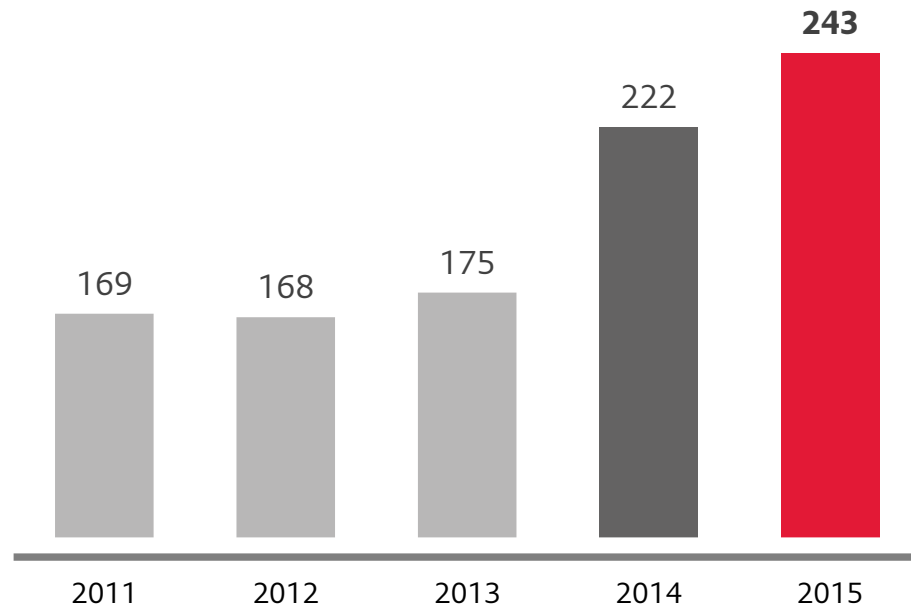


**14.3**



## FREE CASH FLOW (BEFORE INTEREST AND TAX)

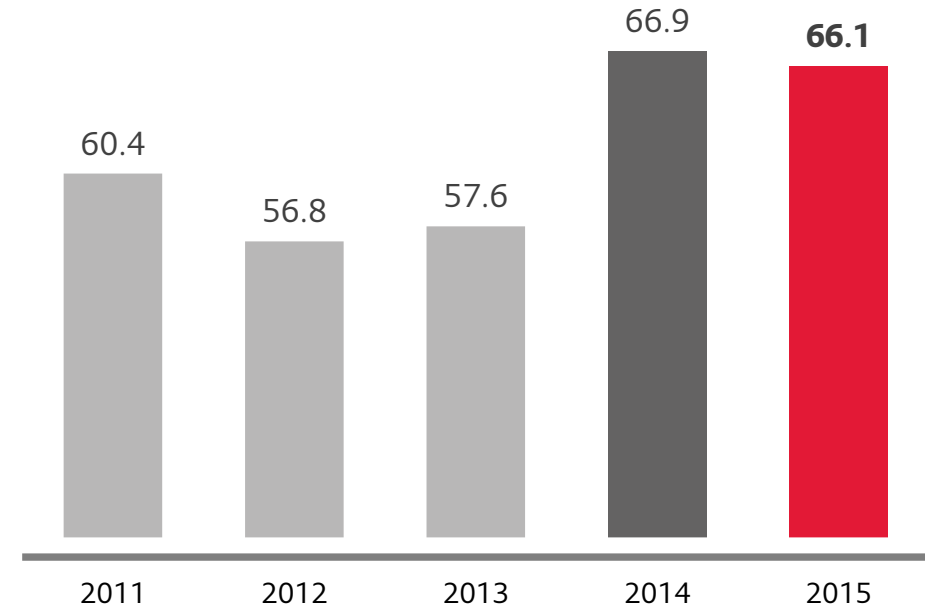
(in EUR million)



