



First semester results 2018 – 14 August 2018

Alexander von Witzleben, Chairman of the Board of Directors, CEO
Felix Bodmer, CFO



Highlights 2017 Key achievements

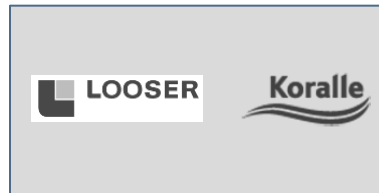
Successful portfolio realignment



- Disposal of five non core entities¹ and non operational real estate
- Focus on core divisions (HVAC, Sanitary Equipment, Windows, Doors)



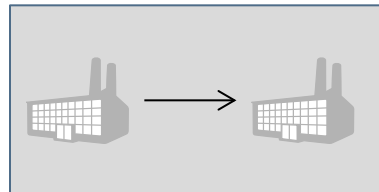
Full integration of Looser and Koralle Groups



- Successful integration of former Looser Group²
- Successful closure of former Koralle site Vlotho (D)



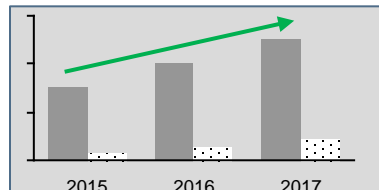
Production footprint optimisation



- Completion of three production relocations/centralisations
- Ground-breaking ceremony of new production plant in Russia



Strong operational performance



- Improved operational results in all divisions
- Above market growth and improved EBITDA profile




Last year's achievements set solid foundation for 2018

¹ Industrial Services (Conducta), Coatings (Feyco Treffert, Schekolin, ILAG) and Profile Systems (Forster) ² Prüm, Garant and Invado

Highlights in the first half of 2018 Key achievements


Acquisition of Vasco Group



- Successful acquisition of Vasco Group, the market leader for radiators for Benelux, on 16 May 2018
- Expansion of Arbonia's geographical footprint in Benelux and strengthening of the product range in the HVAC division 
- Active role in the European market consolidation process (design and steel panel radiators)

Certificates of indebtedness

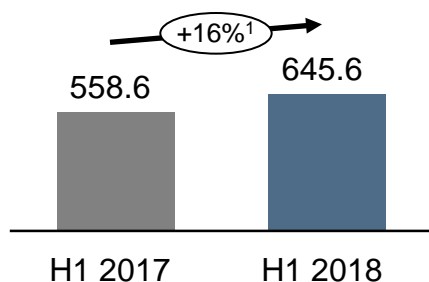


- Successful placement of certificates of indebtedness ("Schuldscheindarlehen") in the amount of EUR 125 M
- Certificates with terms of 5, 7 and 10 years each bearing interest at a fixed rate 
- Note was significantly oversubscribed and a total of almost 40 investors took part in the transaction

H1 2018 summary Overview key metrics

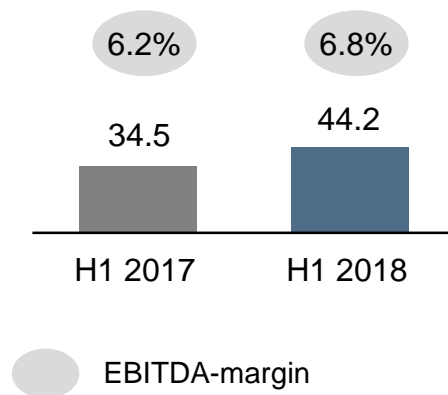
All figures in CHF M

Net revenue



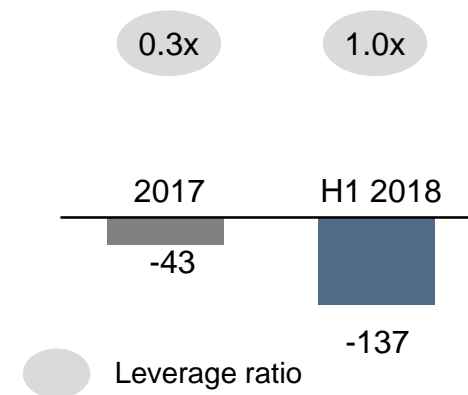
Solid revenue performance underlines success of strategy in place over past three years: Leadership positions, full range supplier, regional expansion

EBITDA²



EBITDA driven by rigorous cost optimisation efforts, implementation of platform strategy and relocation of plant footprint to best cost locations

Net debt



Acquisition of Vasco Group (CHF 80.5 M)³ and additional CAPEX investments of CHF 50 M

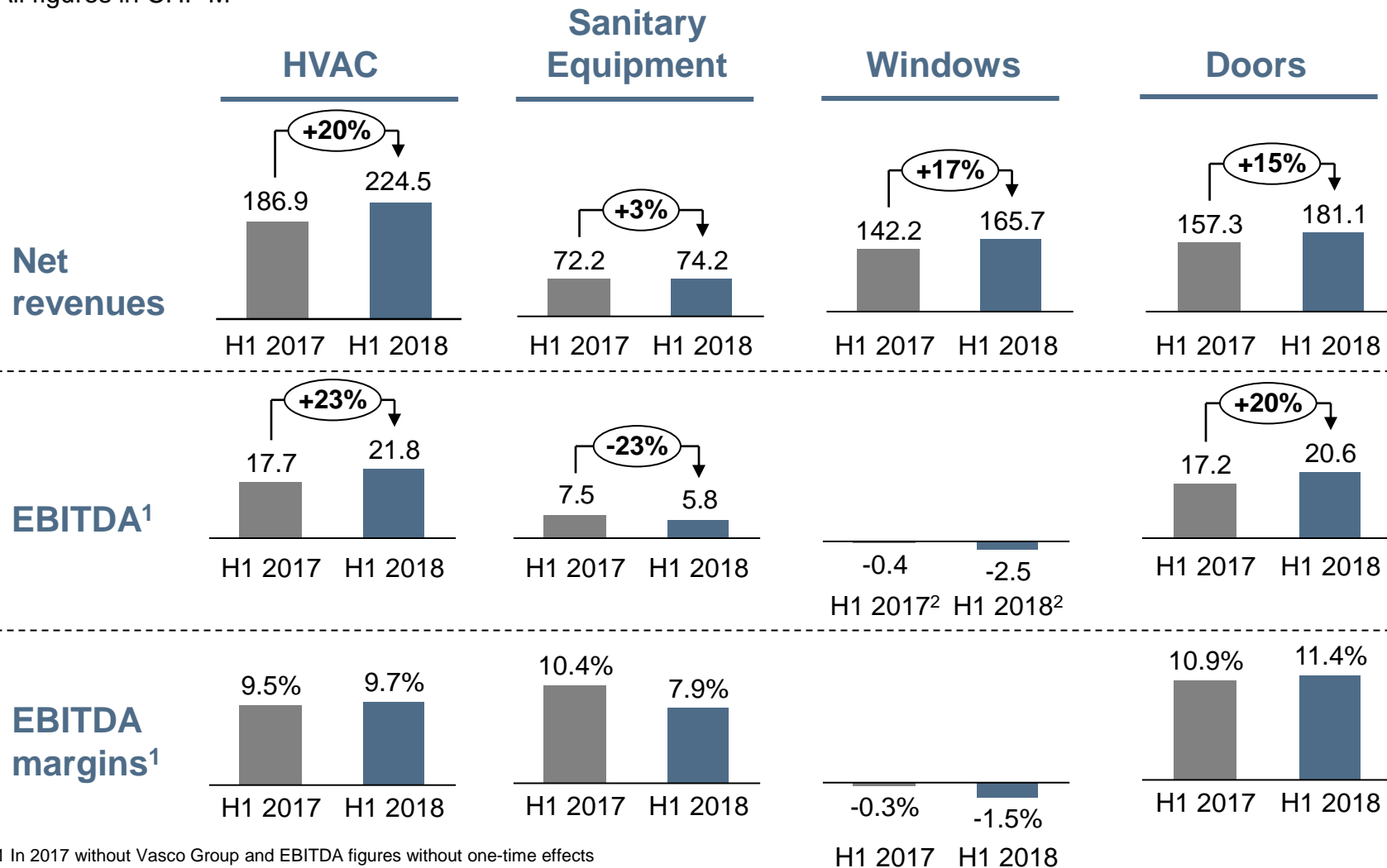
¹ Organic revenue growth adjusted for currency and acquisition effects +7.5%

