

# Aalberts accelerates strategy ‘focused acceleration’

## highlights

- revenue EUR 1,287 million; organic -11.1%
- operating profit (EBITA) EUR 121.7 million; EBITA-margin 9.5%
- net profit before amortisation EUR 85.6 million; per share EUR 0.77
- solid cash flow from operations EUR 68 million
- orderbook end of June higher than last year
- continued investments and innovation initiatives; CAPEX EUR 53.8 million
- acceleration strategy: one-off full year strategic restructuring cost of approx. EUR 40 million with an annual benefit of approx. EUR 45 million

## CEO statement

“We are fortunate that we only faced a limited amount of COVID-19 infections. Our business was impacted with an organic revenue decline of 11% during the first half of the year. We focused on cash management and cost optimisations. From the last weeks of May we see an increase in our order intake and sales. The orderbook end of June is higher than last year. We continued our CAPEX cash out, although on a slightly lower level compared to last year. Innovation roadmaps of all niche technologies continued.

We accelerated our action plan, presented during our Capital Markets Day (CMD) in December 2019. Many projects were initiated to reduce our structural costs and net working capital. This will lead to one-off strategic restructuring costs during 2020, which will partly benefit 2020 and fully 2021. Our goal is to evolve faster into a stronger and better Aalberts, realising our strategic objectives.

Our Aalberts people did a great job in continuing our operations in a safe way, serving our customers worldwide. At the same time initiating lots of structural improvements, optimising OPEX, NWC and CAPEX, driving our strategy forward.”

## key figures

in EUR million	1H2020	1H2019	delta
revenue	1,287	1,436	(10%)
added-value as a % of revenue	62.3	63.3	
operating profit (EBITA)	122	188	(35%)
EBITA as a % of revenue	9.5	13.1	
net profit before amortisation	86	138	(38%)
earnings per share before amortisation (in EUR)	0.77	1.25	(38%)
net debt	807	905	(11%)
net debt (before IFRS 16)	648	778	(17%)
leverage ratio: net debt / EBITDA (before IFRS 16)	1.6	1.7	
cash flow from operations	68	74	(9%)
capital expenditure	54	72	(25%)
net working capital	598	640	(7%)
return on capital employed (before IFRS 16)	11.7	15.1	

## outlook

We will continue our operations in a safe way to serve our customers and are prepared for a possible ‘second’ wave of COVID-19 infections.

Our focus continues to be on cash management, cost optimisations and innovation initiatives. CAPEX continues in growing product lines, future technologies and innovations. Building and capacity expansions will be postponed. We expect a lower CAPEX cash out in 2H2020 than last year.

We accelerate the strategy ‘focused acceleration’ to evolve faster into a stronger and better Aalberts, realising our strategic objectives.

## financial development

Revenue decreased in 1H2020 by EUR 148.6 million to EUR 1,287.1 million. The 2019 acquisitions (PPC & Applied) caused a positive revenue effect of EUR 20.1 million. Divestments in 2019 (HFI & STAG) caused a negative revenue effect of EUR 15.0 million. Currency translation | FX impact amounted to EUR 3.9 million positive, mainly US Dollar, partly offset by a mixture of other negative currency effects. Overall we faced an organic revenue decline of EUR 157.6 million or 11.1%.

Operating profit (EBITA) decreased in 1H2020 by EUR 65.8 million to EUR 121.7 million or 9.5% of the revenue. There was a positive effect of EUR 2.6 million from 2019 acquisitions. Divestments in 2019 had a negative impact of EUR 1.8 million. Currency translation | FX impact amounted to only EUR 0.1 million positive, resulting into an organic EBITA decline of EUR 66.7 million.

