



AFG – Arbonia-Forster-Group

Integrated solutions for premium buildings

Half-year results presentation 2012

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1. Business Review H1 2012

2. Financial Review H1 2012

3. Outlook

- **Transformation process on track:**
 - Successful divestment of **Asta, Aqualux**
 - Separation of **Steel Technology** division: **Profiles, Tubes**
 - Expansion of **RWD Schlatter**, ground-breaking in August
 - Internationalisation of **Sanitary** business

- **Strategic initiatives take effect:**
 - AFG Group Management further streamlined
 - **Windows & Doors:** Capacity constraints resolved, cold winter and pricing hurt, record order levels for Doors
 - **Forster Steel Kitchens:** Back to growth and profit

- **On-going macro economic headwinds**

2012: The predicted transition year

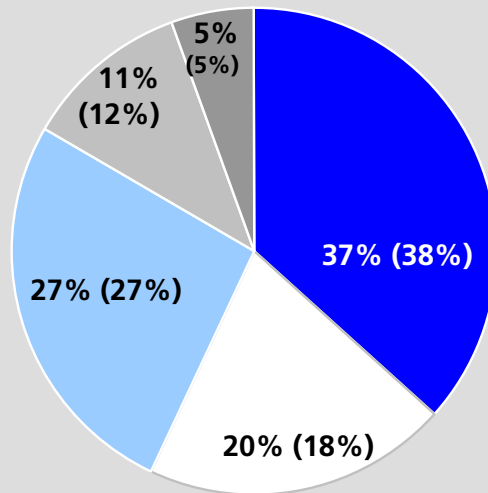
- **Net revenues: CHF 594.3 Mio. (-3.2% in local currencies)**
Strong CHF, divestments and cold winter accountable for reported 6.4% decline
- **Underlying EBITDA: CHF 39.2 Mio. (+0.8%), 6.6% margin**
Strong CHF and lower volume impacted margins
- **Underlying EBIT: CHF 12.7 Mio. (+51.2%), 2.1% margin**
Reflects first operational improvements, reduced losses at loss-making units
- **Underlying net profit: CHF 1.0 Mio. (H1 11: CHF -2.7 Mio.)**
Negative currency effect of CHF 13.9 Mio. from sale of Aqualux etc.
- **Net debt CHF 227 Mio.**
Solidly financed, portfolio adjustments to improve profitability

H1 12 results reflect improvements, but transition status as well

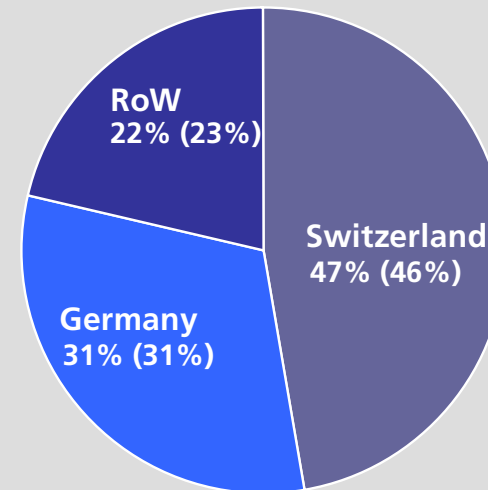
Net Revenues by Division / Country: No major changes, strong domestic markets



Net Revenues by Division¹



Net Revenues by Country¹








- Heating and Sanitary
- Windows and Doors
- Surface Technology
- Kitchens and Refrigeration
- Steel Technology

¹ Figures in brackets represent H1 2011 figures.

Highlights by Division and Key Figures



% of group net revenues	Heating & Sanitary 37%	Kitchens & Refrigeration 20%	Windows & Doors 27%	Steel Technology 11%	Surface Technology 5%
					
Currency adj. growth	-3.5%	2.1%	-4.8%	-10.9%	1.2%
EBIT margin, adjusted	8.3%	-2.0%	3.9%	0.9%	-5.5%
Highlights	<ul style="list-style-type: none"> Divestment of Aqualux Internationalisation of sanitary business Introduction of shower enclosures in Switzerland started Multiple product awards (Kermi) 	<ul style="list-style-type: none"> 3-brand strategy implemented in Switzerland Forster and Piatti back to growth Forster result clearly improved, but still in turnaround New assembly line for Piatti further boosts efficiency 	<ul style="list-style-type: none"> Long, cold winter impact volumes Imported windows weigh on margins Doors with record order levels Ground-breaking for expansion of RWD Schlatter in August '12 	<ul style="list-style-type: none"> Separation of Profiles / Tubes New management in place Profiles: Weakness in selected export markets Tubes: Headwinds due to European automotive industry 	<ul style="list-style-type: none"> New China plant started in April '12 High quality of products in China Recovery of printing segment in May/June

Heating Technology & Sanitary Equipment: Further focussing through Aqualux divestment



Heating Technology +
Sanitary Equipment



KERMI

ar-bania

prolux

- Successful divestment of Aqualux (UK)
- Heterogeneous export markets, Russia positive
- Kermi voted best manufacturer of shower & bath partitions by HVAC – 1st rank for five consecutive years
- Launch of Kermi shower enclosures in Switzerland
- Internationalisation of sanitary business