² Including one-time effects – EBITDA H1 2017 excl. one-time effects CHF 35.7 M; EBITDA H1 2018 excl. one-time effects CHF 40.5 M

³ Purchase price and net debt

H1 2018 summary Performance by Division

All figures in CHF M



¹ In 2017 without Vasco Group and EBITDA figures without one-time effects

² Figures not comparable: In H1 2017, additional income from restructuring (under IAS 19)

1. H1 2018

Overview of key financial parameters

2. Transformation of Arbonia

Update on key measures

3. Outlook

Short- and long-term guidance

Questions

Income Statement Including one-time effects

In CHF M	1-6/2018	in %	1-6/2017	in %
Net revenues	645.6	100.0	558.6	100.0
Cost of material and goods	-312.7	-48.4	-267.4	-47.9
Personnel expenses	-223.2	-34.6	-200.0	-35.8
Other operating expenses	-95.7	-14.8	-86.5	-15.5
EBITDA	44.2	6.8	34.5	6.2
Depreciation, amortisation, impairments	-22.9	-3.5	-17.4	-3.1
EBITA	21.3	3.3	17.0	3.0
Amortisation of intangible assets from acquisitions	-9.1	-1.4	-10.1	-1.8
EBIT	12.1	1.9	6.9	1.2
Net financial results	-3.2	-0.5	-4.9	-0.9
Group result before income tax	8.9	1.4	2.0	0.4
Income tax expenses	-2.3	-0.3	-1.5	-0.3
Group result from continuing operations	6.7	1.0	0.5	0.1
Group result from discontinued operations	8.3¹	1.3	1.1²	0.2
Group result	15.0	2.3	1.6	0.3

¹ Profile Systems

² Coatings, Industrial Services and Profile Systems

In CHF M	Actual 1-6/2018	Windows	Doors	Others	1-6/2018 without one-time effects
Net revenues	645.6				645.6
EBITDA	44.2	-4.2	0.4		40.5
EBIT	12.1				8.4
Group result from continuing operations	6.7	0.8	-0.1	-0.7	2.9

Presentation of the respective one-time effects on the immediate result line without disclosure of the impact on the subsequent line items.

Adjusted Income Statement Without one-time effects

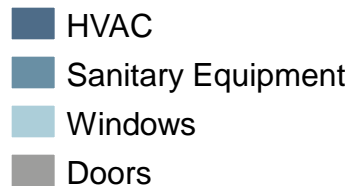
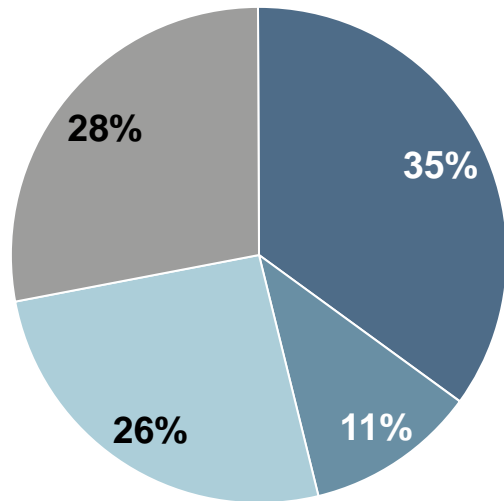
In CHF M	1-6/2018	in %	1-6/2017 ¹	in %
Net revenues	645.6	100.0	558.6	100.0
Cost of material and goods	-312.7	-48.4	-268.0	-48.0
Personnel expenses	-223.2	-34.6	-198.3	-35.5
Other operating expenses	-95.1	-14.7	-86.9	-15.6
EBITDA	40.5	6.3	35.7	6.4
Depreciation, amortisation, impairments	-22.9	-3.5	-18.0	-3.2
EBITA	17.5	2.7	17.6	3.2
Amortisation of intangible assets from acquisitions	-9.1	-1.4	-10.1	-1.8
EBIT	8.4	1.3	7.5	1.3
Net financial results	-4.3	-0.7	-4.9	-0.9
Group result before income tax	4.1	0.6	2.6	0.5
Income tax expenses	-1.2	-0.2	-1.3	-0.2
Group result from continuing operations	2.9	0.5	1.3	0.2

Blue figures are adjusted by one-time effects

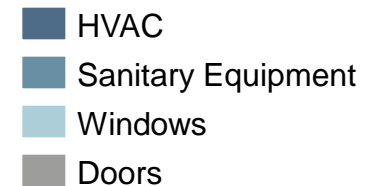
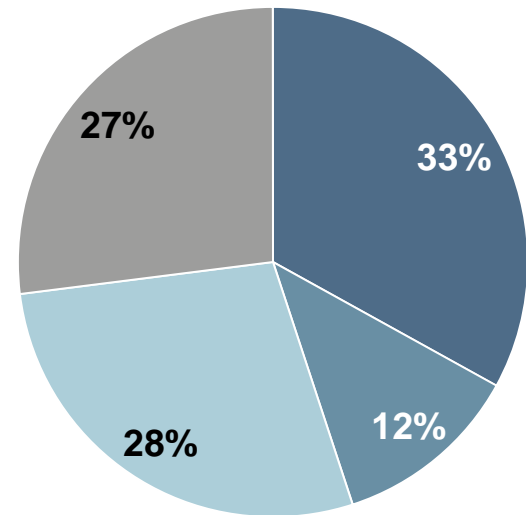
¹ Excluding Coatings, Industrial Services and Profile Systems

