



AFG – FY 2014 Results – 03 March 2015

William J. Christensen, CEO
Felix Bodmer, CFO

Agenda

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| 1. Review 2014 | William J. Christensen |
| 2. Financial results | Felix Bodmer |
| 3. “100 days” & actions | William J. Christensen |
| 4. Outlook | William J. Christensen |
| 5. Summary | William J. Christensen |
| Questions | |

Review 2014 – Financial key figures

AFG Group

Net revenues	CHF 1'017M +1.3% vs. 2013	<ul style="list-style-type: none"> Negative organic development Sabiana H2 addition with positive effect
EBITDA	CHF 78.3M -23.9% vs. 2013 7.7% margin	<ul style="list-style-type: none"> Margin compression in all divisions
EBIT	CHF 33.4M -45.7% vs. 2013 3.3% margin	<ul style="list-style-type: none"> Reflects weak Division Envelope performance
Net profit	CHF 15.1M	<ul style="list-style-type: none"> Deconsolidation of AFG Kitchens Deconsolidation of STI

Review 2014 – Key events

Summary

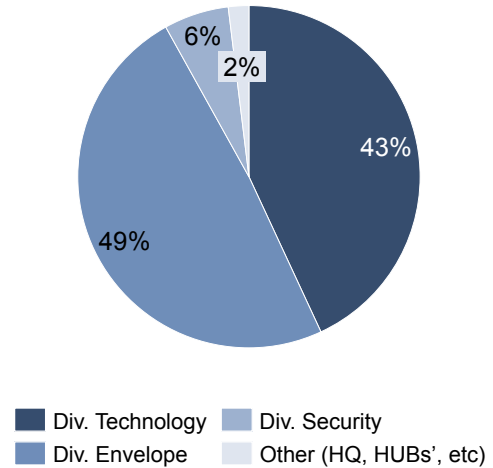
Q1 – 2014	<ul style="list-style-type: none"> Sale of AFG Kitchens business to Alno New CEO (a.i.): Rudolf Graf, Chairman of the Board
Q2 – 2014	<ul style="list-style-type: none"> Retirement of Edgar Oehler from Board Divestment of STI Precision Machining (Changshu) Co., Ltd. Acquisition of Sabiana S.p.A (closing on 4 July)
Q3 – 2014	<ul style="list-style-type: none"> RWD Schlatter signs major deal in China
Q4 – 2014	<ul style="list-style-type: none"> New CEO: William J. Christensen Divestment of STI Surface Technologies International Holding AG New anchor shareholder: Artemis Group

Review 2014 – Employees

Nominal increase

- **6'057 employees on average (continued operations)**
 - 25% based in Switzerland
 - Down from 26% in 2013
- **Overall increase of 53 employees in core business**
- **Net acquisitions/divestments reduction of 863 employees**

Average employees 2014

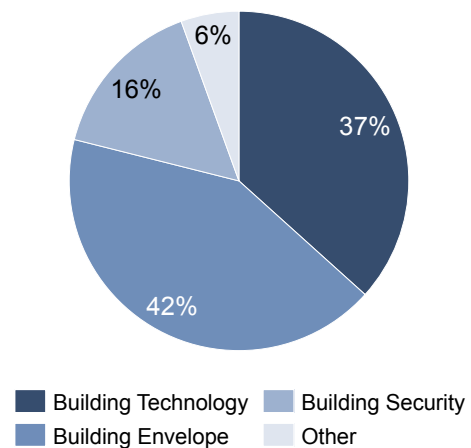


Review 2014 – Capex

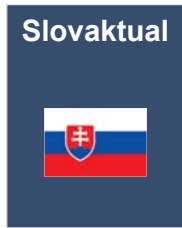
Significant increase

- **Capital expenditures of roughly CHF 48M; 21% above the previous year**
- **Investments correspond to 4.7% of sales**
- **All projects implemented as planned**