Key financials & trends

CHFm	March 2012		August 2012	
	FY 11	trend yoy for FY 12	H1 12	trend yoy for FY 12
Revenues	482.3	→	219.2	
LC growth	-1.7%	↗	-3.5%	→
EBIT-% adj.	7.6%	↗	8.3%	↗

Kitchens & Refrigeration Technology: Transformation on track, not yet profitable



- Successful implementation of 3-brand strategy in Switzerland (AFG Kitchens)
- Piatti and Forster back to growth
- Results improved at Forster – but still in turnaround situation
- Arrival of new sheet metal and stamping centre at Forster to further improve efficiency (planned start in Nov. 2012)
- New Piatti furniture assembly line drives quality, efficiency
- MBO AFG Kitchens UK

Key financials & trends

CHFm	March 2012		August 2012	
	FY 11	trend yoy for FY 12	H1 12	trend yoy for FY 12
Revenues	257.6	→	120.0	
LC growth	-2.4%	→	2.1%	→
EBIT-% adj.	-3.5%	↗	-2.0%	↗

Windows and Doors: Growth below expectations, margin pressure

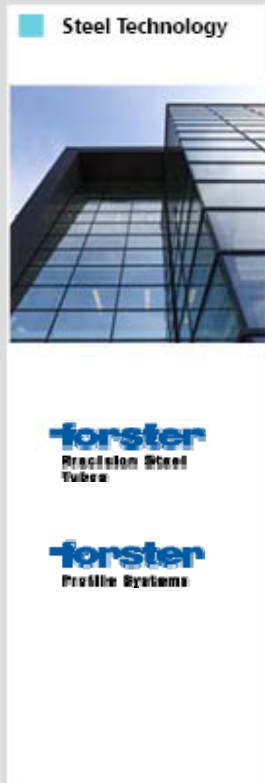


- Long, cold winter impacted window business
- Margin pressure from imported windows
- Doors with record order backlog
- RWD Schlatter: Ground-breaking of facility expansion in Aug. 2012; scheduled production start Aug. 2013

Key financials & trends

CHFm	March 2012		August 2012	
	FY 11	trend yoy for FY12	H1 12	trend yoy for FY12
Revenues	406.4	→	158.8	
LC growth	+2.6%	→	-4.8%	→
EBIT-% adj.	9.9%	→	3.9%	→

Steel Technology: Ongoing economic challenges, change in Division management



- Profiles: Weakness in specific key export markets (e.g. Italy, France)
- Tubes: European automotive industry contracting
- Price and margin pressure driven by FX situation
- Separation of Profiles and Tubes underway
- New management in place

Key financials & trends

CHFm	March 2012		August 2012	
	FY 11	trend yoy for FY 12	H1 12	trend yoy for FY 12
Revenues	140.5	→	65.9	
LC growth	0.8%	→	-10.9%	↘
EBIT-% adj.	0.5%	↗	0.9%	↗

Surface Technology: In line with expectations, China plant on stream



- Tight cost control shows first results
- Printing segment with light recovery towards mid-year
- State-of-the-art plant in China started in April
- Production quality surpasses high expectations

Key financials & trends

CHFm	March 2012		August 2012	
	FY 11	trend yoy for FY 12	H1 12	trend yoy for FY 12
Revenues	63.6	↗	32.8	
LC growth	8.5%	↗	1.2%	↘
EBIT-% adj.	-17.9%	↗	-5.5%	↗

Steady execution of strategic objectives: A gradual, but transformational process



AFG - STRATEGIC OBJECTIVES

1 Industrial Holding

- **Implementation Industrial Holding**
- **Group portfolio optimization (,no taboos')**
- Management development
- Tax optimization

2 Operational Excellence

- **Implementation M&P program**
 - Revenue & Cost of Sales (M&P1)
 - **Procurement (M&P2)**
 - **Production (M&P3)**
 - Admin (M&P4)
 - HR (M&P5)