Net Revenues by Division Balanced portfolio with HVAC being the biggest division

Net revenues by Division
30/06/2018

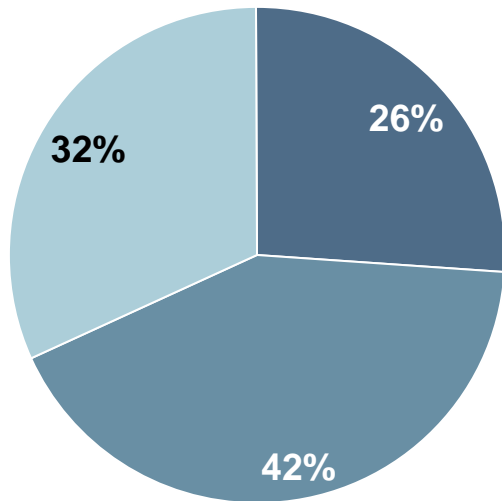


Net revenues by Division
31/12/2017



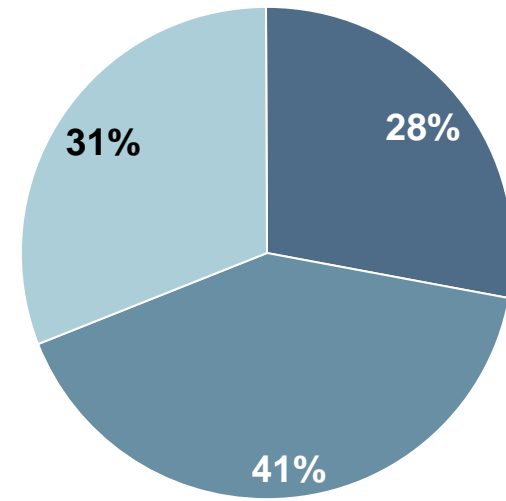
Net Revenues by Region Germany most important market

Net revenues by Region
30/06/2018



■ Switzerland
■ Germany
■ RoW

Net revenues by Region
31/12/2017



■ Switzerland
■ Germany
■ RoW

Development of Net Revenues by Division

Strong organic growth

Net revenues as reported in CHF M	1-6/2018 ¹	1-6/2017 ²	Δ Year Total	Currency Effects	Acquisition Effects	Organic Growth ³
Arbonia	645.6	558.6	+15.6%	+6.6%	+1.5%	+7.5%
HVAC	224.5	186.9	+20.2%	+7.8%	+4.4%	+8.1%
Sanitary Equipment	74.2	72.2	+2.7%	+6.4%	0.0%	-3.7%
Windows	165.7	142.2	+16.6%	+4.2%	0.0%	+12.3%
Doors	181.1	157.3	+15.1%	+7.4%	0.0%	+7.7%

1 With Vasco since 01.06.2018

2 Without Coatings, Industrial Services and Profile Systems

3 Adjusted for currency and acquisition effects

Organic Growth by Division Driven by IFRS 15 and price increases

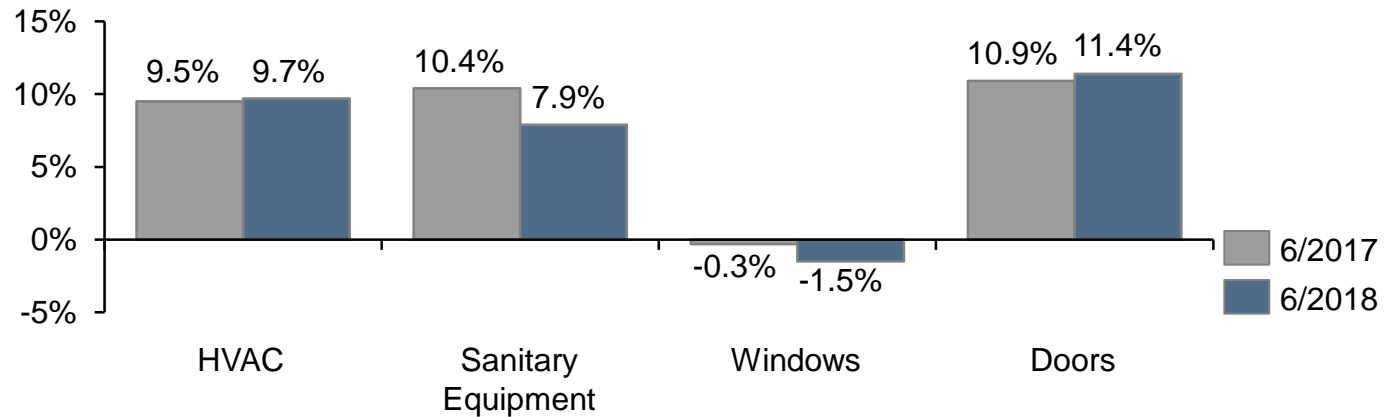
	Organic Growth ¹	Price Effect	Volume Effect	IFRS 15 Effect ²
Arbonia	+7.5%	+3.4%	+0.4%	+3.7%
HVAC	+8.1%	+2.3%	+5.8%	
Sanitary Equipment	-3.7%	+1.7%	-5.4%	
Windows	+12.3%	+5.7%	-3.4%	+10.0%
Doors	+7.7%	+3.4%	+0.2%	+4.2%

