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## **AFG – FY 2014 Results – 03 March 2015**

William J. Christensen, CEO

Felix Bodmer, CFO

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# Agenda

**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

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

## Review 2014 – Key events Summary

Q1 – 2014

- Sale of AFG Kitchens business to Alno
- New CEO (a.i.): Rudolf Graf, Chairman of the Board

Q2 – 2014

- 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

- RWD Schlatter signs major deal in China

Q4 – 2014

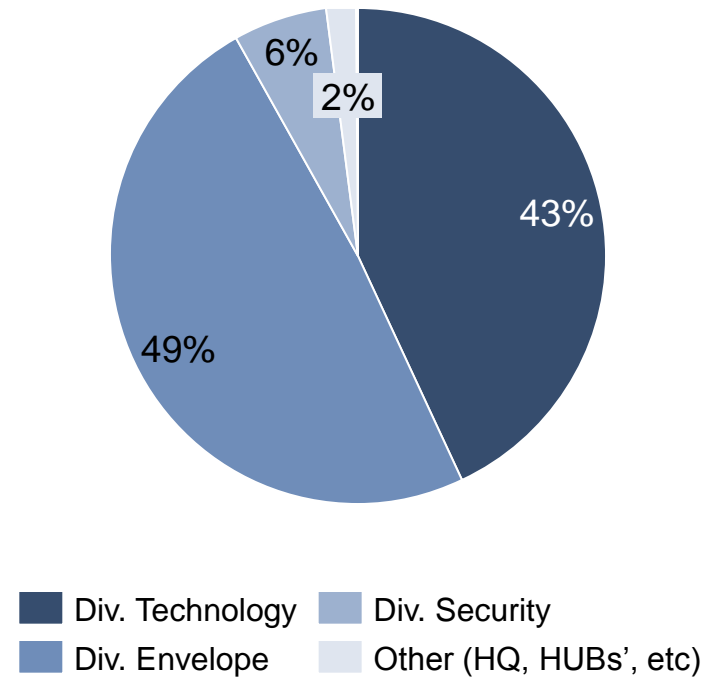
- New CEO: William J. Christensen
- Divestment of STI Surface Technologies International Holding AG
- New anchor shareholder: Artemis Group