3 Technological Innovation

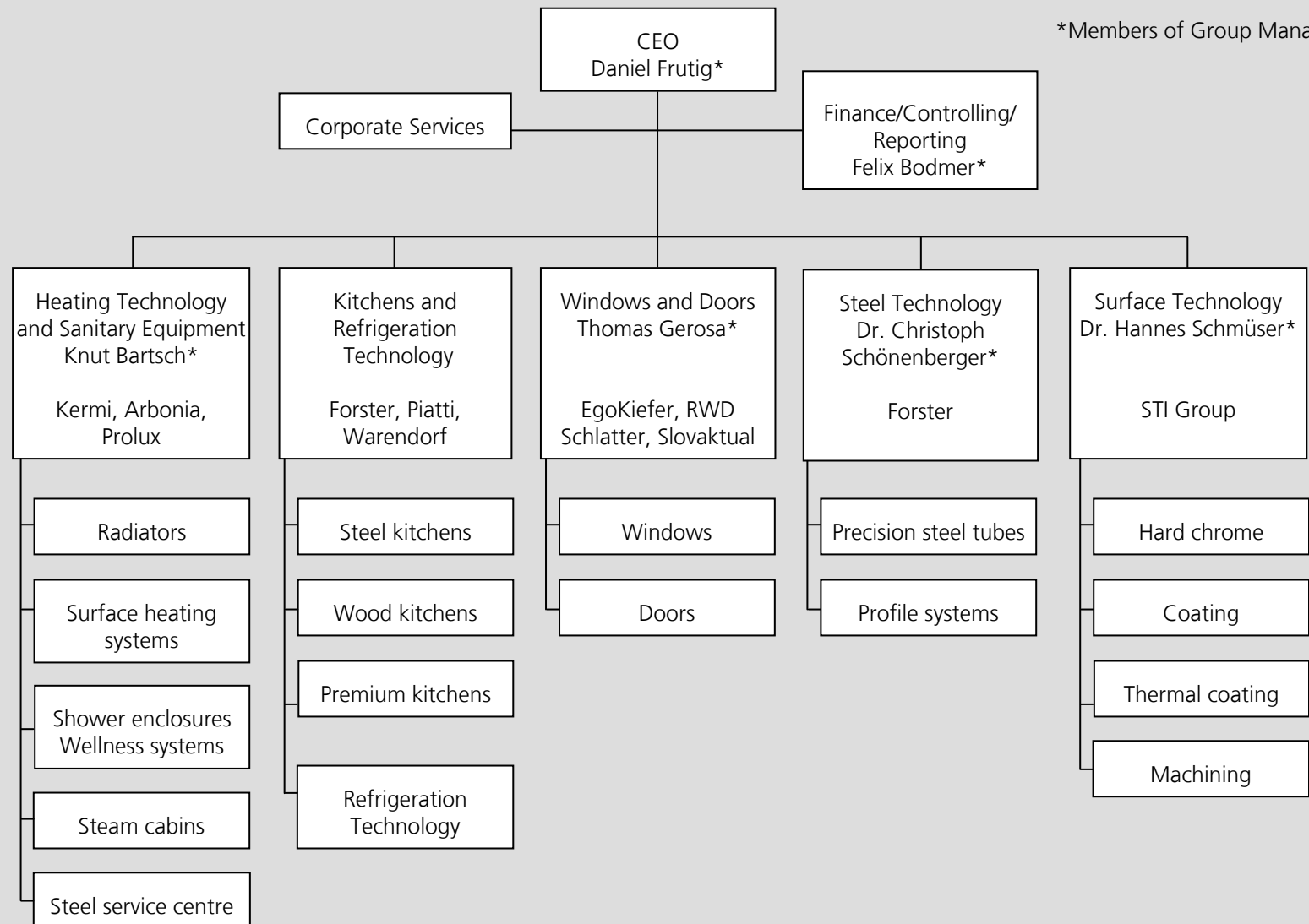
- **Innovation management**
 - **Product / technology roadmap**
 - **Joint development with best partners**
 - **AFG Innovation & Technology platform**

4 Growth / Internationalisation

- **Internationalization roadmap**
- **Go-to-market approach (brand review)**
- M&A
- Service and maintenance

STRATEGIC INITIATIVES AS BACK-BONE BEHIND SUCCESSFUL EXECUTION

Organisation Chart



1. Business Review H1 2012

2. Financial Review H1 2012

3. Outlook

Income Statement H1 12: Disappointing revenues, first operational improvements visible



in million CHF	1-6/2012	in %	1-6/2011	in %
Net revenues	594.3	100.0	634.6	100.0
Cost of material and goods	-271.2	-45.6	-313.6	-49.4
Personnel expenses	-225.8	-38.0	-239.3	-37.7
Other operating expenses	-92.7	-15.6	-95.7	-15.1
EBITDA	39.3	6.6	41.4	6.5
Depreciation, amortisation	-26.5	-4.5	-30.5	-4.8
EBIT	12.8	2.1	10.9	1.7
Financial result	-23.5	-3.9	-12.1	-1.9
Result before income tax	-10.7	-1.8	-1.2	-0.2
Income tax expenses	-0.5	-0.1	-0.2	0.0
Group result	-11.3	-1.9	-1.4	-0.2

Total Ø-Employees	5'726		5'983	
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One-time effects: Negative CHF 13.9 Mio. FX effect from sale of Aqualux etc. drives reported net loss



in million CHF	Actual 1-6/2012	Division Heating & Sanitary Sale of Aqualux	Division Kitchens & Refrigeration Liquidation of subsidiaries	1-6/2012 Without one-time effects
Net revenues	594.3			594.3
EBITDA	39.3	-0.2	+0.1	39.2
EBIT	12.8			12.7
Group result	-11.3	+13.4	-1.0	1.0

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

Income Statement (adjusted for one-time effects): Improved operational result, but still in transition