¹ Adjusted for currency and acquisition effects

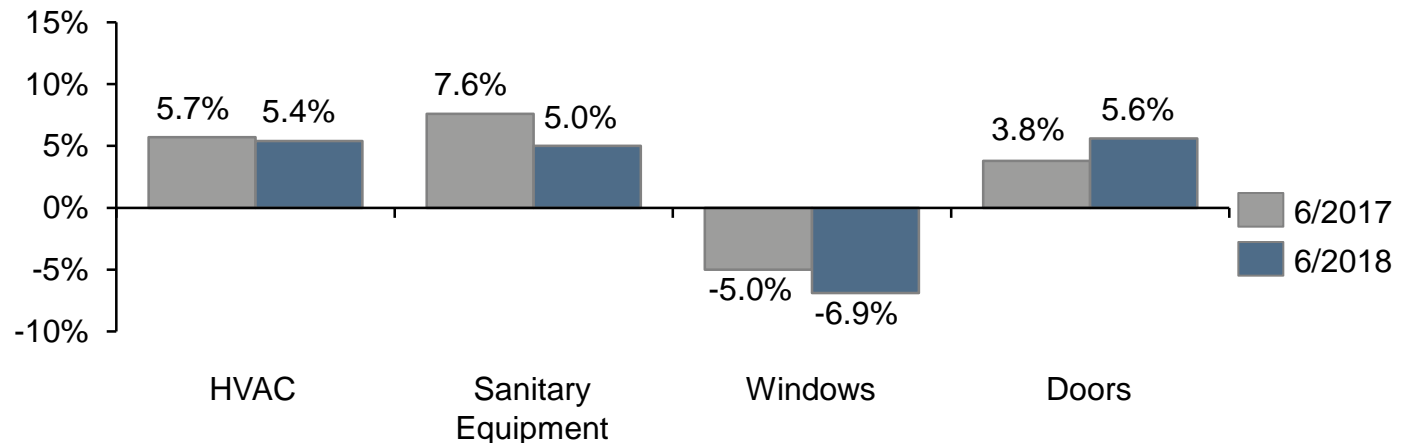
² Revenue recognition of project business over time

EBITDA- / EBIT-margins per Division¹ Material price increases and stronger EUR impact margins

**EBITDA
margin,
adjusted**



**EBIT
margin,
adjusted**



¹ In 2017 without Vasco Group and EBITDA figures without one-time effects

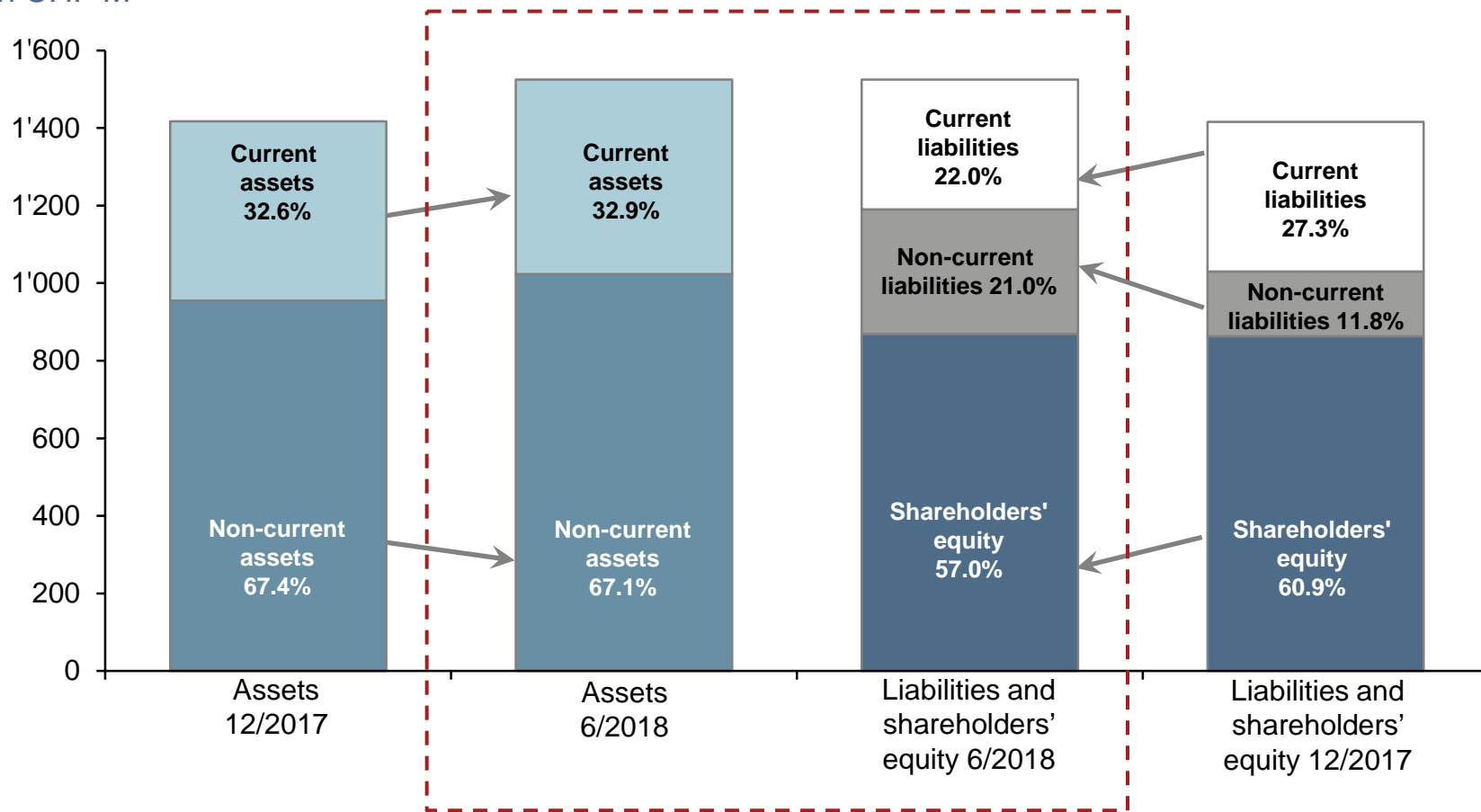
Windows Division Comparable results

In CHF M	H1 2018	H1 2017
Net revenues	165.7	142.2
IFRS 15	-14.3 ¹	–
Net Revenues adj.	151.4	142.2
EBITDA	-2.5	-0.4
IFRS 15	-1.6 ¹	–
IAS 19	–	-2.7
Currency Effect	2.3	–
EBITDA adj.	-1.8	-3.1