**243**  
+10%

## FREE CASH FLOW CONVERSION (FCF/EBITDA)

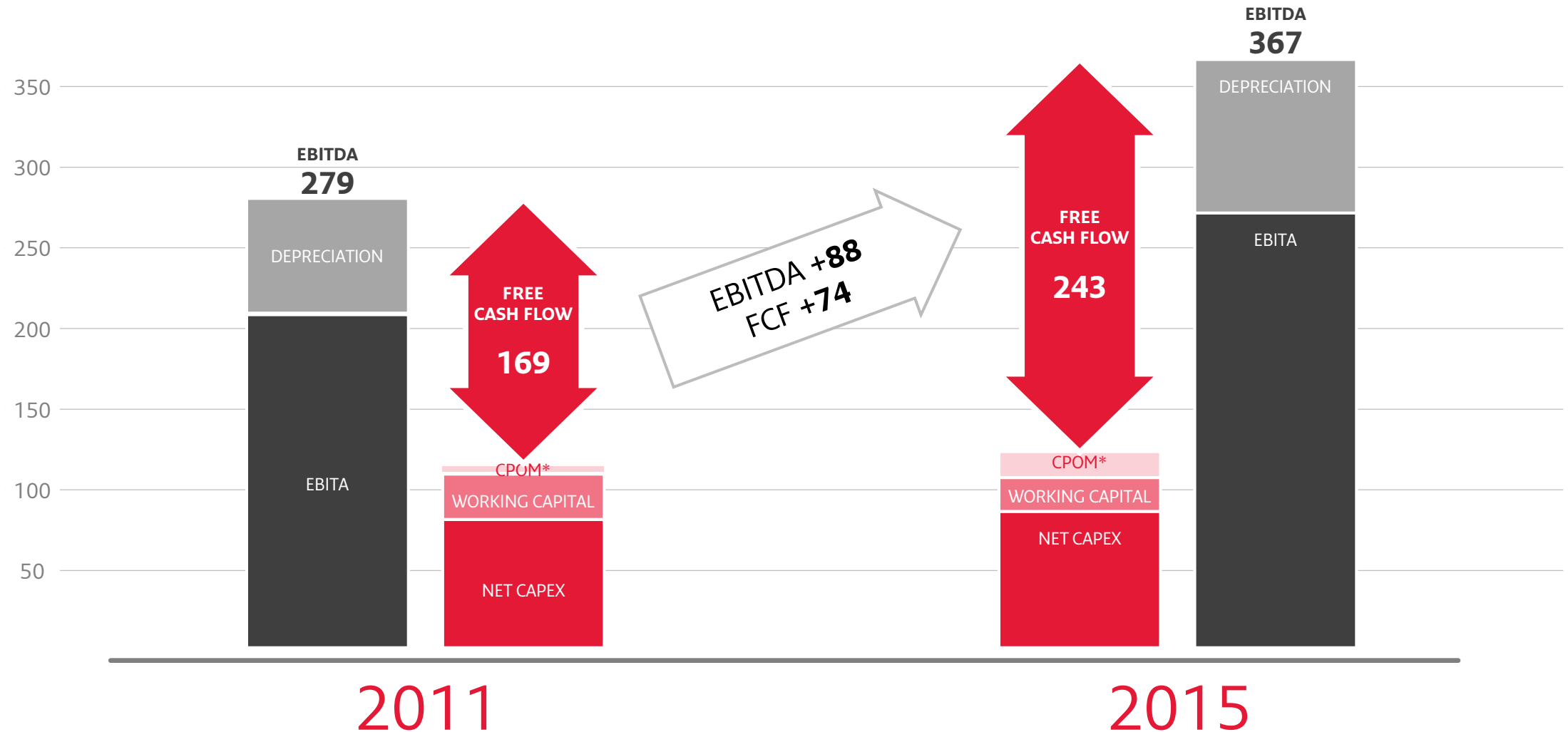
(in %)