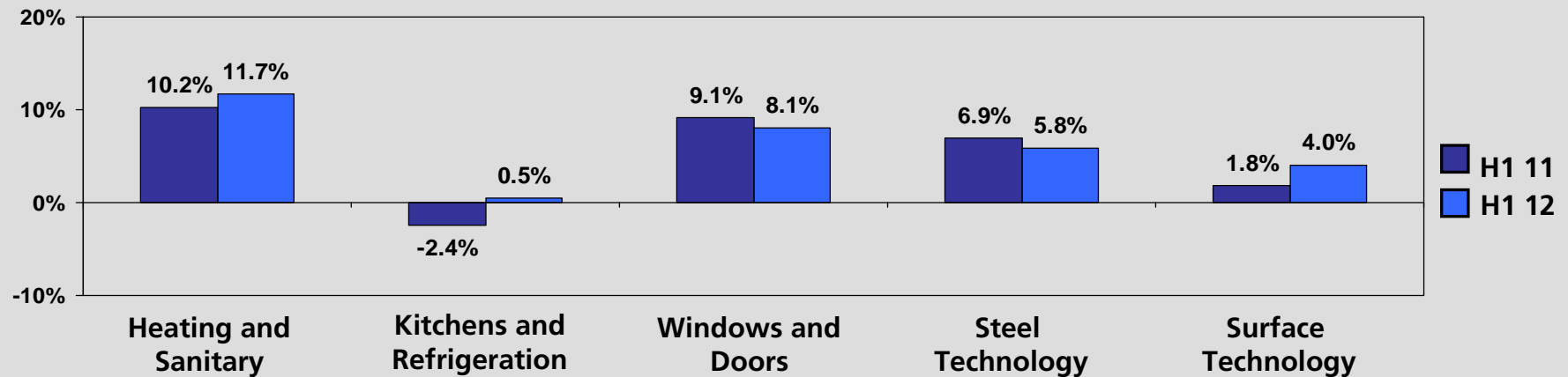
in million CHF	1-6/2012	1-6/2011	Δ %
Net revenues	594.3	634.6	-3.2 ¹⁾
Cost of material and goods	-271.2	-313.6	
Personnel expenses	-225.6	-239.3	
Other operating expenses	-92.0	-95.7	
EBITDA	39.2	38.9	+0.8
<i>in % of net revenues</i>	<i>6.6</i>	<i>6.1</i>	
Depreciation, amortisation	-26.5	-30.5	
EBIT	12.7	8.4	+51.2
<i>in % of net revenues</i>	<i>2.1</i>	<i>1.3</i>	
Financial result	-26.5	-11.3	
Result before income tax	3.1	-2.9	-
Income tax expenses	-2.1	+0.2	
Group result	1.0	-2.7	-
Total Ø-Employees	5'726	5'983	-4.3

¹⁾ Net revenues in local currencies

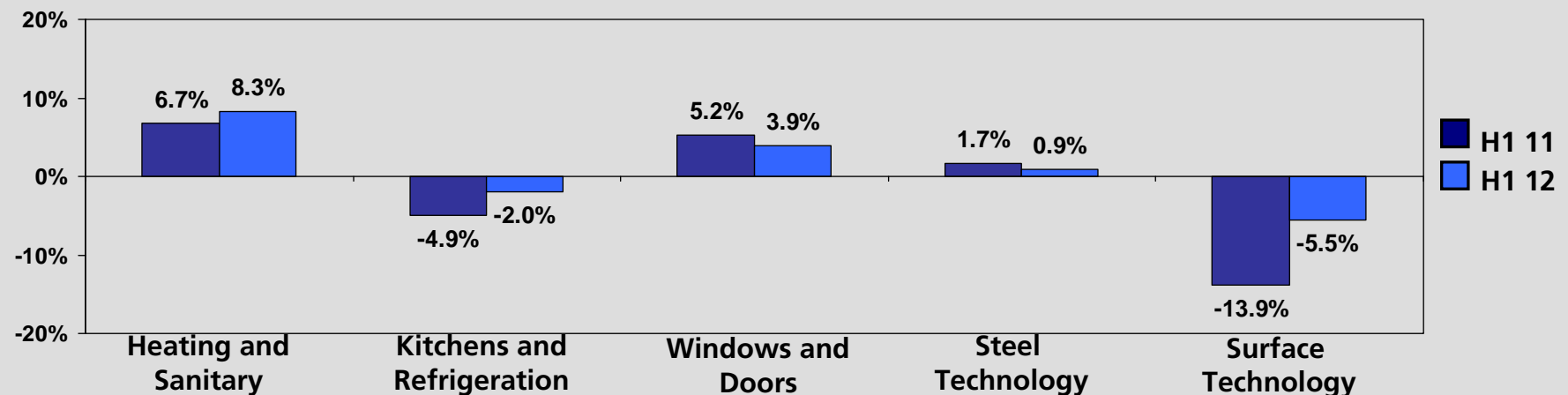
Adjusted EBITDA- / EBIT-margins by Division: Heterogeneous performance, specific challenges