¹ Ego Kiefer AG

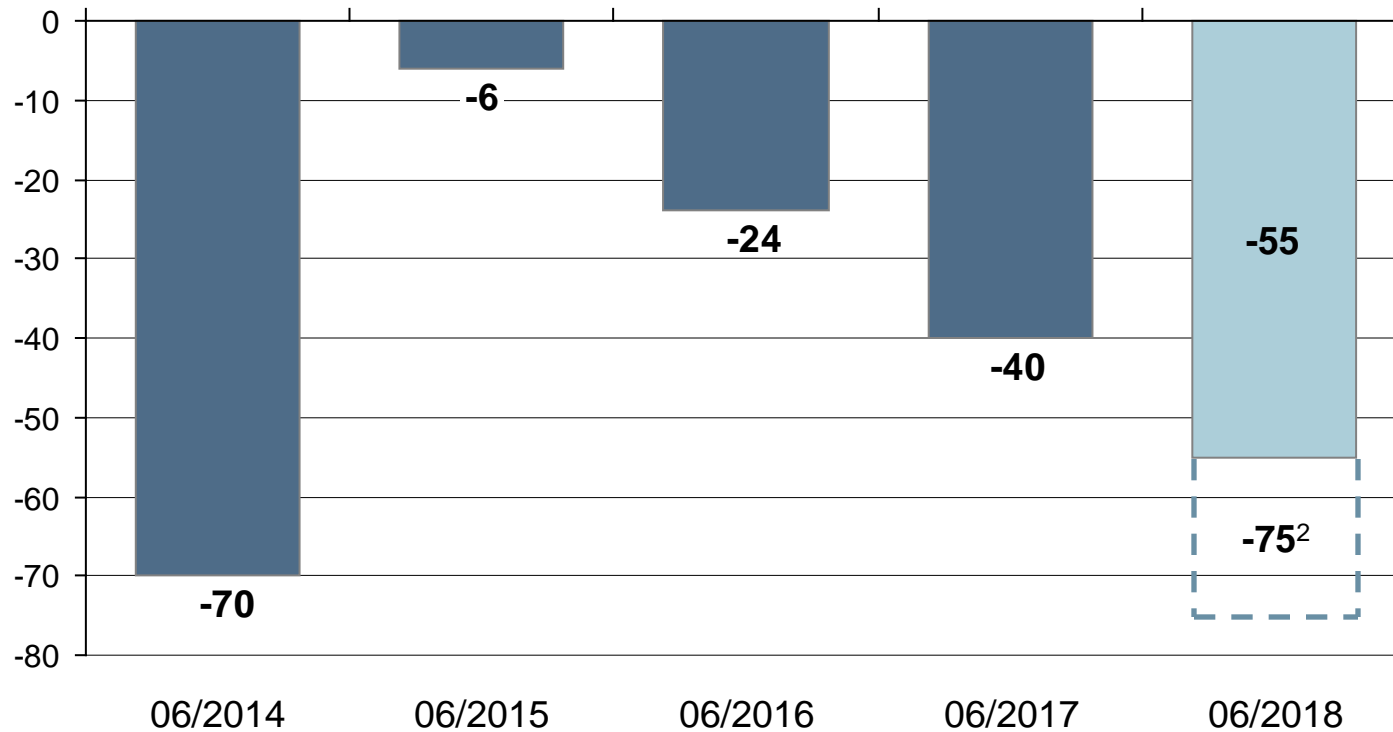
Balance Sheet Increase due to acquisition of Vasco

In CHF M



Free Cash Flow, adjusted¹
Driven by capital expenditures

In CHF M

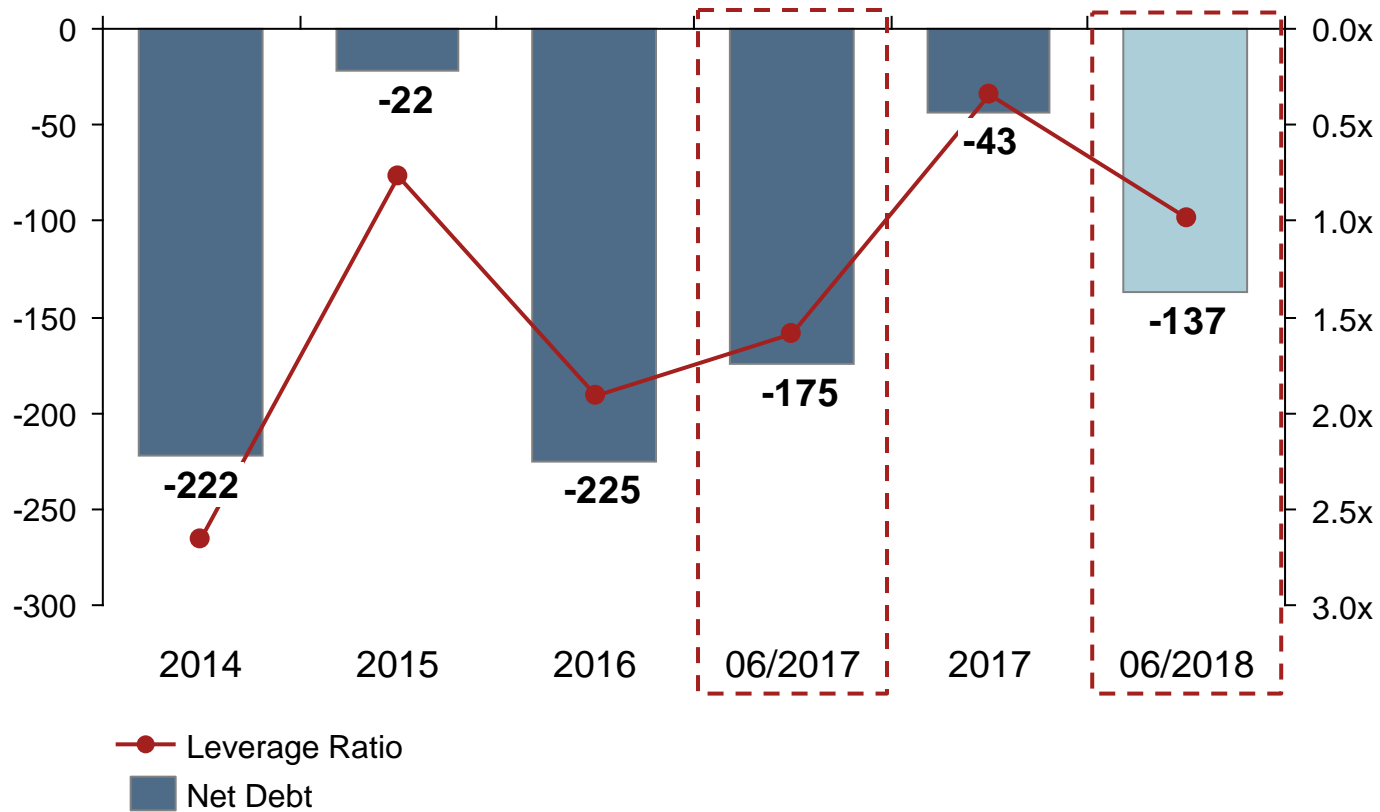


¹ Free cash flow without acquisition / disposal of subsidiaries, adjusted

² Free cash flow including acquisition / disposal activities

Net Debt / Leverage Ratio¹ Higher due to capex, acquisitions and seasonal effects