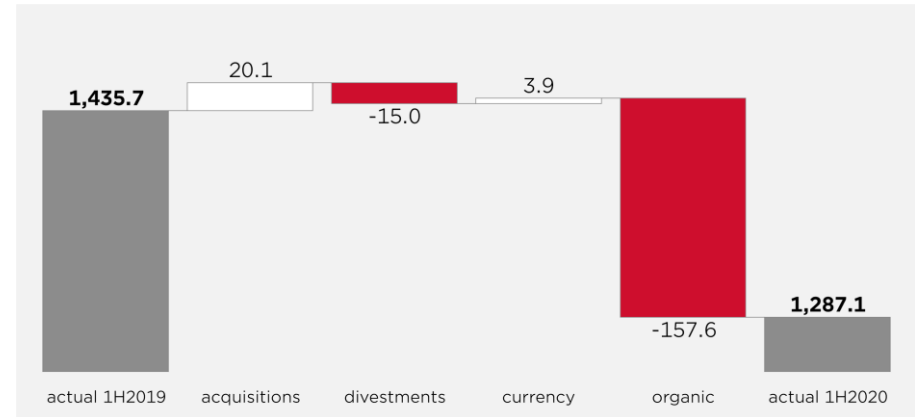
Holding/eliminations is reported EUR 7.2 million negative, against EUR 3.9 million negative last year. Holding/eliminations includes EUR 4.5 million strategic restructuring costs in 1H2020, expected to sum up to approx. EUR 40 million in FY2020, against an annual benefit of approx. EUR 45 million.

Net profit before amortisation decreased by EUR 52.2 million to EUR 85.6 million, per share by 38.4% to EUR 0.77 (1H2019: EUR 1.25). Earnings per share was impacted by a 0.7% higher effective tax rate compared to 1H2019.

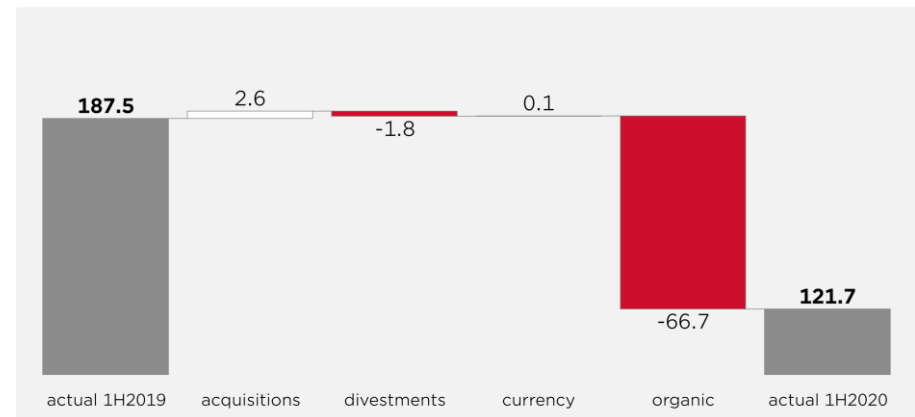
Working capital decreased to EUR 598 million or 80 days (1H2019: EUR 640 million or 82 days), driven by an inventory reduction of EUR 30 million at much lower revenue, a lower DSO and a lower DPO. Cash flow from operations decreased with EUR 6.3 million to EUR 68.0 million, CAPEX cash out decreased with EUR 5.5 million. Free cash flow on same level as last year.

ROCE (before IFRS 16) decreased from 15.1% to 11.7%. The impact of IFRS 16 on capital employed is EUR 157 million. Equity increased to 51.8% of the balance sheet total (1H2019: 49.6%). Net debt amounted to EUR 807 million (1H2019: EUR 905 million) and was impacted by EUR 159 million of lease liabilities (IFRS 16). Net debt (before IFRS 16) decreased with EUR 130 million or 17% to EUR 648 million, mainly due to less acquisitions/disposals (EUR 41 million) and delay of dividend (1H2019: EUR 83 million). The leverage ratio before IFRS 16 improved to 1.6 (1H2019: 1.7), well below the bank covenant of < 3.5.

## revenue bridge



## EBITA bridge



## operational development

Organic revenue decline amounted to 11% in the first six months. Our orderbook end of June is higher than last year. In addition to our recently published trading update, we see a further increase of our order intake and sales in piping systems and hydronic flow control. In surface technologies we see a slight recovery in our order intake and sales and more customer activity. The strong growth of advanced mechatronics in semicon efficiency continued, the orderbook is on a record level. In fluid control we see an increase in our order intake and sales in sustainable transportation and a slight recovery in our order intake for beverage dispense.