Investments by division 2014



Review 2014 – Capex Key projects

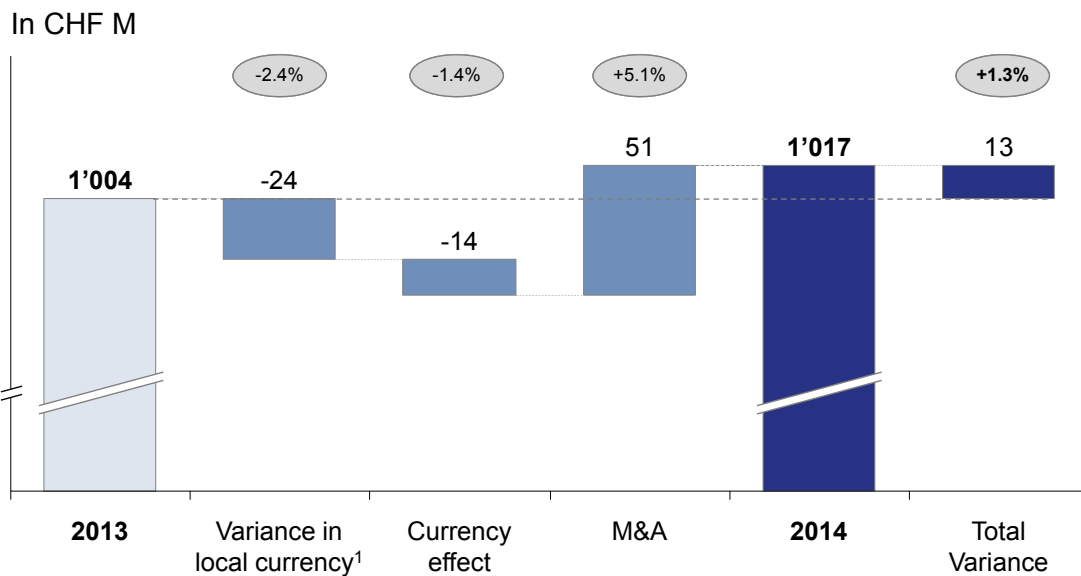


- New PVC production hall in Pravenec
- CHF ~15M
- Start up Q2, 2015



- Automatic door panel sizing/edge banding lines and production hall extension
- CHF ~25M
- Start up Q3, 2014

Review 2014 – Net revenues Development



1. Variance in volume and price in local currency

Review 2014 Division Summary

	Technology	Envelope	Security
Performance	<ul style="list-style-type: none"> Growth across all BU's H2 Russia headwind German design award 	<ul style="list-style-type: none"> Volume decline CH Margin deterioration 	<ul style="list-style-type: none"> Sales growth Margin compression
Key Initiatives	<ul style="list-style-type: none"> Sabina acquisition Opened Kermi campus training center X- Optimized extension (PZP) 	<ul style="list-style-type: none"> Footprint expansion SK Integration Dobroplast SAP roll out EgoKiefer 	<ul style="list-style-type: none"> RWD Schlatter invest Initial agreements supporting direct sales Germany (Profile)

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Income Statement – Continued Operations

First net profit since 2010, but disappointing

<i>In CHF M</i>	2014	in %	2013	in %
Net revenues	1'017.4	100.0	1'004.0	100.0
Cost of material and goods	-450.7	-44.3	-429.6	-42.8
Personnel expenses	-344.7	-33.9	-338.7	-33.7
Other operating expenses	-152.6	-15.0	-145.1	-14.4
EBITDA	78.3	7.7	102.9	10.2
Depreciation, amortisation, impairments	-44.9	-4.4	-41.4	-4.1
EBIT	33.4	3.3	61.5	6.1
Financial results	-22.4	-2.2	-19.4	-1.9
Result before income tax	11.0	1.1	42.0	4.2
Income tax expenses	0.3	0.0	-8.6	-0.9
Group result from <u>continuing</u> operations	11.3	1.1	33.4	3.3
Group result from <u>discontinued</u> operations after taxes	3.8	0.4	-83.4	-8.3
Group result	15.1	1.5	-49.9	-5.0

Reconciliation to adjusted numbers

Minor negative one-time effects

<i>In CHF M</i>	Actual 2014	Building Techn.	Building Envelope	Building Security	Others	2014 without one-time effects
Net revenues	1'017.4					1'017.4
EBITDA	78.3	-0.2		+1.0	+0.6	79.7
EBIT	33.4	+1.2	+0.9			36.9
Group result	11.3	-0.3	-0.2	-0.2	+3.5	17.6

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

Slightly better, but still below expectations

<i>In CHF M</i>	2014	in %	2013	in %
Net revenues	1'017.4	100.0	1'004.0	100.0
Cost of material and goods	-450.7	-44.3	-429.6	-42.8
Personnel expenses	-343.1	-33.7	-338.5	-33.7
Other operating expenses	-150.2	-14.8	-142.7	-14.2
EBITDA	79.7	7.8	102.2	10.2
Depreciation, amortisation	-42.8	-4.2	-39.4	-3.9
EBIT	36.9	3.6	62.8	6.3
Financial results	-18.4	-1.8	-19.1	-1.9
Result before income tax	18.5	1.8	43.7	4.3
Income tax expenses	-0.8	-0.1	-8.5	-0.9
Group result	17.6	1.7	35.1	3.5

AFG Group - Continued Operations

Deterioration of all key figures

<i>In CHF M</i>	2014	2013
Net revenues	1'017.4	1'004.0
Adjusted organic growth	-2.4%	+0.3%
EBITDA margin, adjusted	7.8%	10.2%
EBIT margin, adjusted	3.6%	6.3%
Free Cash Flow, adjusted	8.5	31.0
ROCE, adjusted	5.0%	7.8%

AFG Group Positive contribution to group result

Discontinued Operations

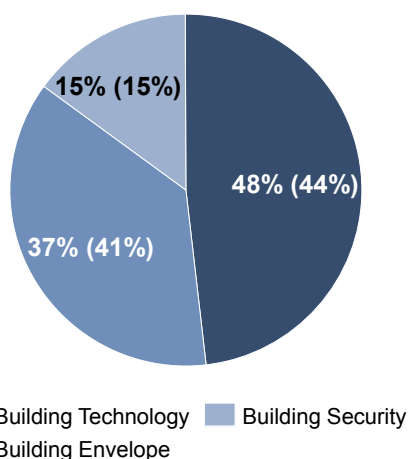
1 January 2014	AFG Küchen AG, CH-Arbon
6 June 2014	STI Precision Machining (Changshu) Co. Ltd., CN-Changshu
1 December 2014	Division Surface Technology, without STI Precision Machining (Changshu), CH-Steinach