In CHF M



¹ Leverage ratio = Net debt / EBITDA

1. H1 2018

Overview of key financial parameters

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Update on key measures

3. Outlook

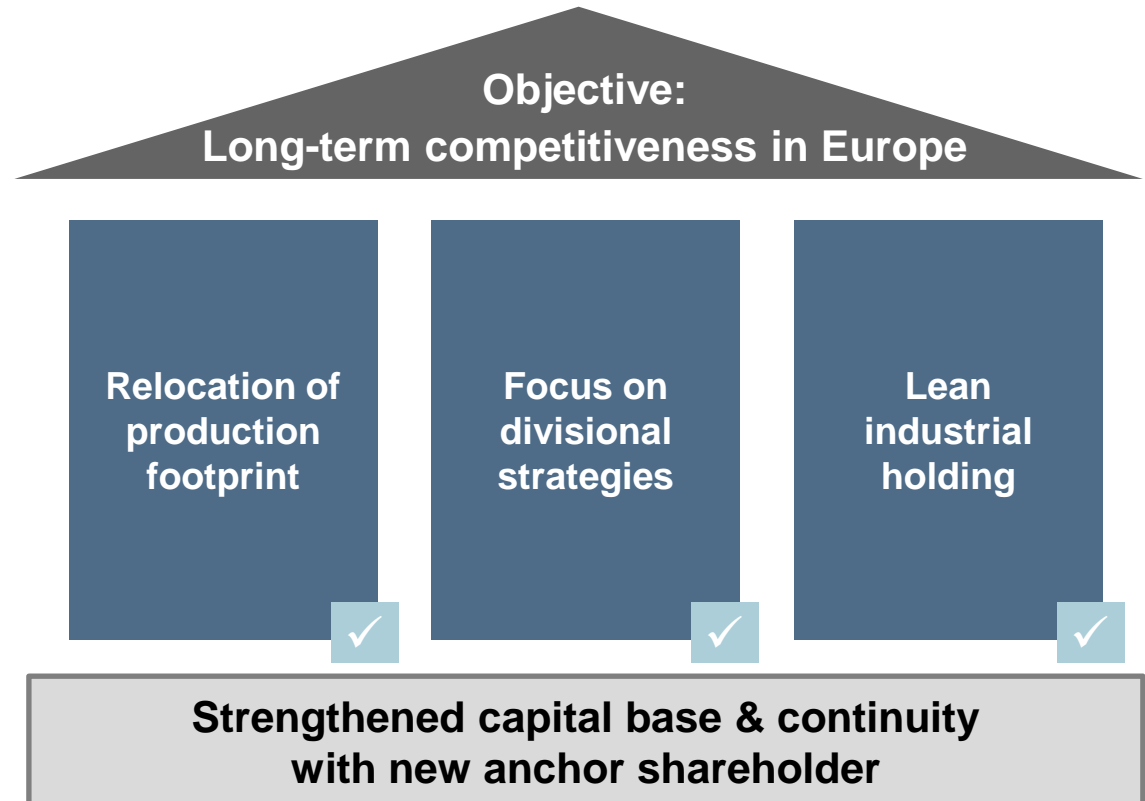
Short- and long-term guidance

Questions

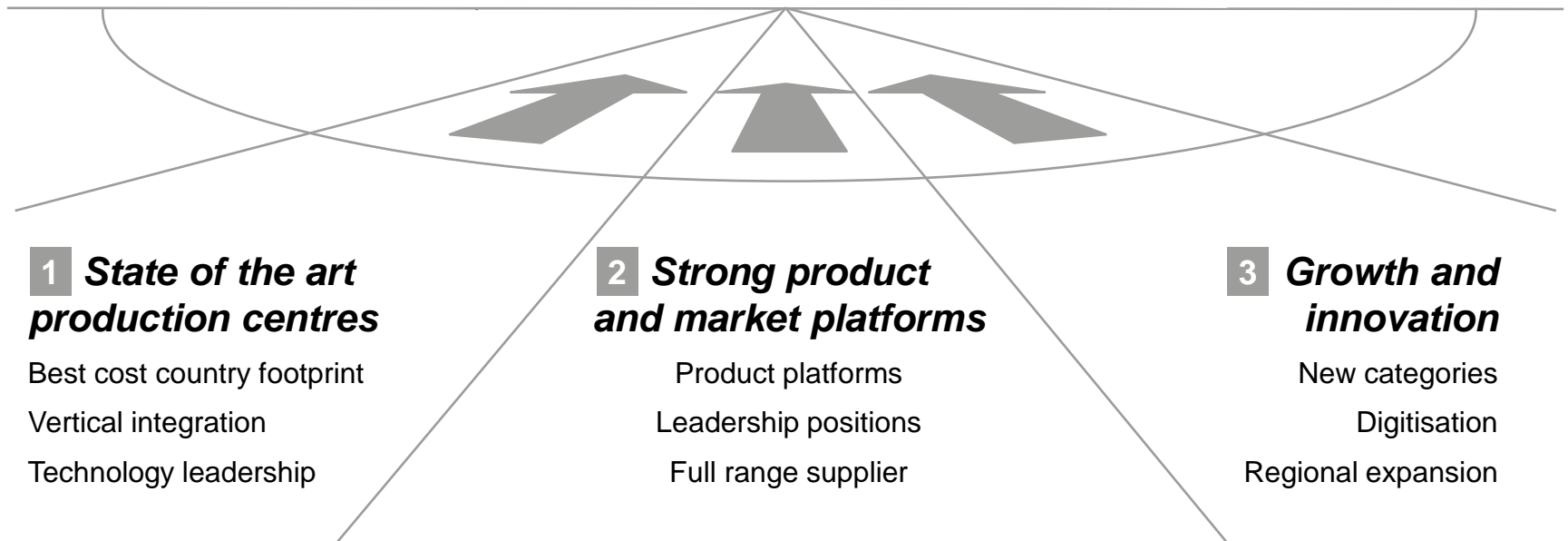
Restructuring and repositioning of Arbonia Key strategic measures 2015-2018

Focus of Arbonia

- **Building supplier**
- **Europe**
- **Energy efficiency**

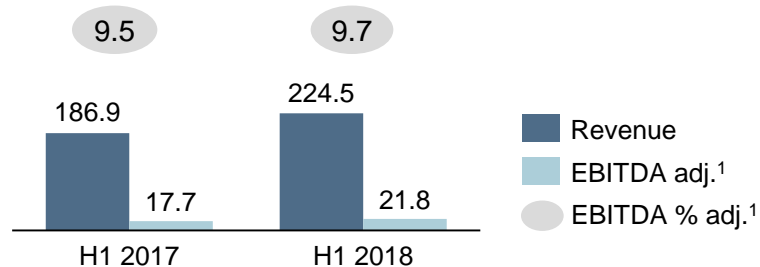


Objective:
*Consolidate position as leading
European building supplier*



All figures in CHF M

Operational performance H1 2018



- Positive net revenue and EBITDA growth due to solid performance in Germany, Switzerland and Italy
- Positive export business, partially due to pre-buy effects in Russia due to changing regulations
- New residential building activity in Germany still growing, effecting renovation activity due to craftsmen's capacity/availability bottlenecks
- Effective execution of CAPEX projects at various production competence centres optimizing productivity and resulting into further product quality improvements