### organic growth and innovation initiatives

Our innovation initiatives continued during the first half of the year. We strengthened and expanded our R&D and engineering force in growing product lines and technologies. Innovation is driving organic revenue growth.

Within piping systems the press product range was expanded to serve our key accounts. Our full flow valve line with press connections launched last year did well and we expanded our portfolio. Parallel we launched a newly developed patented balancing valve and a composite gate valve for below ground water and gas applications. In addition, new plastic manifold and connection systems for eco-friendly buildings and industrial niches are in development.

Surface technologies opened a hot isostatic pressing facility for additive manufactured parts in America and will expand this location the coming years. The austempering and reel-to-reel plating activities are integrated, after the acquisitions of Applied and PPC in 2019. We are in process to bundle and strengthen our R&D organisation in Switzerland. Initiatives to expand our footprint in Eastern Europe continued.

In hydronic flow control we continued the sales of the product lines we launched last years, with a lot of growth potential. We see a strong increase in offering digital solutions and services for heating and cooling systems in eco-friendly buildings. These services include data information and remote control, utilising our digital platform. It is still a small amount of our revenue but fast-growing. The digital R&D developments and capacity are further strengthened.

Advanced mechatronics is managing the record orderbook and several new co-development programs with our key accounts in semicon efficiency.

Fluid control continued with the development of a patented valve line for district heating and gas and innovations in sustainable transportation and industrial niches.

### operational leverage and excellence

In the first six months we accelerated the action plan as presented during our CMD and made the following progress:

- We further focused, clustered and simplified the organisation through concentrating all Aalberts group activities in our lean head office; reduced our head office staff and costs; consolidated activities and reduced overhead in all business segments.
- We divested and closed several sites; more site closures and consolidations are in preparation.
- We initiated a lot of projects to structurally reduce our net working capital.

This will lead to a one-off full year strategic restructuring cost of approx. EUR 40 million in 2020 with an annual benefit of approx. EUR 45 million, partly in 2020 and fully in 2021.

### allocation of capital and portfolio optimisation

We focused on cash management, cost optimisations and innovations.

CAPEX continued in growing product lines, future technologies and innovations. Building and capacity expansions are postponed. We expect a lower CAPEX cash out in 2H2020 than last year.

Our capital was allocated to press product range expansions in piping systems, hot isostatic pressing for additive manufactured parts in surface technologies, digital solutions and services in hydronic flow control, machining and cleaning capacity in advanced mechatronics and new and existing valve lines in fluid control.



semicon efficiency  
**+19%**



eco-friendly buildings  
**-8%**



industrial niches  
**-15%**



sustainable transportation  
**-23%**

## regulated information

This press release contains information that qualifies or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

## webcast

An audio webcast will take place on 23 July 2020, starting at 9:00 am CEST. The live audio webcast and presentation can be accessed via [aalberts.com/webcast1H2020](http://aalberts.com/webcast1H2020).

## contact

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[investors@aalberts.com](mailto:investors@aalberts.com)

## financial calendar 2021

<b>date</b>	<b>event</b>
24 February 2021	publication full year results (after close of trading)
25 February 2021	webcast full year results (9:00 am CET)
15 April 2021	publication annual report
27 May 2021	general meeting
21 July 2021	publication interim results (after close of trading)
22 July 2021	webcast interim results (9:00 am CEST)



condensed consolidated financial information for 1H2020 with related comparative information ('interim financial statements 2020')