EBITDA margin, adjusted



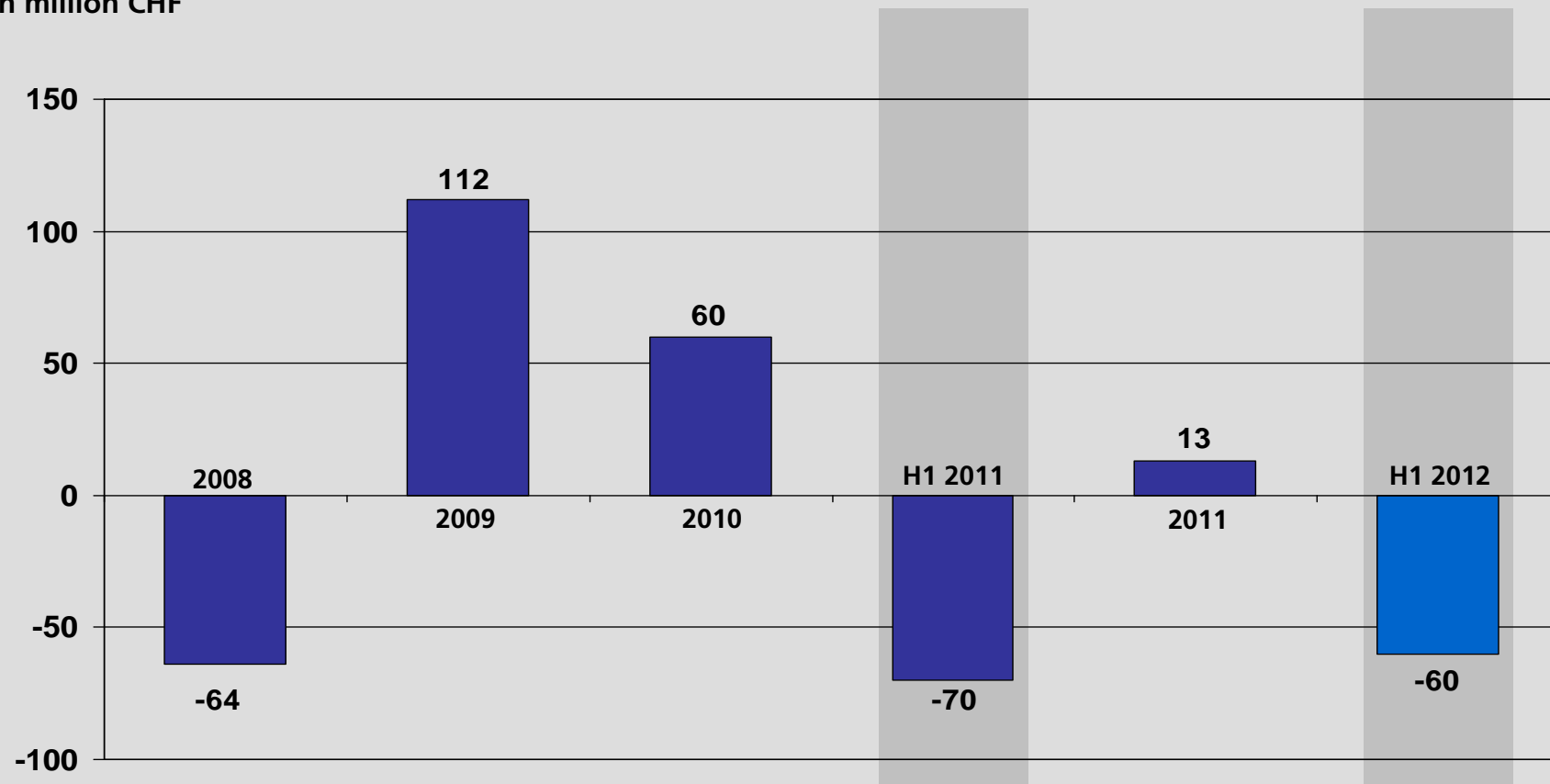
EBIT margin, adjusted



Free Cash Flow ¹⁾: Seasonally negative, expected to be reversed again in H2 12



in million CHF

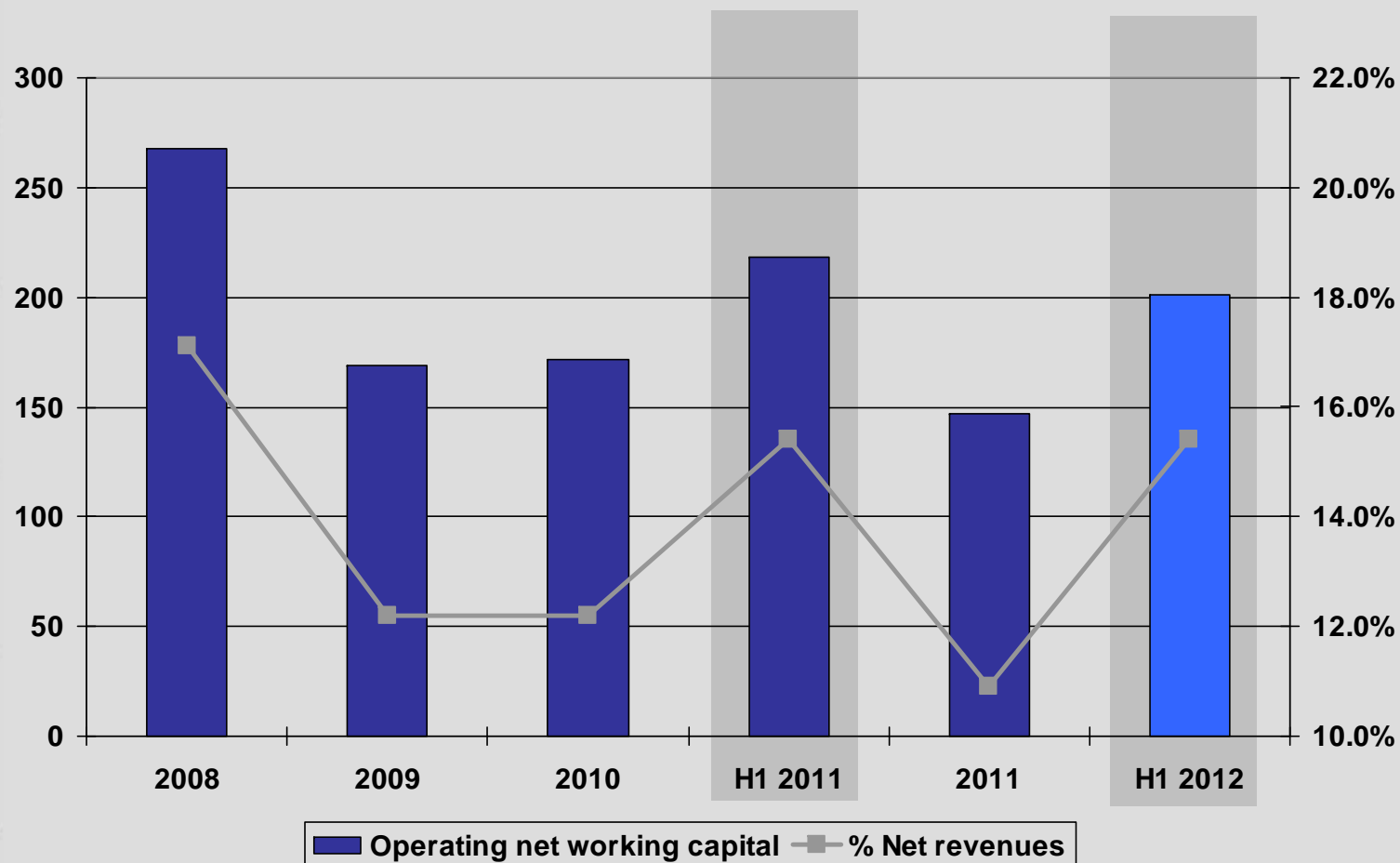


¹⁾ = Cash flow from operating and investing activities