## 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**

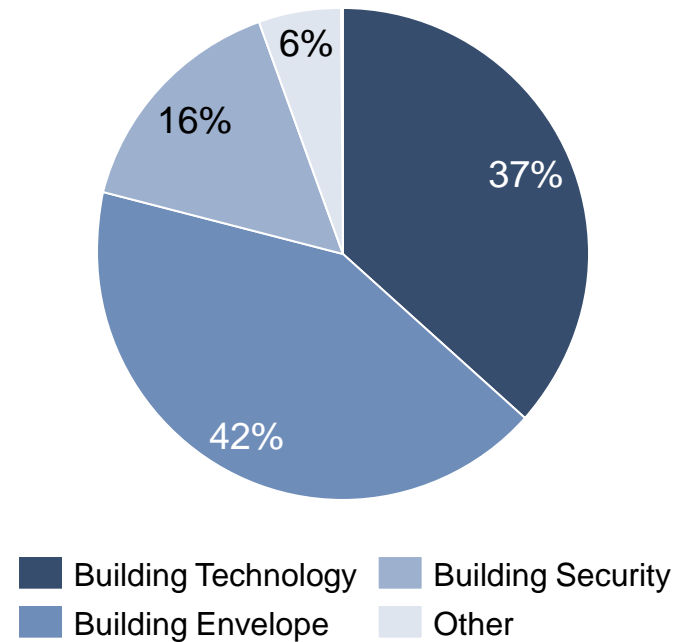
### Average employees 2014



## 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

#### Slovaktual



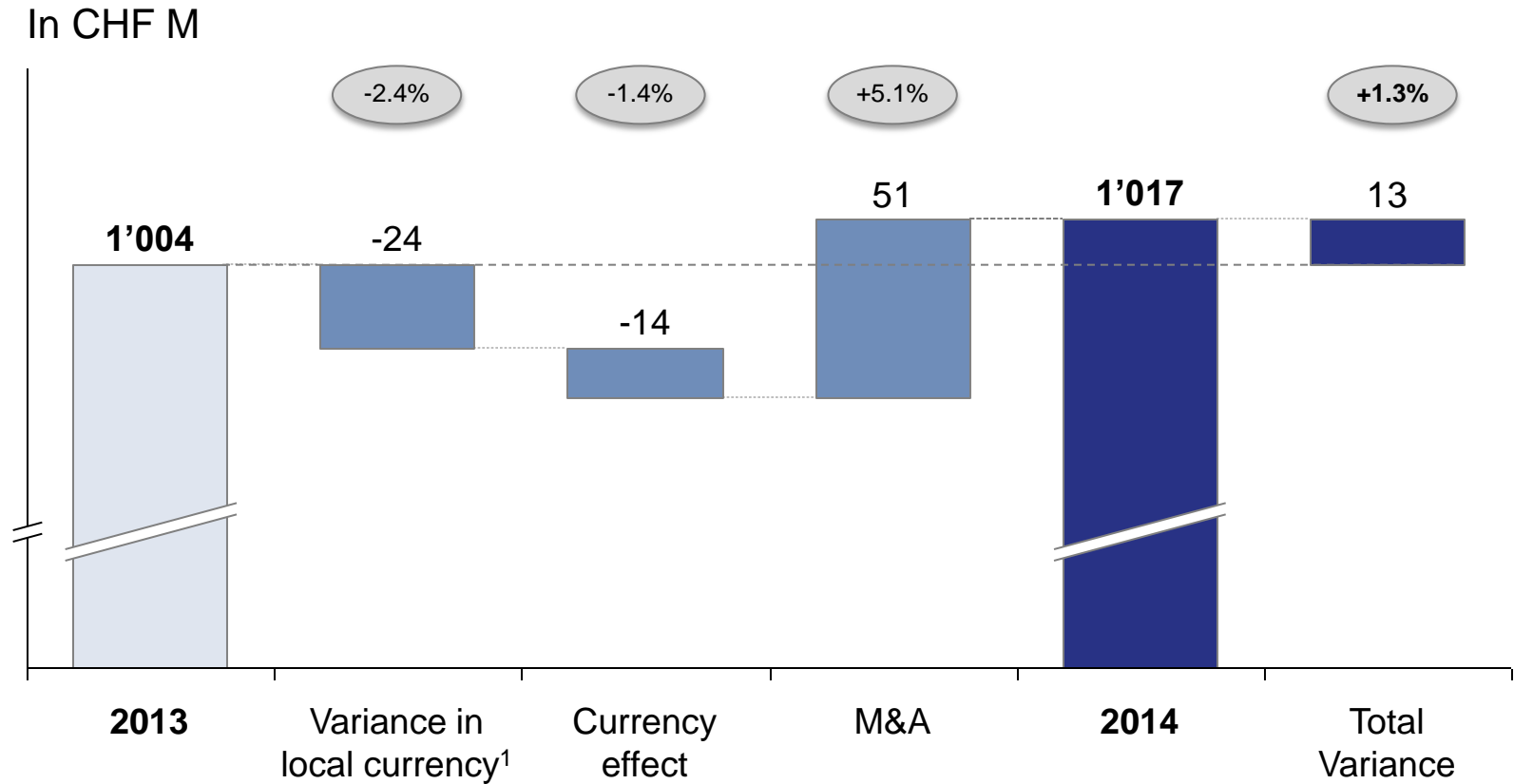
- New PVC production hall in Pravenec
- CHF ~15M
- Start up Q2, 2015

#### RWD Schlatter



- 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"> <li>▪ Growth across all BU's</li> <li>▪ H2 Russia headwind</li> <li>▪ German design award</li> </ul> | <ul style="list-style-type: none"> <li>▪ Volume decline CH</li> <li>▪ Margin deterioration</li> </ul> | <ul style="list-style-type: none"> <li>▪ Sales growth</li> <li>▪ Margin compression</li> </ul> |
|---|---|--|

#### Key Initiatives

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>▪ Sabina acquisition</li> <li>▪ Opened Kermi campus training center</li> <li>▪ X- Optimized extension (PZP)</li> </ul> | <ul style="list-style-type: none"> <li>▪ Footprint expansion SK</li> <li>▪ Integration Dobroplast</li> <li>▪ SAP roll out EgoKiefer</li> </ul> | <ul style="list-style-type: none"> <li>▪ RWD Schlatter invest</li> <li>▪ Initial agreements supporting direct sales Germany (Profile)</li> </ul> |
|---|--|--|