**66.1**

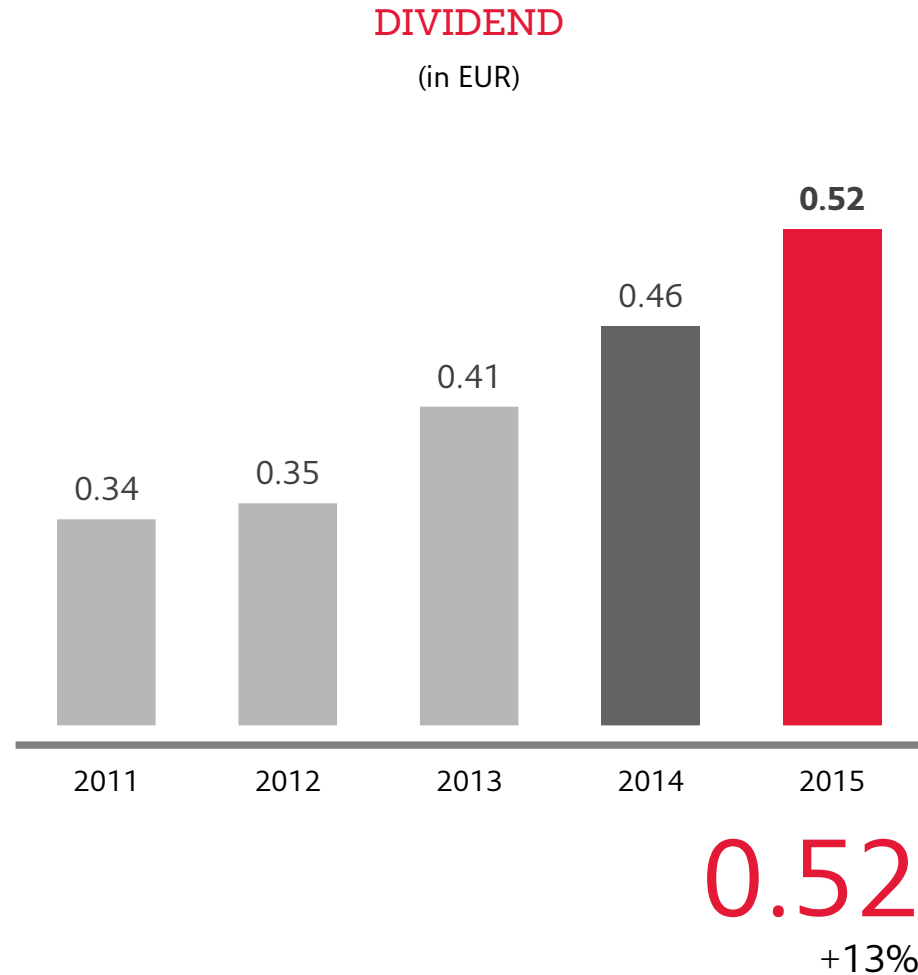


# Financial review | Free cash flow development 2011-2015 (in EUR mio)



\*) changes in provisions and other movements





Proposal to increase the cash dividend per ordinary share by 13% to EUR 0.52 (2014: EUR 0.46).



# STRATEGY & OBJECTIVES



**AALBERTS  
INDUSTRIES**



# 'AALBERTS INDUSTRIES LINKED' STRATEGY 2015-2018

## LEADING BUSINESS POSITIONS

- Businesses
- End markets
- Core technologies
- Customer added value
- Divest non-core activities



**FOCUS OUR  
APPROACH**

## OPERATIONAL EXCELLENCE

- Pricing optimisation
- Technology competence centres
- Make or buy decisions
- Manufacturing efficiency
- Consolidation of locations
- Supply Chain improvements



**IMPROVE PROFITABILITY  
CONTINUOUSLY**



**IMPROVE DEFINED  
MARKET POSITIONS**



**USE GROUP  
STRENGTHS**

## CORE TECHNOLOGIES

- Growth perspective
- Strong brand names
- Innovation roadmap
- Selective acquisitions
- Combined offering

## EXCHANGE BEST PRACTICES

- Manufacturing technology
- Sales & distribution channels
- Innovations & investments
- Working methods & know-how
- Global footprint
- KPI tools
- Key Account Management
- HR Talent Development







**Building leading niche market positions** – in the defined businesses and core technologies with strong brand names serving a variety of global end markets.