¹ EBITDA figures without one-time effects

Priorities and Outlook

1 State of the art production centres

- Ramp up new steel panel radiator production in Russia (Stupino) as planned in H1 2019
- Accomplish productivity improvement program in PCC Plattling (D)

2 Strong product and market platforms

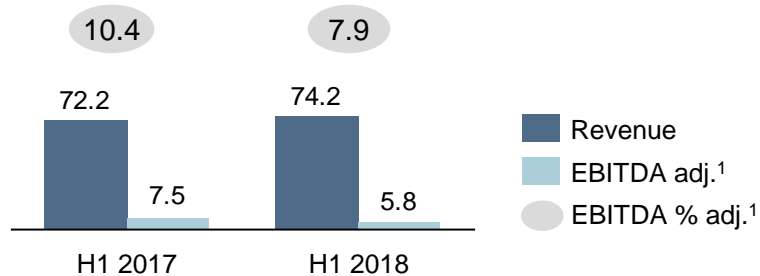
- Enhance product portfolio and expand European market presence through Vasco Group integration
- Further penetrate growing market segments of ventilation and underfloor heating

3 Growth and innovation

- Actively participate in ongoing heating market consolidation
- Develop and implement multi-channel sales strategy and tools addressing changing customer requirements driven by digitisation

All figures in CHF M

Operational performance H1 2018



- Topline under pressure by distribution channels in Germany after full integration of Koralle and Kermi – Private-label products often compete with branded products; shortage of installation capacities in Germany
- Decline in orders and sales in France due to market decline, downtrading and change of sourcing strategy of exclusive distributor
- Solid growth platform in Switzerland and Austria
- Profit protection plan in place to limit negative EBITDA development

Priorities and outlook

1 State of the art production centres

- Establish steady state mode at production site in Plattling (D) (Koralle relocation completion)
- Review vertical integration level at all production sites to further increase productivity and establish batch size 1 production competence

2 Strong product and market platforms

- Defend leadership position in core markets (D/CH) through further product portfolio optimisation and superior added value for market partners
- Renew the product range based on modern and high-class design

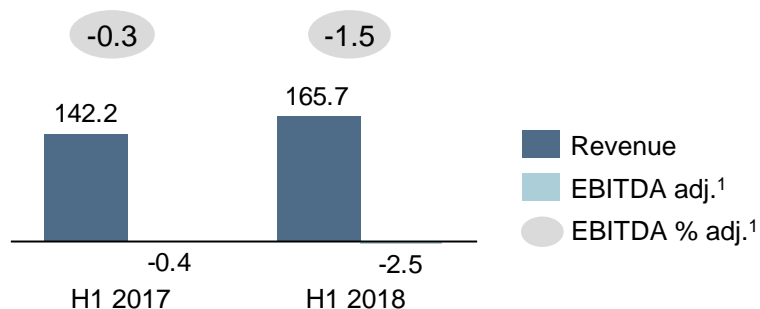
3 Growth and innovation

- Maintain innovation leadership in industry by combination of experienced R&D team and new digital opportunities

¹ EBITDA figures without one-time effects

All figures in CHF M

Operational performance H1 2018



- Positive net revenue growth of 17% due to strong sales of EgoKiefer, Dobroplast and Slovaktual
- Margins at EgoKiefer under pressure due to currency effects (transaction)
- Wood/aluminium window production (Wertbau) – slower than expected ramp-up, target productivity not yet reached. In addition, loss making factory in Altstätten (CH) as back-up facility still in operation
- In H1 2017, additional proceeds (under IAS 19) from personnel reductions during restructuring process accounted for

¹ EBITDA figures without one-time effects

Priorities H2 2018 and outlook

1 State of the art production centres

- Fully ramp-up specialised wood/aluminium production competence centre (PCC) in Thuringia (D) from 5'000m² in 2017 to expected 70'000 m² in 2018
- Finalise production phase-out in Altstätten (CH)

2 Strong product and market platforms

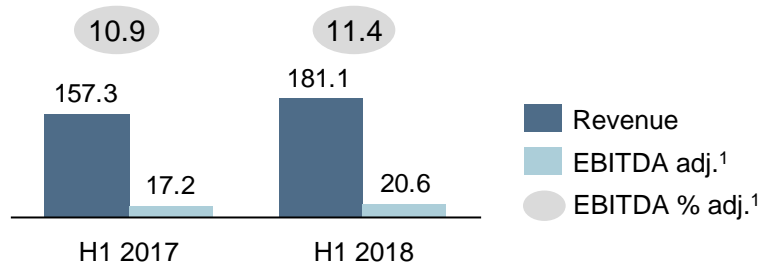
- Expand leading position in Switzerland with the newly developed wood/aluminium window
- Introduce new vinyl windows assortment, optimise the new champions line windows system

3 Growth and innovation

- Benefit from growing Eastern European markets with positive trend (Poland, Slovakia)
- Increase stake in growing and profitable e-commerce business platform
- Further implement digitisation strategy along value chain

All figures in CHF M

Operational performance H1 2018



- Strong double-digit growth of net revenue, EBITDA confirms effective strategy implementation: successful integration of acquisitions, strong production footprint, high vertical integration
- Complementary product portfolios enables cross-selling opportunities
- Current capacity bottlenecks in the plants in Germany and Poland limit short-term opportunities
- Continued margin pressure in Switzerland mitigated by changes to project sales processes

¹ EBITDA figures without one-time effects

Priorities and outlook

1 State of the art production centres

- New equipment needed for premium products being installed at both German plants
- Construction of new production line at Polish plant well under way, completed until spring 2019
- Cont. investment into flexible, modern equipment

2 Strong product and market platforms

- Standard doors of Prüm make up significant part of product offer at leading Swiss specialist retailer
- Functional doors of RWD Schlatter will be marketed in Germany as soon as certificates allow
- Steel frames to complement full range product portfolio

3 Growth and innovation

- Doors Division intent on playing a role in rapidly developing property technology (prop tech) field – co-operations and joint ventures under way