Result from discontinued operations

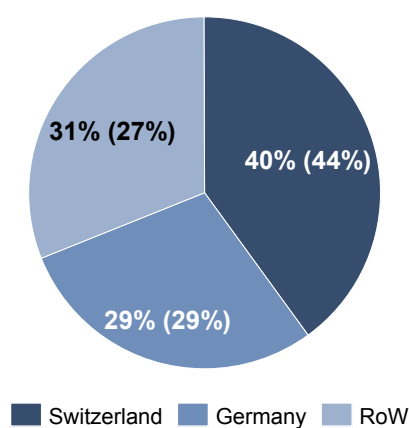
	<i>In CHF M</i>
Result from discontinued operations after taxes (without sales costs and currency translation effects)	+2.4
Gain on disposals	+6.2
Sales costs for disposals	-2.8
Accumulated currency translation differences	-2.0
Result	+3.8

Net revenues by Division / Country Decline of Envelope reflected in breakdown

Net revenues by Division



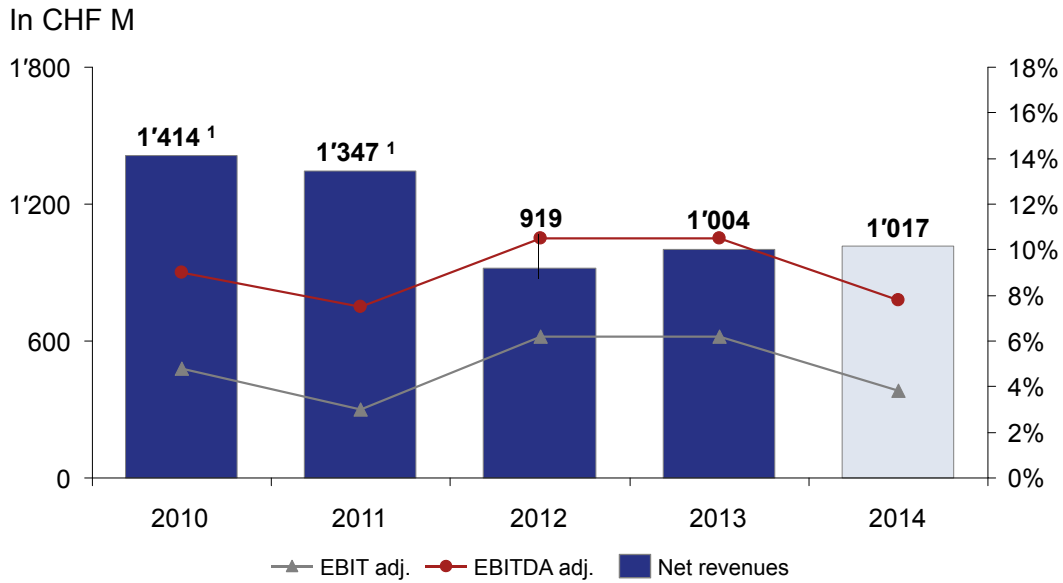
Net revenues by Country



Note: Figures in brackets represent last year's figures

Net revenues / EBITDA adjusted / EBIT adjusted

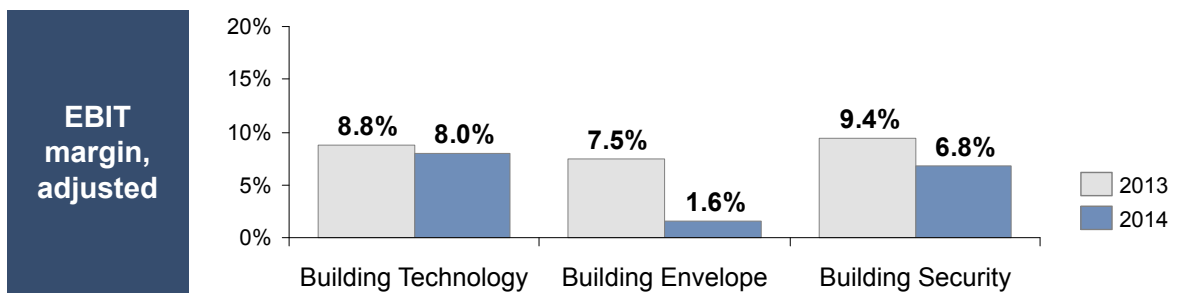
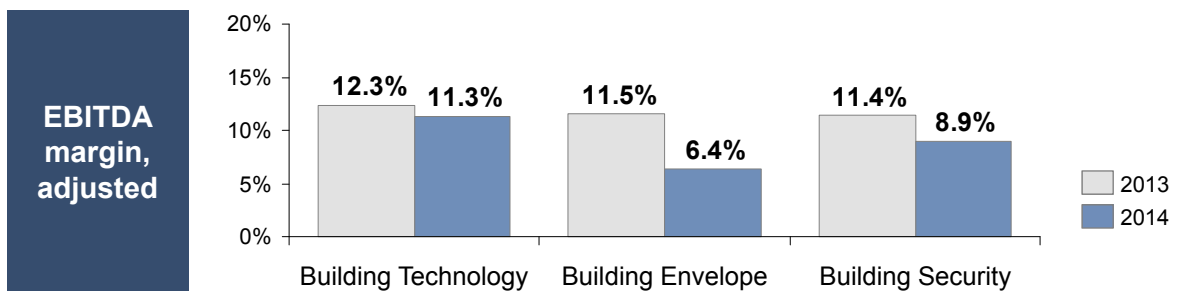
Adjustment of business portfolio finalised



