

Press Release

First semester results 2017

Arbonia is on a solid footing and announces positive figures

Arbon, 10 August 2017 – Arbonia Group revenue grew by 36 % compared to the previous year (CHF 459.0 million) to CHF 624.4 million. Organic growth – that is, growth without the contributions of the Looser and Koralle Groups – stood at –1.8 %. EBITDA increased from CHF 27.3 million in the previous year to CHF 44.6 million, respectively from CHF 23.3 million to CHF 45.9 million adjusted for special effects. EBIT improved as compared to the previous year, rising to CHF 12.6 million or CHF 13.2 million in adjusted terms (previous year: CHF 5.7 million or CHF 4.2 million in adjusted terms). Arbonia's operating income after tax with continuing operations yielded a positive result, amounting to CHF 5.4 million, or CHF 6.2 million without special effects (previous year: CHF –3.5 million or CHF –5.3 million without special effects).

Significant factors contributing to this positive trend during the first half of 2017 were the Looser Group companies that were taken over at the end of 2016 – Prüm, Garant and Invado – plus the Koralle Group, which has been consolidated since October 2016. The results achieved during this reporting period confirm that the three-year strategic plan of measures Arbonia introduced 2015 is keeping the company on the right course.

The key financial performance indicators of the Arbonia Group continued to improve when compared to figures on 31 December 2016. The equity ratio increased from 47.9 % at the end of 2016 to 49.0 %. The development of net indebtedness at the end of 2016 was primarily impacted by the financing activities regarding the Looser acquisition. In comparison, this figure decreased from CHF 225.1 million to CHF 175.0 million.

General market environment

During the first half of 2017, Arbonia's business activities were bolstered by the continued healthy construction industry in Germany as well as in the burgeoning Eastern European markets of Poland, Slovakia and the Czech Republic. The market segment recorded particular growth in the area of new residential buildings, and especially in Germany. With the continued immigration of well-educated EU citizens, this segment's prospects are looking healthy for the next several years to come. Due to the continued lack of capacity among building tradespeople, however, in general it will not be possible to take full advantage of the German market's potential over the year. Therefore, it will not be until later years that actual work can be carried out on many approved projects.

The construction industry in Switzerland, the Group's domestic market, continued to experience significant competitive pressure in the first half of 2017, largely as a result of the continued strength of the Swiss franc. The segments important to Arbonia thus continued to show only sideward movement.

The acquisition of the Looser Group significantly reduced Arbonia's dependence on Switzerland, its key market in the past. The biggest market is now Germany, followed by Switzerland, Poland, Slovakia and the Czech Republic. In the first half of 2017, Arbonia attained around 80 % of its revenue in these key markets.

Development of the divisions

During the first half of 2017, the **Building Technology Division** generated CHF 259.1 million in revenue, 11.5 % above the previous year's figure. When adjusted for acquisition and currency effects, revenue increased by 2.2 % compared to the previous year (CHF 232.4 million). Adjusted for special effects, EBITDA rose from CHF 24.9 million in the previous year to CHF 25.3 million. The division reported an EBIT of CHF 16.1 million when adjusted for special effects (previous year: CHF 16.0 million). Significant increases in some material costs, affecting steel, steel piping and aluminium, had a negative impact on the margins in the division's results. This made it necessary to introduce certain countermeasures, some of whose effects will not be felt until the second half of 2017.

During the first half of 2017, the Heating Technology Business Unit successfully completed the process of relocating production of its special radiators to Stříbro in the Czech Republic. Costing CHF 25 million, the investment programme that had been designed for increasing capacity and productivity in radiator production at the Plattling site in Germany should be finalised next year.

In the Sanitary Equipment Business Unit, the process of concentrating production activities – triggered as part of the Koralle acquisition – is running on schedule, and is set to reach its completion at the end of the year. The new production and warehousing hall will be completed in autumn 2017 as planned.

The Air-Conditioning & Ventilation Technology Business Unit enjoyed positive developments across virtually its entire product range. The new range of residential ventilation products from Sabiana is also expected to generate additional growth over the coming months.