Operating Net Working Capital: Tight management, stable situation



in million CHF

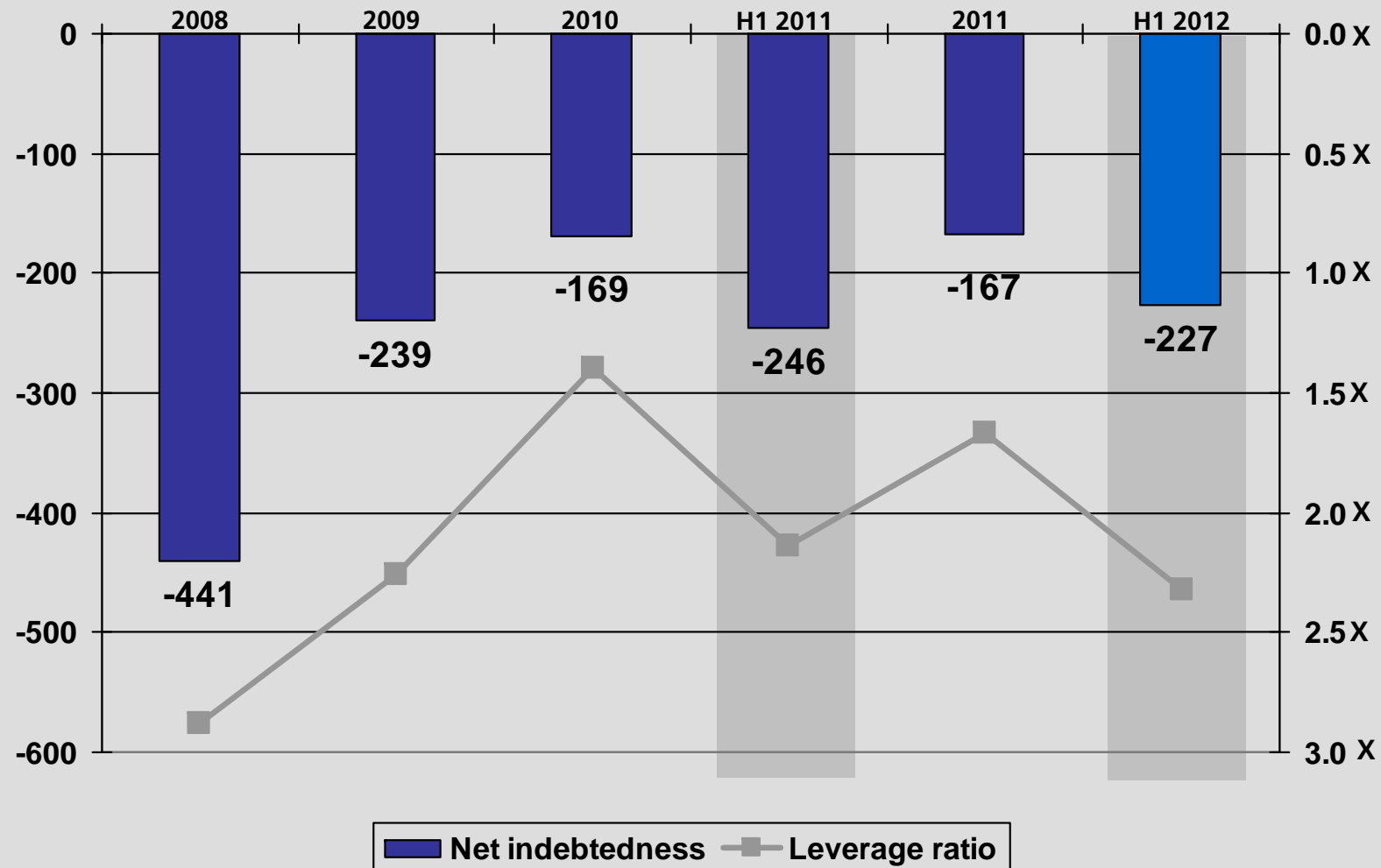


Operating NWC = Accounts receivable + inventories – accounts payable – advances from customers

Net Indebtedness and Leverage Ratio: Temporarily higher due to seasonality