1) Including discontinued operations

EBITDA- / EBIT-margins per Division

Margin pressure, esp. in Building Envelope

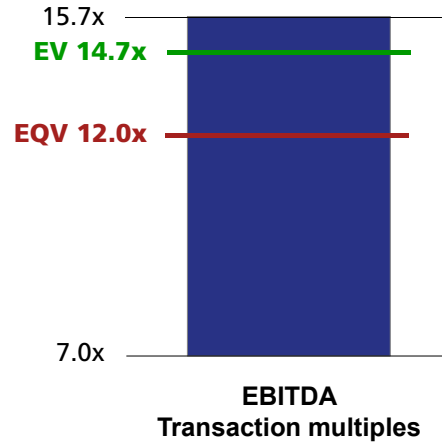


Acquisition Sabiana

Strategic move into ventilation, air-conditioning

- Equity value: CHF 113M
- Enterprise value: CHF 138M

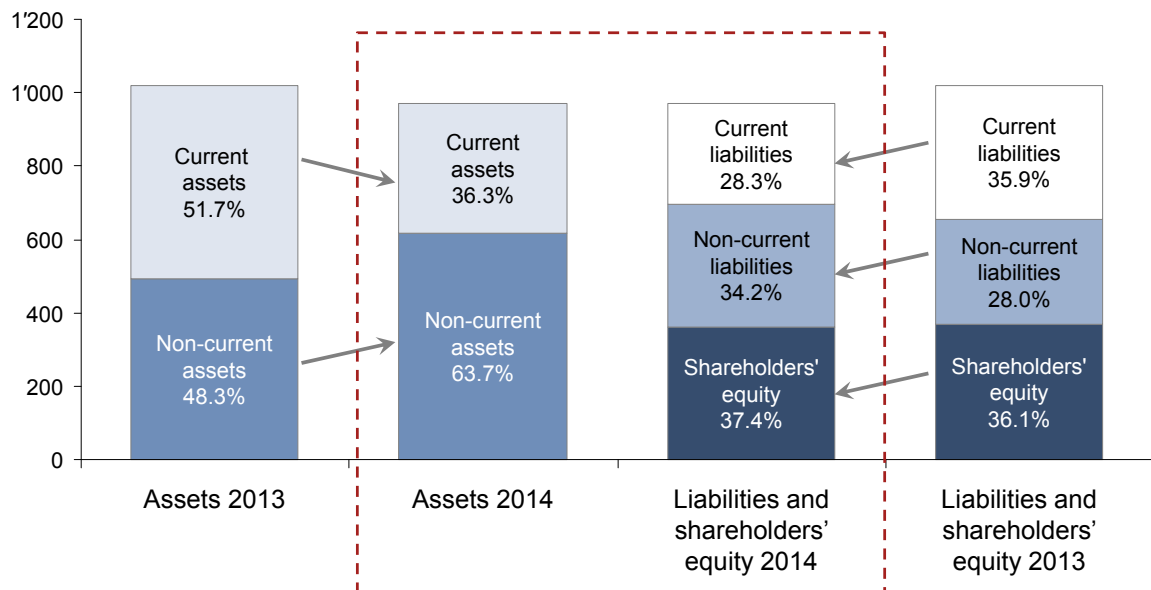
Multiple range (EV / Key Financial)