1. H1 2018

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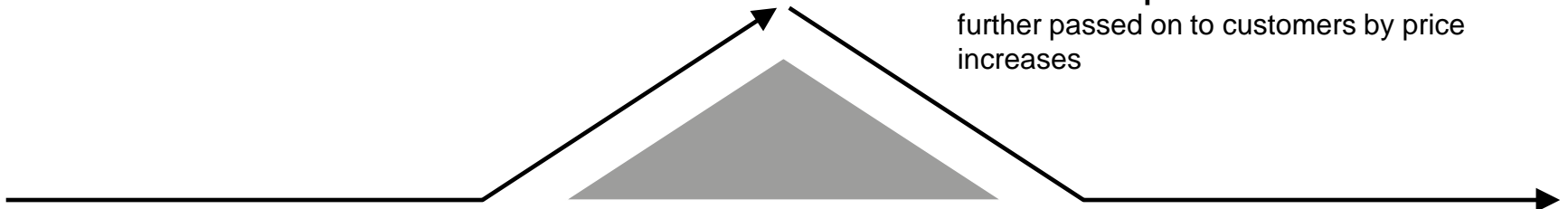
Outlook for the second half of 2018 Ambiguous perspectives

Upsides: Market position, brand awareness, regional coverage

- Generally **positive economic outlook** for Europe for next three years (Germany, Poland, Slovakia, Czech Republic)
- Successful implementation of **price increases in the HVAC and Doors Divisions**
- CAPEX projects executed over the past three years effective – with first positive **productivity and quality effects**
- Realising additional potential through **complementary product portfolios** and **cross-selling synergies within divisions**
- **Additional growth, market consolidation** and **geographic potential** through the **acquisition of Vasco Group**

Downsides: Currency, economic underlying, complex internal projects

- **Delay in the production ramp-up of** Langenwetzendorf (D, Wertbau) and **delayed phase out** of Altstätten (CH, EgoKiefer)
- **Negative transaction impact** of current EUR/CHF **exchange rate** – strong relevance for Windows Division
- **Political uncertainties** in Europe and increasing protectionism initiated by the United States, e.g. with tariffs on steel and aluminum
- Further **decline of France business** (Sanitary Equipment Division) due to market decline, downtrading and change of sourcing strategy of exclusive distributor
- Ongoing **craftsmen's capacity constraints** in Germany and **shortage of skilled workers** across Eastern European countries with impact on wages
- **Raw material price** increases cannot be further passed on to customers by price increases



Guidance of Arbonia Group¹ Transformation on track, guidance adjusted

Guidance 2018

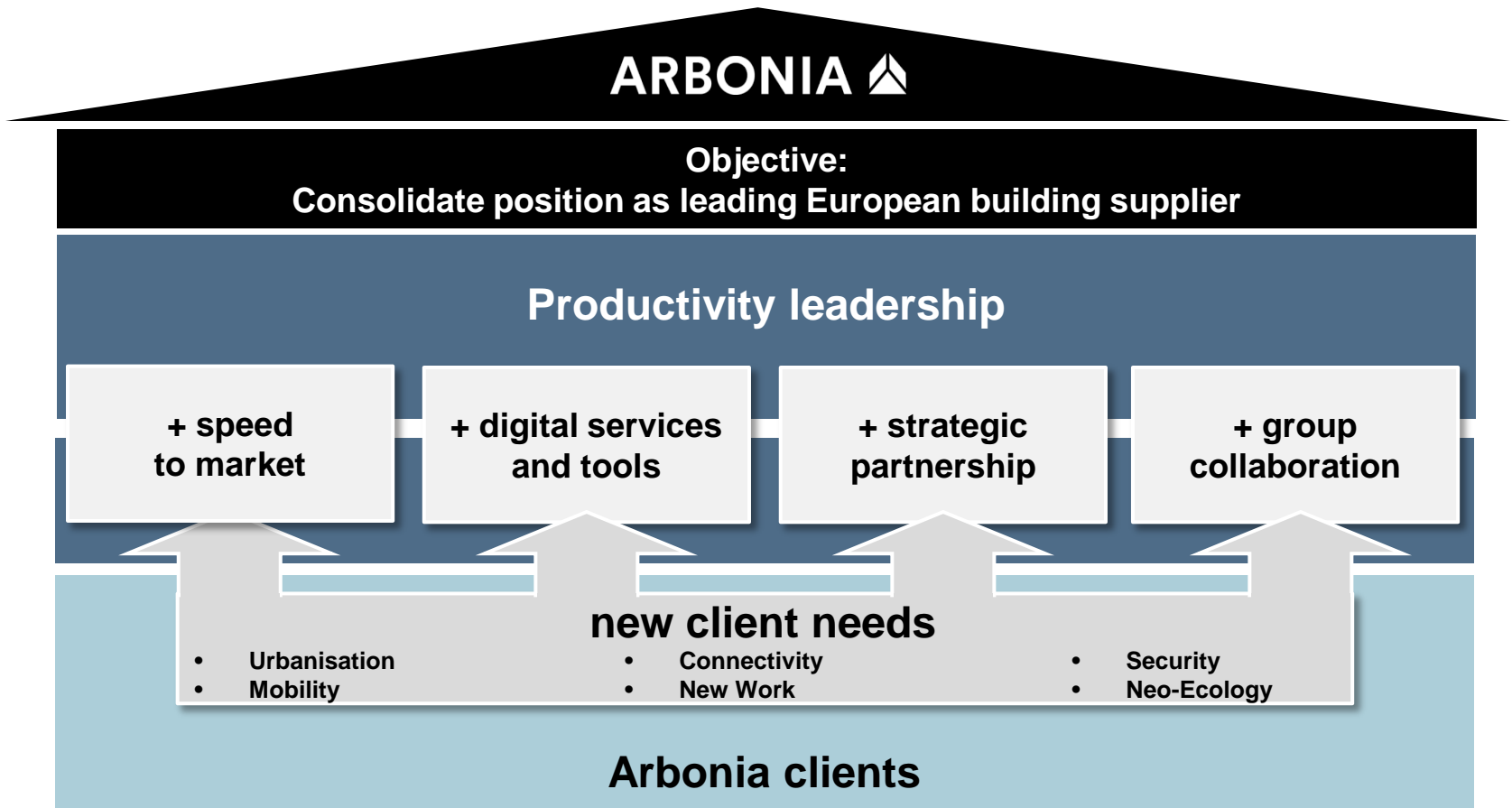


Outlook 2019



Sustainable positive free cash flow and dividend capacity from 2019

¹ Assuming a stable to positive market environment ² Operating EBITDA (excl. one-time effects)



Questions?

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Thank you