**Creating sustainable profitable growth** – in earnings per share with a good spread in businesses, technologies, end markets and geographical regions with good growth potential.



**Generating high-added-value margins** – by driving our Operational Excellence projects, providing excellent services close to our customers and continuously driving innovations.



**Converting strong operational execution into free cash flow** – to reinvest in selected businesses and technologies, with disciplined allocation of capital, to accelerate organic growth, innovations and acquisitions.



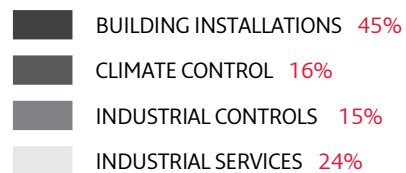
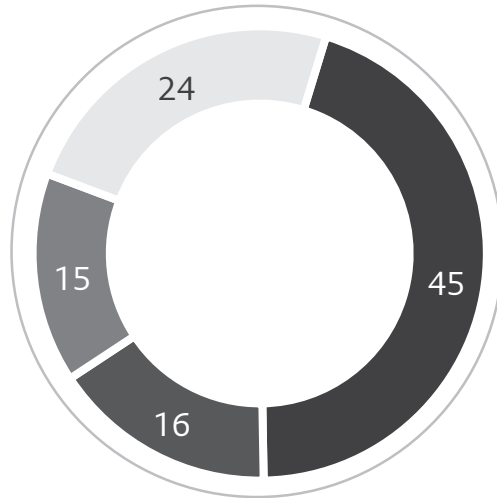
## Achieve following financial ratios

○ Solvability	> 40%	<i>Total equity as a % of total assets</i>
○ Leverage ratio	< 2.5	<i>Net debt / EBITDA (12-months-rolling)</i>
○ EBITA margin	> 12%	<i>EBITA as a % of revenue</i>
○ Free cash flow conversion ratio	> 70%	<i>Free cash flow (before interest and tax) / EBITDA</i>
○ Return on capital employed (ROCE)	> 16%	<i>EBITA (12-months-rolling) / Capital employed</i>



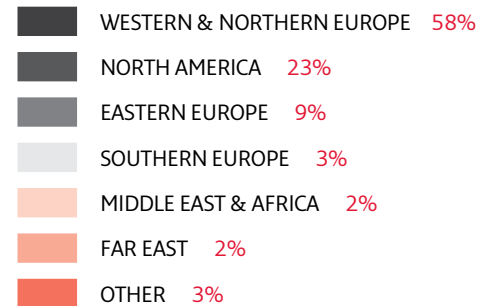
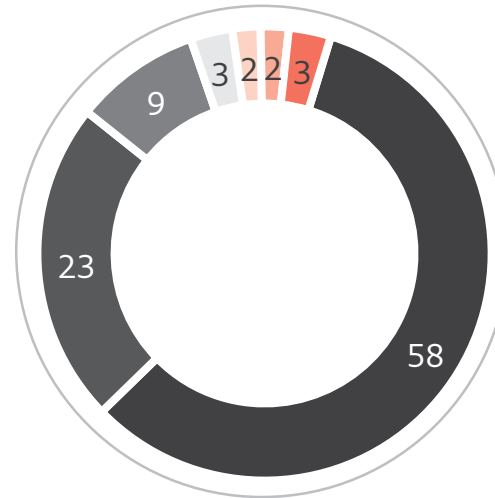
## PER BUSINESS

(in %)