Balance Sheet

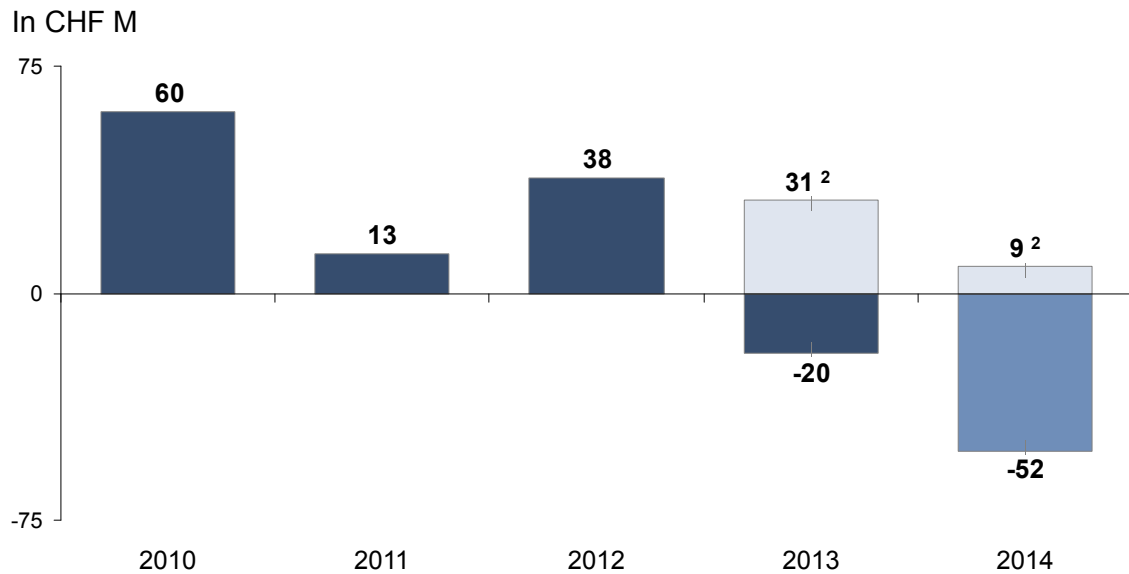
Equity ratio slightly higher

In CHF M



Free Cash Flow ¹

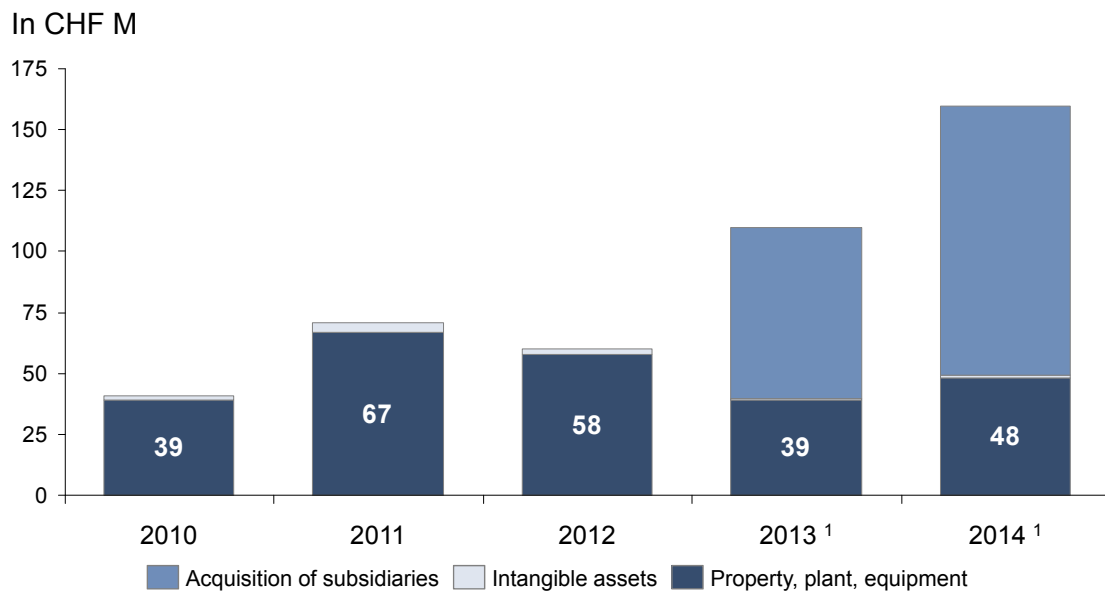
Disappointing funds from operations



1) Cash flow from operating and investing activities 2) Free cash flow without acquisition / disposal of subsidiaries, adjusted