## consolidated income statement

in EUR million

	<b>1H2020</b>	<b>1H2019</b>
<b>REVENUE</b>	<b>1,287.1</b>	<b>1,435.7</b>
raw materials and work subcontracted	(485.2)	(527.5)
personnel expenses	(401.1)	(432.7)
amortisation of intangible assets	(21.8)	(20.2)
depreciation of property, plant and equipment	(51.2)	(48.7)
depreciation of right-of-use assets	(19.2)	(15.7)
other operating expenses	(208.7)	(223.6)
<b>total operating expenses</b>	<b>(1,187.2)</b>	<b>(1,268.4)</b>
<b>OPERATING PROFIT</b>	<b>99.9</b>	<b>167.3</b>
net finance cost	(11.6)	(9.7)
<b>PROFIT BEFORE INCOME TAX</b>	<b>88.3</b>	<b>157.6</b>
income tax expense	(21.9)	(38.0)
<b>PROFIT AFTER INCOME TAX</b>	<b>66.4</b>	<b>119.6</b>
<b>attributable to:</b>		
shareholders	63.8	117.6
non-controlling interests	2.6	2.0
<b>NET PROFIT BEFORE AMORTISATION</b>	<b>85.6</b>	<b>137.8</b>
<b>earnings per share before amortisation</b> (in EUR)		
basic	<b>0.77</b>	1.25
diluted	<b>0.77</b>	1.24
<b>earnings per share</b> (in EUR)		
basic	0.58	1.06
diluted	0.57	1.06

## consolidated balance sheet

in EUR million	30-6-2020	31-12-2019	30-6-2019
<b>ASSETS</b>			
intangible assets	1,297.7	1,319.8	1,266.6
property, plant and equipment	866.1	874.3	833.7
right-of-use assets	164.5	173.7	133.7
deferred income tax assets	14.0	14.7	15.1
<b>total non-current assets</b>	<b>2,342.3</b>	<b>2,382.5</b>	<b>2,249.1</b>
inventories	624.6	626.0	654.5
trade receivables	345.9	338.5	442.9
current income tax receivables	4.2	6.3	7.7
other current assets	66.3	53.8	56.9
cash and cash equivalents	59.2	58.5	48.4
<b>total current assets</b>	<b>1,100.2</b>	<b>1,083.1</b>	<b>1,210.4</b>
<b>TOTAL ASSETS</b>	<b>3,442.5</b>	<b>3,465.6</b>	<b>3,459.5</b>
<b>EQUITY AND LIABILITIES</b>			
shareholders' equity	1,755.2	1,809.8	1,690.4
non-controlling interests	28.6	28.0	26.3
<b>total equity</b>	<b>1,783.8</b>	<b>1,837.8</b>	<b>1,716.7</b>
non-current borrowings	495.6	581.9	549.3
deferred income tax liabilities	115.5	122.2	113.5
employee benefit plans	72.0	76.1	68.8
other provisions and non-current liabilities	7.3	12.8	10.0
<b>total non-current liabilities</b>	<b>690.4</b>	<b>793.0</b>	<b>741.6</b>
current borrowings	189.8	64.7	249.5
current portion of non-current borrowings	180.9	166.4	154.3
trade and other payables	294.4	403.9	386.6
current income tax payables	38.1	32.0	37.1
other current liabilities	265.1	167.8	173.7
<b>total current liabilities</b>	<b>968.3</b>	<b>834.8</b>	<b>1,001.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,442.5</b>	<b>3,465.6</b>	<b>3,459.5</b>

## consolidated cash flow statement

in EUR million

	1H2020	1H2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
operating profit	99.9	167.3
amortisation and depreciation	92.2	84.6
result on sale of equipment	(0.1)	0.6
changes in provisions	(4.3)	(6.4)
changes in inventories	(8.4)	(36.6)
changes in trade and other receivables	(29.9)	(97.2)
changes in trade and other payables	(81.4)	(38.0)
<b>changes in working capital</b>	<b>(119.7)</b>	<b>(171.8)</b>
<b>CASH FLOW FROM OPERATIONS</b>	<b>68.0</b>	<b>74.3</b>
finance cost paid	(10.3)	(8.2)
income taxes paid	(17.3)	(37.0)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>40.4</b>	<b>29.1</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
acquisition and disposal of subsidiaries	(5.2)	(46.0)
purchase of property, plant and equipment	(67.0)	(74.0)
purchase of intangible assets	(4.7)	(3.2)
<b>NET CASH GENERATED BY INVESTING ACTIVITIES</b>	<b>(76.9)</b>	<b>(123.2)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
change in non-current borrowings	(63.6)	(11.4)
lease payments	(18.0)	(13.5)
dividends paid	-	(82.9)
settlement of share based payment awards and other	(0.1)	(0.1)
<b>NET CASH GENERATED BY FINANCING ACTIVITIES</b>	<b>(81.7)</b>	<b>(107.9)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CURRENT BORROWINGS</b>	<b>(118.2)</b>	<b>(202.0)</b>
cash and current borrowings at beginning of period	(6.2)	1.5
net increase/(decrease) in cash and current borrowings	(118.2)	(202.0)
currency translation differences on cash and current borrowings	(6.2)	(0.6)
<b>CASH AND CURRENT BORROWINGS AS AT END OF PERIOD</b>	<b>(130.6)</b>	<b>(201.1)</b>