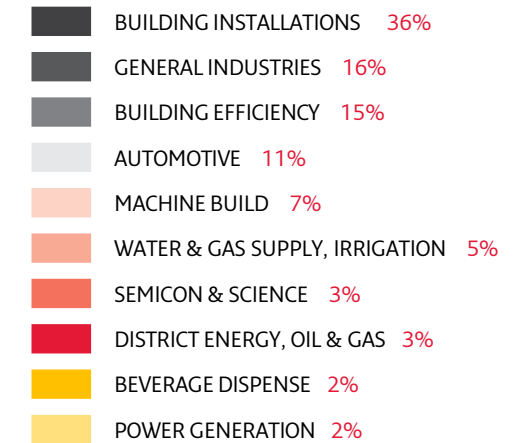
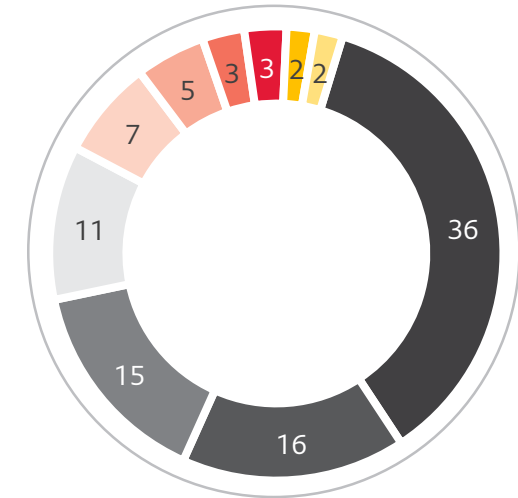
## PER REGION

(in %)



## PER END MARKET

(in %)







# Selective, disciplined acquisition strategy

to strengthen defined end markets, core technologies, regions




VENTREX

**leading global market position charge valves for automotive air conditioning, CNG regulators and valves for the automotive industry**

- strengthens position in **high pressure regulators**  
- combination VENTREX-VTI enables us to offer combined technologies in different end markets & develop regions (North America and Asia)




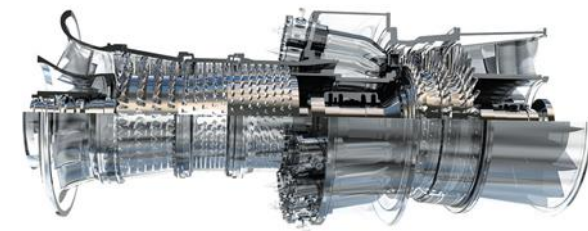
**known for its strong innovation and patented products like bar dispensers, non-carbonated post-mix and beverage dispensers, carbonators & chillers**

- strengthens position in **Beverage Dispense market** 
- product lines complementary to our existing dispensing technologies Taprite & DSI, enabling us to offer an even more complete dispensing system to global customers



**directly services the OEM in power generation market with several high grade technologies for industrial gas turbines (IGT)**

- strengthens market position in **Power Generation** 
- close cooperation with our brazing and heat treatment activity in North America.
- invest in expansion, add complementary technologies and expand existing Key Account partnerships to Europe and Asia





# Selective, disciplined **divestment strategy**

to focus capital allocation, accelerate growth potential, increase profitability



high quality thin-walled roll formed metal profiles for a variety of markets like the automotive, construction, lighting, furniture, interior engineering and air conditioning control



**BROEN-LAB**

laboratory fittings and emergency shower systems globally used in professional laboratories, the education sector and industrial workplaces



regulators, valves, fittings and safety accessories for LP Gas (Butane-Propane), Natural Gas, Biogas and Synthetic Natural Gas installations

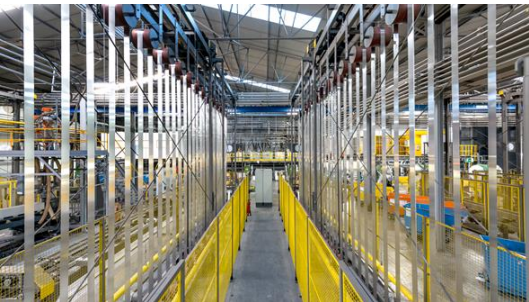




## BUILDING INSTALLATIONS

Building Installations manufactures and markets complete connection systems and valves to distribute and control water or gas in heating, cooling, (drinking) water, gas and sprinkler systems in residential, commercial and industrial buildings.

Strong focus on installers, contractors and wholesalers.