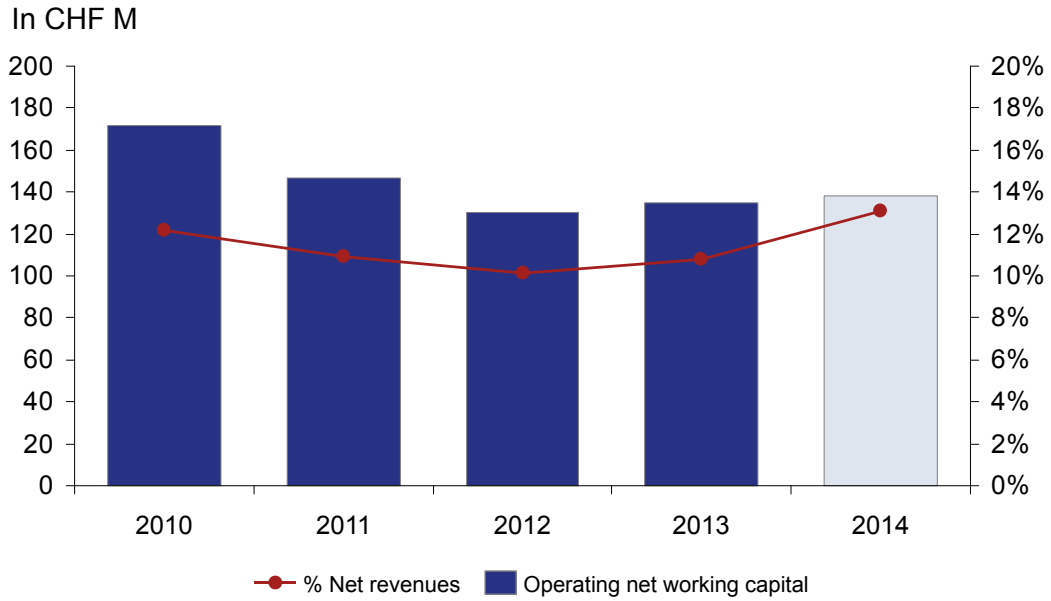
Development of Investments

Capex in line with previous years' average



1) Continued Operations

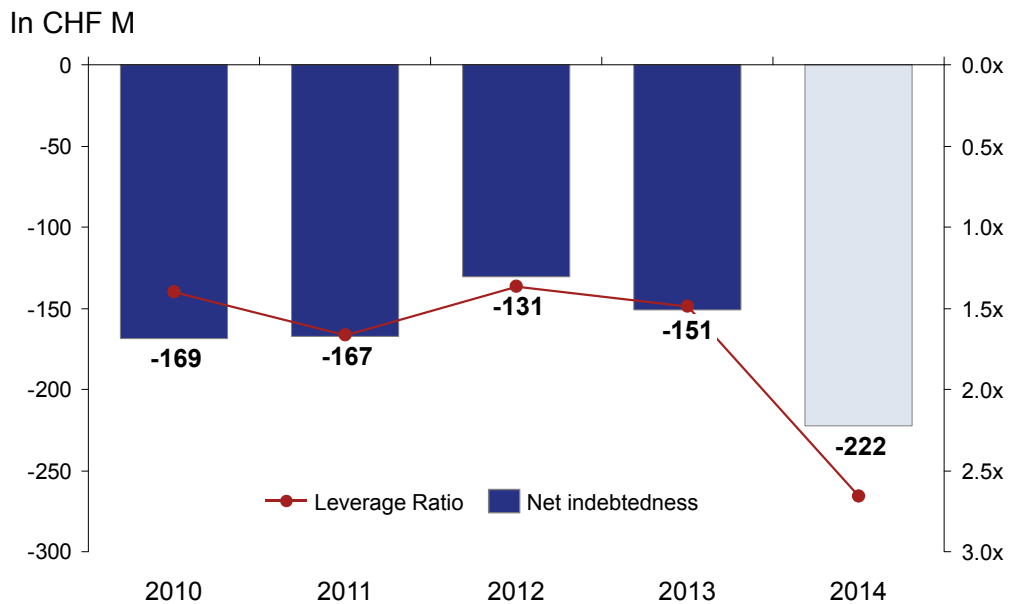
Changes in Operating Net Working Capital



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

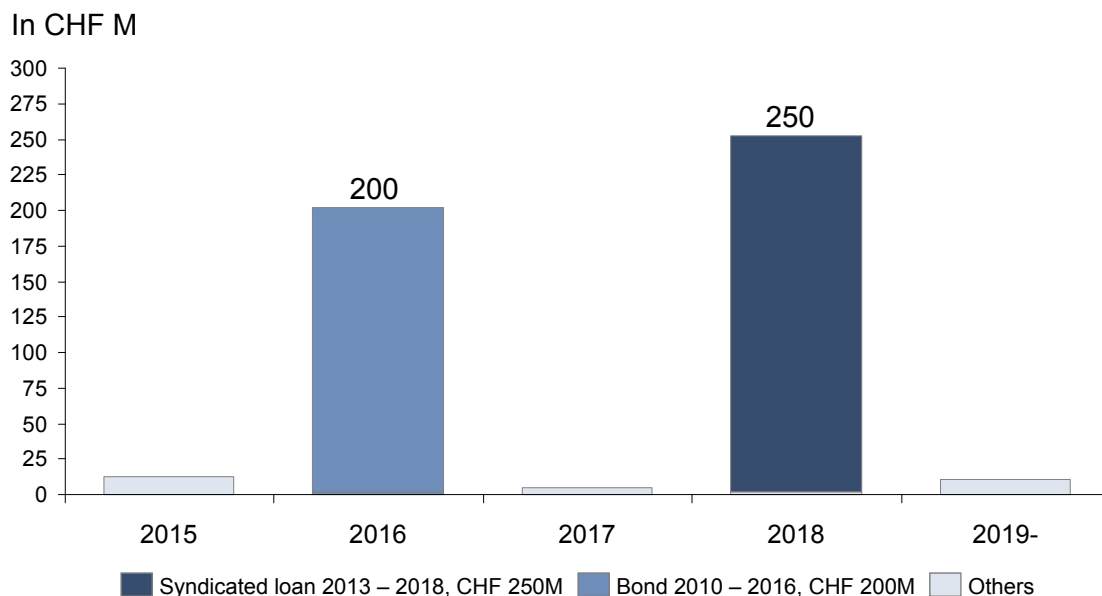
Net Indebtedness and Leverage Ratio

Higher debt, leverage ratio beyond target



Maturities of Financial Debt

Syndicated loan provides financial flexibility



AFG Group – Outlook

Effects from repeal minimum rate CHF / EUR

Translation & transaction effects (assuming 1 CHF = 1 EUR)