## consolidated statement of comprehensive income

in EUR million	1H2020	1H2019
profit for the period	66.4	119.6
currency translation differences	(26.0)	6.2
fair value changes derivative financial instruments	(9.0)	(4.6)
income tax effect	2.5	1.2
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>33.9</b>	<b>122.4</b>
<b>attributable to:</b>		
shareholders	33.2	120.2
non-controlling interests	0.7	2.2

## consolidated statement of changes in equity

in EUR million	issued and paid-up share capital	share premium account	currency translation and hedging reserve	retained earnings	shareholders' equity	non-controlling interests	total equity
<b>as at 1 January 2019</b>	<b>27.6</b>	<b>200.8</b>	<b>(44.7)</b>	<b>1,467.9</b>	<b>1,651.6</b>	<b>24.2</b>	<b>1,675.8</b>
profit for the period	-	-	-	117.6	117.6	2.0	119.6
other comprehensive income	-	-	2.6	-	2.6	0.2	2.8
dividend 2018	-	-	-	(82.9)	(82.9)	(0.1)	(83.0)
share based payments	-	-	-	1.5	1.5	-	1.5
<b>as at 30 June 2019</b>	<b>27.6</b>	<b>200.8</b>	<b>(42.1)</b>	<b>1,504.1</b>	<b>1,690.4</b>	<b>26.3</b>	<b>1,716.7</b>
<b>as at 1 January 2020</b>	<b>27.6</b>	<b>200.8</b>	<b>(26.7)</b>	<b>1,608.1</b>	<b>1,809.8</b>	<b>28.0</b>	<b>1,837.8</b>
profit for the period	-	-	-	63.8	63.8	2.6	66.4
other comprehensive income	-	-	(30.8)	0.2	(30.6)	(1.9)	(32.5)
dividend 2019	-	-	-	(88.5)	(88.5)	(0.1)	(88.6)
share based payments	-	-	-	0.7	0.7	-	0.7
<b>as at 30 June 2020</b>	<b>27.6</b>	<b>200.8</b>	<b>(57.5)</b>	<b>1,584.3</b>	<b>1,755.2</b>	<b>28.6</b>	<b>1,783.8</b>



## segment reporting

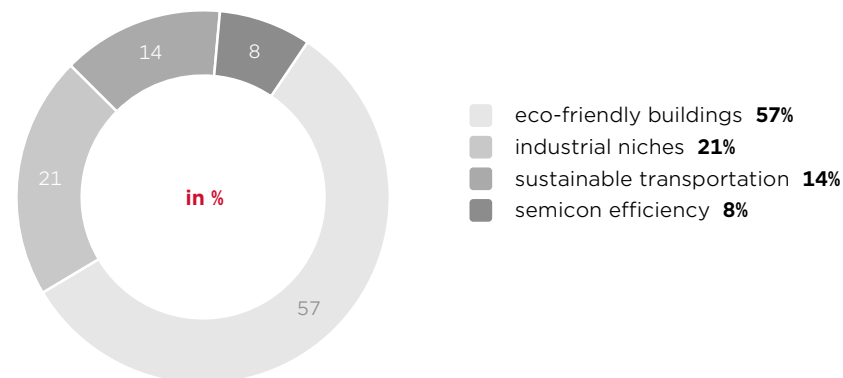
REVENUE (in EUR million)	1H2020	1H2019	delta
installation technology	531.5	573.5	(7%)
material technology	332.7	392.4	(15%)
climate technology	234.7	277.7	(15%)
industrial technology	203.4	215.6	(6%)
holding / eliminations	(15.2)	(23.5)	
<b>TOTAL</b>	<b>1,287.1</b>	<b>1,435.7</b>	<b>(10%)</b>