## CLIMATE CONTROL

Climate Control develops and manufactures complete hydronic systems – from source to emitter – for heating and cooling systems. The systems are designed for residential, commercial and industrial buildings, both new build and renovation.

Strong focus on building owners, specifying institutes and developers.



## INDUSTRIAL CONTROLS

Industrial Controls develops, engineers and produces regulation and control systems for selected niche markets. These technology-market combinations are characterised by an increasing demand for complex, high value and specific applications.

Strong focus on engineers and (global) Key Accounts.



## INDUSTRIAL SERVICES

Industrial Services offers a unique combination of advanced material technology know-how, highly specialised manufacturing expertise and a global network of locations with excellent local knowledge and service.

Strong focus on regional customers, engineers and (global) Key Accounts.










Building Installations manufactures and markets complete connection systems and valves to distribute and control water or gas in heating, cooling, (drinking) water, gas and sprinkler systems in residential, commercial and industrial buildings.

Strong focus on installers, contractors and wholesalers.

#### OUR END MARKETS

-  Building Installations
-  General Industries
-  Water & Gas Supply, Irrigation

#### OUR ADDED VALUE

- Speed up installation
- Guarantee system quality
- Offer a total package and availability



#### OUR CORE TECHNOLOGIES & BRANDS

##### EUROPE



Connection technology



Pegler Yorkshire

Valve technology



Multilayer system technology

##### NORTH AMERICA



Valve and backflow technology



Connection technology



Engineered plastic connection technology





Climate Control develops and manufactures complete hydronic systems – from source to emitter – for heating and cooling systems. The systems are designed for residential, commercial and industrial buildings, both new build and renovation.

Strong focus on building owners, specifying institutes and developers.

#### OUR END MARKETS



Building Efficiency

#### OUR ADDED VALUE

- Engineered system solution on customer specification
- Realise energy efficiency through improved system performance
- Provide excellent local service and after sales

#### OUR CORE TECHNOLOGIES & BRANDS



Boiler room, metering & balancing technology



**Flamco**

Pressurisation & storage and efficiency & safety technology

**COMAP**

Heating & cooling connection & valve technology

**Simplex**

Intelligent valve technology










Industrial Controls develops, engineers and produces regulation and control systems for selected niche markets. These technology-market combinations are characterised by an increasing demand for complex, high value and specific applications.

Strong focus on engineers and (global) Key Accounts.



#### OUR END MARKETS

-  District Energy, Oil & Gas
-  Automotive
-  General Industries
-  Semicon & Science
-  Beverage Dispense


#### OUR ADDED VALUE

- Deliver the most challenging customer specifications
- Guarantee an excellent global service capability
- Develop new technology solutions together with Key Accounts

#### OUR CORE TECHNOLOGIES & BRANDS

**BROEN** High pressure valve & actuator technology

**VENTREX** High pressure gas regulators & valve technology

 **SEMICON & SCIENCE** Vibration isolation & high vacuum technology

 **BEVERAGE DISPENSE** Dispensing system technology

**MIFA®** Precision extrusion, machining and surface technology









Industrial Services offers a unique combination of advanced material technology know-how, highly specialised manufacturing expertise and a global network of locations with excellent local knowledge and service.

Strong focus on regional customers, engineers and (global) Key Accounts.

#### OUR END MARKETS

-  Automotive
-  Machine Build
-  Power Generation
-  General Industries

#### OUR ADDED VALUE

- Improve material characteristics on customer specification
- Offer a combination of highly specialised manufacturing expertise with improved material characteristics
- Make use of our global network of locations with excellent local knowledge and service



#### OUR CORE TECHNOLOGIES & BRANDS



Anodizing & electroless nickel surface technology



Polymer & corrosion protection surface technology



Heat treatment technology



Special manufacturing, brazing & heat treatment technology



Complex precision stamping technology



# OUTLOOK

In 2016 we will consistently execute our strategy and expect to realise further progress during the year.



**AALBERTS  
INDUSTRIES**





# QUESTIONS & ANSWERS



**AALBERTS  
INDUSTRIES**