Translation effects

- Net revenues approx. -12%
- EBIT margin in % approx. stable
- Financial result negatively effected
- Equity ratio approx. 250 bps lower

Transaction effects

- Lower volume in Russia for Heating
- Competitive pressure on Windows
- Pricing adjustments for Steel profiles
- IAS 19: Higher employee benefit obligations likely

Selected Indications for 2015 (assuming 1 CHF = 1 EUR)

Interest rates	CHF 3.0%	EUR 2.0%
Weighted average taxes	25-30%	
Capex	CHF ~35 M	
Operating NWC	11-12%	

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100 days at AFG Overview

Summary

1

Reality at AFG

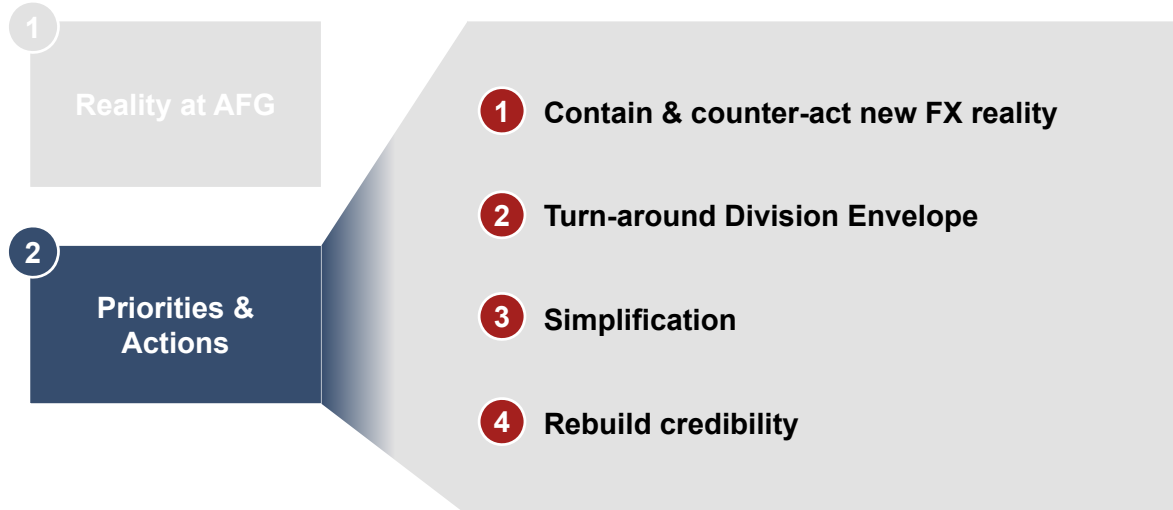
2

Priorities &
Actions

- Significant changes in 2014
- Various key challenges remain
 - Complexity
 - Credibility
 - Culture
- SNB decision generates additional headwind

100 days at AFG Priorities and actions – short-term focus 2015

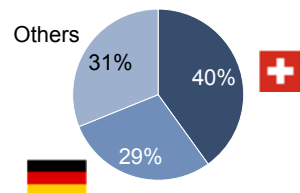
Summary



1 Contain & counter-act new FX reality FX – CHF exposure analysis

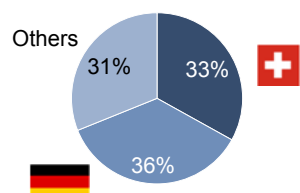
Key considerations

Sales 2014



- Swiss sales share at 40% down from 44% in 2013
- Poland and Russia main other markets
- International sales share growth driven by Sabiana acquisition

Costs 2014



- HQ, EgoKiefer and Division Security with majority of costs in CHF
- Under proportional group purchases in CHF

1 Contain & counter-act new FX reality Scope and implications

3 aspects		Implications
Translation	<ul style="list-style-type: none"> ▪ 1 CHF /1 EUR 	<ul style="list-style-type: none"> ▪ New budget
Transaction	<ul style="list-style-type: none"> ▪ Sales ▪ Purchasing 	<ul style="list-style-type: none"> ▪ Low share of Swiss made exports ▪ Selective pricing adjustments ▪ Purchasing savings initiative
Cost competitiveness	<ul style="list-style-type: none"> ▪ Import pricing 	<ul style="list-style-type: none"> ▪ Accelerated cost improvements ▪ Structural adjustments

2 Improve Division Envelope: Two key areas

Structure	<ul style="list-style-type: none"> ▪ Align EgoKiefer structure to market reality ▪ Accelerate PVC relocation Altstätten (CH) → SK ▪ Refocus Swiss market organization
Strategy	<ul style="list-style-type: none"> ▪ Review options based on “new” FX rates