During the first half of 2017, revenue in the **Windows Division** was 6.1 % lower compared to the previous year, at CHF 142.2 million (previous year: CHF 151.4 million). On the other hand, the order volume received was higher than in the previous year and the number of orders on the books grew accordingly. For the full year, the division expects revenue slightly below the previous year. Without special effects, EBITDA grew to CHF –0.4 million (previous year: CHF –1.5 million) and EBIT without special effects to CHF –7.1 million (previous year: CHF –8.6 million). This division was also exposed to price increases affecting virtually every kind of material. Additionally, it is continuing to undergo an extensive process of reorganisation, involving production facility relocations and getting production lines up and running. The division believes that the second half of the year will yield considerably better results, driven by seasonal factors and the positive development in incoming order numbers.

During the reporting period, the relocation of vinyl window production from Switzerland to Slovakia achieved the expected increases in productivity, with the Swiss market being supplied with vinyl windows entirely from Pravenec (SK). The fully automated insulating glass line that is integrated into the production plant, the glass storage warehouse with automatic feeding to the cutting system, and the glass sorting system will be put into operation towards the end of 2017 as planned. The complex process of relocating the wood / aluminium window production from Altstätten (CH), to Eastern Germany is set to take place in the second half of 2017, as planned.

During the first half of 2017, business in the **Doors Division** was influenced by the operational and financial integration of the Looser companies. The division increased its revenue from CHF 75.1 million in the previous year to CHF 193.8 million. When adjusted for currency and acquisition effects, however, this resulted in a decline of 5.9 %. EBITDA improved over the previous year (CHF 3.1 million) due to acquisitions, reaching CHF 20.1 million, while EBIT grew from CHF 1.6 million to CHF 8.6 million.

The Looser takeover at the end of 2016 subjected the Doors Division to a strategically significant period of upheaval. The transaction was accompanied by not only a significant surge in growth, but also some excellent additions to the product range, plus geographical expansion and new opportunities for market development.

Over the first half of 2017, the Profile Systems Business Unit continued its efforts to boost profitability through cost savings, and was successful in doing so. It also pushed forward with its work on streamlining its product range and developing new products to meet the needs of the market.

The **Industrial Services Division** achieved revenue of CHF 29.3 million during the first half of 2017. EBITDA amounted to CHF 6.9 million and EBIT to CHF 2.6 million. On 3 July 2017, Arbonia publicly announced its intention to consider new owners for the Industrial Services Division.

Outlook

Thanks to the stable half-yearly figures and looking at the divisions' order situation, Arbonia is optimistic regarding the goals for the full year 2017: including the Condicta Group, Arbonia continues to expect to achieve net revenue of around CHF 1.3 billion and EBITDA in excess of CHF 110 million. The equity ratio should be around 50% at the end of 2017. In the event of the Condicta Group being sold during the current financial year, net indebtedness will be below CHF 100 million.

Arbonia believes to be on the right strategic and financial course in order to achieve the goals for 2018: net revenue of around CHF 1.4 billion and an EBITDA figure of around CHF 150 million. It is important to bear in mind that the potential sale of the Condicta Group may result in EBITDA falling by around CHF 15 million to CHF 20 million.

Arbonia will continue its efforts to begin generating a sustainable positive free cash flow from 2019 at the latest, and to pay out a dividend once again.

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You can find the First Semester Financial Report 2017 and other information about Arbonia on our website www.arbonia.com.

Arbonia is a focussed building supplier that is listed on the SIX Swiss Exchange and has its head office in Arbon, in the canton of Thurgau (Switzerland). The group is active worldwide with distribution companies as well as offices and partners in more than 70 countries. Its main production sites are located in Switzerland, Germany, the Czech Republic, Poland, Slovakia and Italy. Arbonia employs a total workforce of more than 8000. The various business units/companies that make up Arbonia are active in the following sectors: heating technology, air-conditioning/ventilation technology, sanitary equipment, windows and external doors, profile systems, interior doors and industrial services.