

Press release

Annual Results 2017

Good results, strategically and financially sound

- Net revenue, including discontinued operations (Conducta and Profile Systems Business Unit), of CHF 1378.5 million (+38.5% in comparison with the previous year)
- Net revenue from continuing operations of CHF 1245.6 million (+35.9% in comparison with the previous year)
- EBITDA, including discontinued operations: CHF 140.6 million (+104.6% in comparison with the previous year)
- EBITDA, including discontinued operations and without one-time effects: CHF 122.5 million
- EBITDA from continuing operations: CHF 120.3 million (+84.2% in comparison with the previous year)
- EBITDA from continuing operations and without one-time effects: CHF 101.3 million
- Group result, including discontinued operations: CHF 46.4 million (previous year CHF 7.6 million)
- Group result from continuing operations: CHF 37.6 million (previous year CHF 5.4 million)
- Group result from continuing operations and without one-time effects: CHF 22.8 million

Arbon, 27 February 2018 – Including the discontinued operations (Conducta and Profile Systems Business Unit), Arbonia increased its consolidated turnover by 38.5% to CHF 1378.5 million. When adjusted for currency and acquisition effects, growth amounted to 1.5%. Consolidated revenue for the continuing operations (without Conducta and Profile Systems Business Unit) rose by 35.9% to CHF 1245.6 million. On a pro forma basis (including the doors business of the Looser and Koralle Group), Arbonia achieved growth of 2.6%, when adjusted for currency and acquisition effects. This growth was achieved in a financial year that was marked by production facility relocations, rising raw material prices and the integration of the doors business of the Looser and Koralle Group. It was possible to increase EBITDA from continuing operations by 84.2% and it was therefore disproportionately high when compared to revenue. Arbonia achieved a group result of CHF 46.4 million (previous year CHF 7.6 million).

A high equity ratio with sharply reduced net indebtedness

Arbonia's total assets as of 31 December 2017 decreased to CHF 1416.6 million (previous year CHF 1526.9 million) due to the sales of business units of the former Looser Group and real estate no longer needed for operations. This led to the equity ratio on the balance sheet date rising further to 60.9% (previous year 47.7%). Even if goodwill had been deducted from shareholders' equity and the balance sheet total, the equity ratio would have been 54.0%.

Free cash flow (cash flow from operating activities and investing activities) for the 2017 financial year amounts to CHF 190.4 million (previous year CHF –67.3 million). Cash flow from operating activities amounts to CHF 68.8 million in the reporting year (previous year CHF 32.0 million). The free cash flow was burdened by the further

increase in investments of CHF 104.6 million (previous year CHF 57.7 million), which led to a free cash flow of CHF –35.8 million (previous year CHF –28.8 million). Investments are likely to remain at a similarly high level in 2018 and 2019.

Thanks to the sale of the Coatings business and the Industrial Services Division of the former Looser Group and the sale of real estate, net indebtedness was reduced from CHF 225.1 million to CHF 43.3 million as of 31 December 2017. Including the sale of the Profile Systems Business Unit, which was completed in January 2018, net indebtedness would have been practically CHF 0 million. The net indebtedness ratio (net indebtedness/EBITDA) was reduced to –0.34 (previous year –1.91). All key financial indicators are maintained.

Development in the Divisions

As of 1 January 2018, the Building Technology Division will be split into two independent divisions: Heating, Ventilation and Air-conditioning Technology on the one hand (HVAC) and Sanitary Equipment on the other hand. As the annual report of 2017 is a reflection of the previous year, the current structure in place for that period (the Building Technology Division being one whole division) used in this report.

During the reporting year, the **Building Technology Division** achieved a total revenue of CHF 555.0 million (previous year CHF 486.8 million), which corresponds to a growth of 14%. In 2017, the acquisition of the Koralle Group was consolidated for the full year for the first time, whereas in the previous year this was only taken into account on a pro rata temporis basis. After adjustment for currency and acquisition effects, the revenue growth was therefore 4.1%. The EBITDA rose from CHF 53.4 million to CHF 64.1 million for the most part due to acquisitions. Without special effects, the EBITDA was CHF 62.5 million (previous year CHF 57.9 million). At CHF 44.5 million, EBIT also exceeded the previous year's level (CHF 35.2 million) due to acquisitions. Excluding special effects, the division reported an EBIT of CHF 42.3 million (previous year: CHF 39.7 million). All three business units once again made a substantial contribution to the division's growth and profitability.

The division's financial year was marked by significant increases in raw material prices, particularly for steel, and an unfavourable exchange rate of the Czech Koruna, which the division offset with price increases. The significant integration, optimisation and investment programmes to improve competitiveness were continued in all business units.