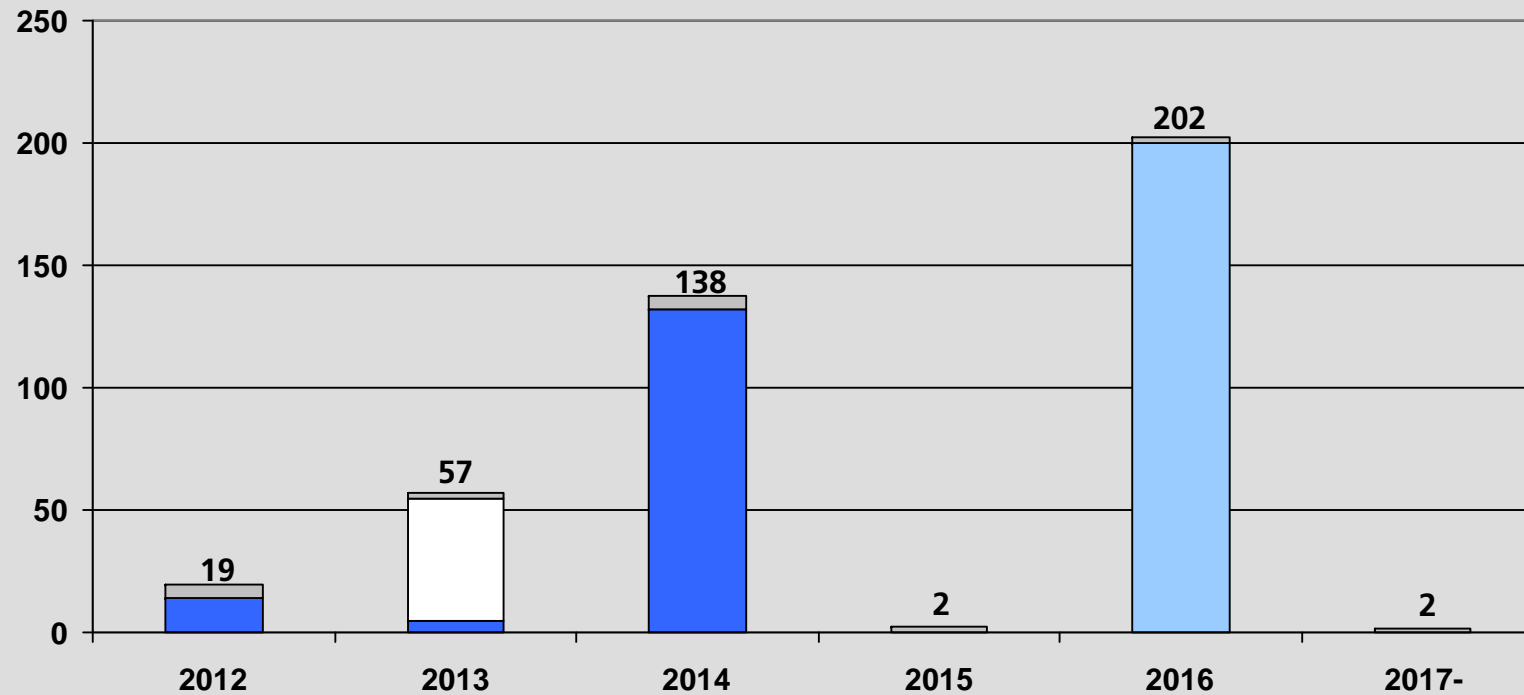
in million CHF



Maturities of Financial Debt: AFG still solidly financed, several refinancing options on screen



in million CHF



- Bond 2010 – 2016, CHF 200 million
- US private placement 2004 – 2014, USD 160 million
- Syndicated loan 2007 – 2013, CHF 275 million
- Others