2 Improve Division Envelope: Broad program defined

1. Operating profit improvement

- Planned reduction of 150-200 FTEs
 - ~80 due to announced PVC relocation
 - Additional 70-120 based on volume & process adaptations
- Targeted supply chain savings program

2. Market organisation

- Strengthen & expand collaboration with direct sales partners
- Drive direct distribution (w/ installation & service) in large agglomerations

3. Strategy

- Secure long-term foundation
- Accelerate growth
- The right product at the right price

3 Simplification Focus on the essential tasks

- Currency reality
- Division Building Envelope
- Address brand portfolio
- Reduce complexity
- Rebuild credibility

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2015 – Mixed market performance anticipated
Markets outlook

Regions	Comments	
Western Europe	<ul style="list-style-type: none"> ▪ Mixed picture ▪ Germany positive and main driver ▪ Market cooling in CH anticipated ▪ Continued weak Italian market 	 <div style="background-color: #a52a2a; color: white; padding: 10px; width: 150px; margin: 0 auto; text-align: center;"> Challenging overall picture </div>
Eastern Europe	<ul style="list-style-type: none"> ▪ Political uncertainty ▪ Solid growth in Poland expected ▪ Slovakia with flat development 	
HUBS	<ul style="list-style-type: none"> ▪ Declining Russian imports ▪ Middle East project sentiment positive ▪ Limited China project market growth 	

2015 – Outlook

Division Building Technology

In CHF M

	2012	2013	2014
Net revenues	456.2	445.4	490.2
Adjusted organic growth	-0.3%	-2.1%	2.4%
EBITDA margin, adjusted	12.9%	12.3%	11.3%
EBIT margin, adjusted	9.6%	8.8%	8.0%

Market outlook ...

- Core markets stable
- Uncertain Russian market development
- ISH 2015

... and AFG focus topics

- Sabiana integration & portfolio cross-selling
- Streamline brand portfolio
- Sanitary “quality of growth”

2015 – Outlook

Division Building Envelope

In CHF M

	2012	2013	2014
Net revenues	320.1	410.8	376.0
Adjusted organic growth	-3.8%	+2.1%	-9.2%
EBITDA margin, adjusted	11.0%	11.5%	6.4%
EBIT margin, adjusted	7.3%	7.5%	1.6%

Market outlook ...

- CH: further price pressure due to imports and local overcapacity
- EU: slight growth in Germany, other markets difficult
- Various competitors for sale

... and AFG focus topics

- Turn-around EgoKiefer
- Continued Dobroplast improvements
- Market reach expansion
- Review options based on new reality

2015 – Outlook Division Security

In CHF M

	2012	2013	2014
Net revenues	141.6	146.2	149.9
Adjusted organic growth	+1.1%	+3.2%	+2.7%
EBITDA margin, adjusted	9.4%	11.4%	8.9%
EBIT margin, adjusted	7.3%	9.4%	6.8%

Market outlook ...

- Mixed international project landscape
- Continued weak Swiss commercial projects market (BU Doors)

... and AFG focus topics

- Division strategic sourcing project
- Consolidate direct sales position in German market (BU Profile)
- New product launches

2015 – Outlook AFG Group short term

Mid term targets BMK 2014

- Growth 3-5% p.a.
- **EBIT-margin >8%**
- ROCE >10%
- FCF CHF >50M
- **40% revenues outside D/CH**
- Net debt CHF <200M (1.0-2.0x EBITDA)

■ Realistically achieved 2016/2017

Outlook 2015

- **Mid-term targets not valid given current reality**
 - Significant FX headwinds
 - Various operating challenges
 - Anticipated anchor shareholder alignment
- **2015 guidance and mid-term ambitions with H1 results**

Short term focus:

Manage currency impact and turn-around Building Envelope

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Summary

Priorities and actions defined

Short-term actions (2015)

Building Technology	<ul style="list-style-type: none"> ▪ Cross-selling Sabiana ▪ Sabiana integration ▪ Streamline brand portfolio ▪ Sanitary quality of growth
Building Envelope	<ul style="list-style-type: none"> ▪ EgoKiefer structural adjustments ▪ PVC ramp-up Slovaktual ▪ Supply chain optimization & purchasing ▪ Dobroplast improvements ▪ Geographic penetration PVC sales
Building Security	<ul style="list-style-type: none"> ▪ Division strategic sourcing project ▪ Direct sales growth Germany (Profiles) ▪ Various new product launches

Priorities

<ul style="list-style-type: none"> ▪ Contain & counter-act FX impact ▪ Turn-around Division Envelope ▪ Simplification ▪ Rebuild credibility

Important dates Summary 2015

April 17, 2015	<ul style="list-style-type: none">▪ General Meeting
August 6, 2015	<ul style="list-style-type: none">▪ Interim report on the First Half 2015
November 11, 2015	<ul style="list-style-type: none">▪ Investor Day 2015▪ Sabiana, IT
January 21, 2016	<ul style="list-style-type: none">▪ Sales 2015
March 1, 2016	<ul style="list-style-type: none">▪ FY 2015 results

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