The division assumes that the economic situation in its main markets will remain strong in 2018. However, limited installer capacity will continue to dampen opportunities for growth. Trends in commodities prices also show no sign of letting up, which is why the outlook for 2018 only offers a limited amount of promise. Furthermore, the strained situation on the job markets continues to pose a challenge. The division is tackling this tough environment by concentrating on its strengths and continuing to improve its competitiveness. The investments made in the 2017 financial year to increase productivity will also be continued in the next years. After the relocation processes, the optimisation of the processes, the further increase in efficiency and automation will be advanced in particular. The new steel panel radiator plant in Russia will begin operation in 2019.

The **Windows Division** maintained its revenue of CHF 351.0 million (prior year: CHF 350.8 million) during the reporting year. When adjusted for currency, this resulted in a decrease of –1.4%. The EBITDA rose significantly from CHF 8.2 million to CHF 29.7 million. This was achieved in spite of the negative impact of increases in the CHF-EUR exchange rate, which had an adverse effect on the result as well as the ramp-up and conversion costs for ongoing transformation projects, due to production within the euro zone and the high proportion of sales in Switzerland. Without special effect, EBITDA grew from CHF 7.6 million to CHF 13.3 million (+75%). The EBIT without special effects improved from CHF –5.9 million in the previous year to CHF –1.4 million. These results were achieved despite production relocations, rising raw material prices and a strengthening euro, which burdens the division.

Nevertheless, 2017 saw the implementation of important projects for transforming the Division into an integrated European window manufacturer. These created the foundations needed to gain a significant share of the highly competitive European window market over the medium term and achieve above-average profitability.

The ramp-up process for the wood/aluminium window production in Langenwetzendorf (D), as well as the insulating glass production facilities in Pravenec (SK) and the other ongoing change projects will continue to impact on the division in 2018. Due to the positive effects from the measures already implemented, the management assumes that revenue and profitability will increase significantly in 2018. The majority of the transformation is due to be complete by the end of 2018.

During the reporting year, the **Doors Division** achieved a revenue of CHF 416.5 million (previous year: CHF 156.7 million), which represents growth of 165.9%. On a pro forma basis (including doors business from Looser, but without Profile Systems Business Unit) and adjustment for currency effects, the revenue increased considerably by 4.8%. The division's EBITDA amounted to CHF 45.4 million (CHF 5.8 million in the previous year). The EBITDA, excluding special effects, increased from CHF 6.8 million to CHF 44.2 million. The EBIT resulted in a result of CHF 22.5 million (previous year: CHF 2.8 million). Excluding special effects, this resulted in an EBIT of CHF 21.3 million (CHF 3.8 million in the previous year).

The sale of the Profile Systems Business Unit to the Belgian Reynaers Group, as announced in December 2017, was completed on 22 January 2018.

One of the focuses of the reporting year was the integration of Prüm, Garant and Invado into the Arbonia Doors Division. In a first step, the functional door product range for high safety requirements of RWD Schlatter was expanded to include traditional interior doors from Prüm. By pooling and renegotiating the purchasing volumes of Prüm, Garant and RWD Schlatter, significant savings have been achieved in the area of purchasing at RWD Schlatter.

Every year, interior doors valued at around CHF 70 million are imported from Germany to Switzerland. Arbonia's Doors Group is aiming to increase its participation in this market in future. The conditions for achieving this goal exist thanks to the combination of the leading specialist German door supplier, Prüm-Garant, and the leading provider on the local Swiss market, RWD Schlatter. Based on the positive market trends in Germany and Poland, the division is expecting revenues to increase by 3 – 5% in 2018.

Outlook

Arbonia expects organic growth of around 3% for the 2018 financial year. In addition, it is expected that in relation to the EBITDA in the range of > CHF 110 million, which means in absolute terms an increase of CHF 10 million compared to the 2017 financial year in continuing operations, without one-time effects.

For the year 2019, the Group is expecting organic sales growth of 3 – 5% and an EBITDA of > CHF 125 million. Arbonia intends to generate a substantial free cash flow starting in 2019 and to distribute a dividend for the 2018 financial year for the first time in the spring of 2019.

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This release, information about the 2017 annual report, key figures and other information about Arbonia can be found on the website www.arbonia.com.

You can also go straight to the online annual report by clicking on the following link:
www.arbonia.com/report2017

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 its own 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 around 7,600. The divisions that make up Arbonia are active in the following sectors: heating technology, air-conditioning and ventilation technology, sanitary equipment, windows, and exterior and interior doors.