1. Business Review H1 2012

2. Financial Review H1 2012

3. Outlook

Market and macro environment remains volatile

- FX situation stabilized, ongoing margin pressure from imports
- Construction sector: Heterogeneous regional development

Portfolio optimization and focus continues

- Execution of roadmap, operational excellence
- Continue 'Fit for Sale' programme for non-core business units

Ongoing initiatives for growth and internationalisation

- Set-up of international hubs
- Continuous cost reduction and efficiency improvement

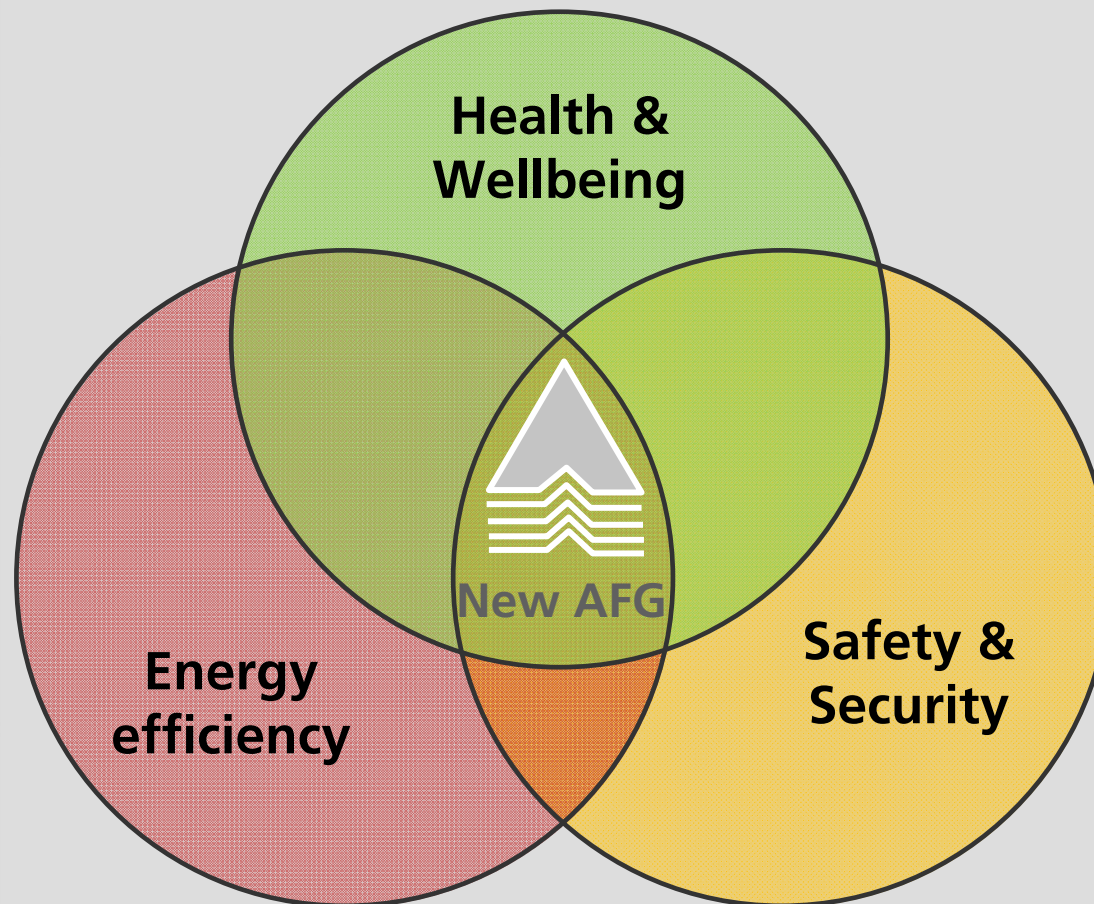
'New AFG': Mid-term targets confirmed, Lower growth expectations for 2012



<u>AFG Mid-term targets</u>	<u>March 2012</u>		<u>August 2012</u>	
	FY 2011 (Actual)	FY 2012 trend yoy	H1 2012 (Actual)	FY 2012 trend yoy
Avg. LC growth > 5% p.a.	0%	→	-3.2%	→
Group EBIT-margin > 8%	3%	→	2.1%	→

'New AFG': Strict adherence to roadmap to achieve mid-term targets

AFG: Our products already reflect future top three megatrends



- AFG = A leader for **Building exterior & internal room comfort**
✓ all three megatrends satisfied
- **Windows:**
 - Sustainability
 - Energy efficiency
- **Doors:**
 - Security
 - Protection
- **Heating Technology / Sanitary Equipment**
 - Room comfort
 - Design
 - Health

AFG: Fundamentally well positioned, execution on track, results to follow

Upcoming Events



15 November 2012	Investors day at EgoKiefer, Altstätten
24 January 2013	Release of 2012 net revenues
05 March 2013	Financial media/analysts conference: Full-year 2012 results
19 April 2013	Annual General Meeting 2012
08 August 2013	Half-year results 2013