EBITA (in EUR million)	1H2020	1H2019	Delta
installation technology	53.2	69.7	(24%)
material technology	23.7	54.0	(56%)
climate technology	25.6	33.4	(23%)
industrial technology	26.4	34.3	(23%)
holding / eliminations	(7.2)	(3.9)	
<b>TOTAL</b>	<b>121.7</b>	<b>187.5</b>	<b>(35%)</b>

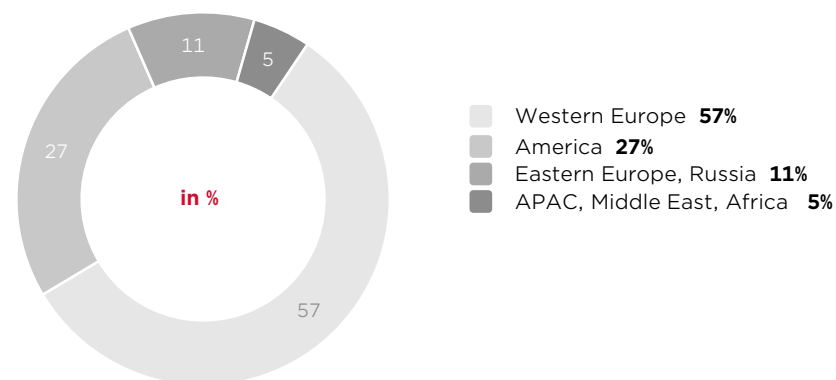
EBITA % (% of revenue)	1H2020	1H2019	Delta
installation technology	10.0	12.2	(2.2)
material technology	7.1	13.8	(6.7)
climate technology	10.9	12.0	(1.1)
industrial technology	13.0	15.9	(2.9)
<b>TOTAL</b>	<b>9.5</b>	<b>13.1</b>	<b>(3.6)</b>

CAPEX (in EUR million)	1H2020	1H2019	Delta
installation technology	22.7	25.0	(9%)
material technology	22.4	30.2	(26%)
climate technology	3.3	3.9	(15%)
industrial technology	5.4	12.5	(57%)
holding / eliminations	0.0	0.3	
<b>TOTAL</b>	<b>53.8</b>	<b>71.9</b>	<b>(25%)</b>

## revenue per end market



## revenue per region



## notes to the interim financial statements

### **basis of preparation and summary of accounting policies**

The condensed consolidated interim financial statements for the half-year ended 30 June 2020 ('interim financial statements 2020') have been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include all the information and disclosures required for the annual financial statements. Accordingly, they should be read in conjunction with the financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS EU.

The accounting policies and methods of computation applied in these interim financial statements 2020 are the same as those applied in the financial statements for the year ended 31 December 2019. In preparing these interim financial statements:

- the significant judgements made by management in applying Aalberts N.V.'s accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019;
- the aspects of Aalberts' financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019;
- methods and assumptions used to estimate fair values are consistent with those used in the year ended 31 December 2019 and during the half-year ended 30 June 2020 there have been no changes with regard to the fair value hierarchy.

A number of amendments to accounting standards became applicable for the current reporting period, however the group did not have to change its accounting policies as a result of adopting these standards.

### **dividend**

With respect to the profit for the year 2019 the Management Board proposed to declare a dividend of EUR 0.80 solely in cash per share of EUR 0.25 par value. Any residual profit is added to retained earnings. In accordance with the resolution of the General Meeting held on 25 June 2020, the profit for the year 2019 has been appropriated in conformity with the aforementioned proposed appropriation of profit. As at balance sheet date 30 June 2020 an amount of EUR 88.5 million is recognised as a dividend payable in other current liabilities and has been paid on 17 July 2020.

## management board declaration

The Management Board of Aalberts N.V. declares that, to the best of their knowledge:

- the interim financial statements 2020, which have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and result of Aalberts N.V. and its subsidiaries; and
- the interim report includes a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

Utrecht, 22 July 2020

Wim Pelsma (CEO)  
Arno Monincx (CFO)