## Agenda

1. Review 2014 William J. Christensen

**2. Financial results Felix Bodmer**

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Questions

## Income Statement – Continued Operations

### First net profit since 2010, but disappointing

<i>In CHF M</i>	<b>2014</b>	<b>in %</b>	<b>2013</b>	<b>in %</b>
<b>Net revenues</b>	<b>1'017.4</b>	<b>100.0</b>	<b>1'004.0</b>	<b>100.0</b>
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
<b>EBITDA</b>	<b>78.3</b>	<b>7.7</b>	<b>102.9</b>	<b>10.2</b>
Depreciation, amortisation, impairments	-44.9	-4.4	-41.4	-4.1
<b>EBIT</b>	<b>33.4</b>	<b>3.3</b>	<b>61.5</b>	<b>6.1</b>
Financial results	-22.4	-2.2	-19.4	-1.9
<b>Result before income tax</b>	<b>11.0</b>	<b>1.1</b>	<b>42.0</b>	<b>4.2</b>
Income tax expenses	0.3	0.0	-8.6	-0.9
<b>Group result from <u>continuing</u> operations</b>	<b>11.3</b>	<b>1.1</b>	<b>33.4</b>	<b>3.3</b>
<b>Group result from <u>discontinued</u> operations after taxes</b>	<b>3.8</b>	<b>0.4</b>	<b>-83.4</b>	<b>-8.3</b>
<b>Group result</b>	<b>15.1</b>	<b>1.5</b>	<b>-49.9</b>	<b>-5.0</b>

## Reconciliation to adjusted numbers

### Minor negative one-time effects

<i>In CHF M</i>	<b>Actual 2014</b>	<b>Building Techn.</b>	<b>Building Envelope</b>	<b>Building Security</b>	<b>Others</b>	<b>2014 without one-time effects</b>
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>	<b>2014</b>	<b>in %</b>	<b>2013</b>	<b>in %</b>
<b>Net revenues</b>	<b>1'017.4</b>	<b>100.0</b>	<b>1'004.0</b>	<b>100.0</b>
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
<b>EBITDA</b>	<b>79.7</b>	<b>7.8</b>	<b>102.2</b>	<b>10.2</b>
Depreciation, amortisation	-42.8	-4.2	-39.4	-3.9
<b>EBIT</b>	<b>36.9</b>	<b>3.6</b>	<b>62.8</b>	<b>6.3</b>
Financial results	-18.4	-1.8	-19.1	-1.9
<b>Result before income tax</b>	<b>18.5</b>	<b>1.8</b>	<b>43.7</b>	<b>4.3</b>
Income tax expenses	-0.8	-0.1	-8.5	-0.9
<b>Group result</b>	<b>17.6</b>	<b>1.7</b>	<b>35.1</b>	<b>3.5</b>

## AFG Group - Continued Operations

### Deterioration of all key figures

<i>In CHF M</i>	<b>2014</b>	<b>2013</b>
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

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

#### Result from discontinued operations

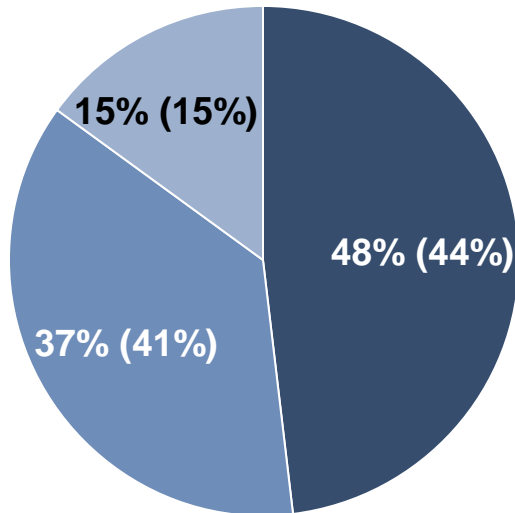
*In CHF M*

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

## Net revenues by Division / Country

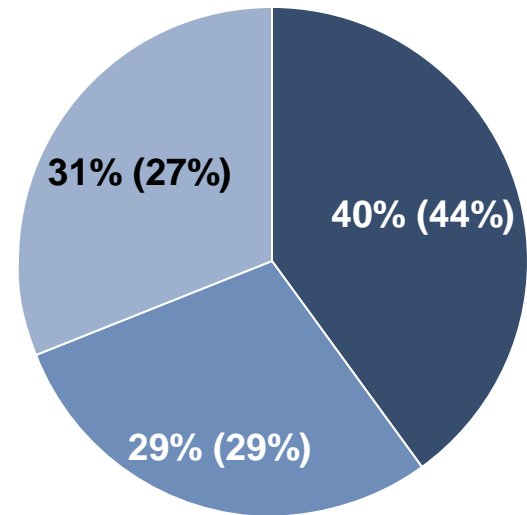
### Decline of Envelope reflected in breakdown

**Net revenues by Division**



Building Technology
  Building Security  
 Building Envelope

**Net revenues by Country**



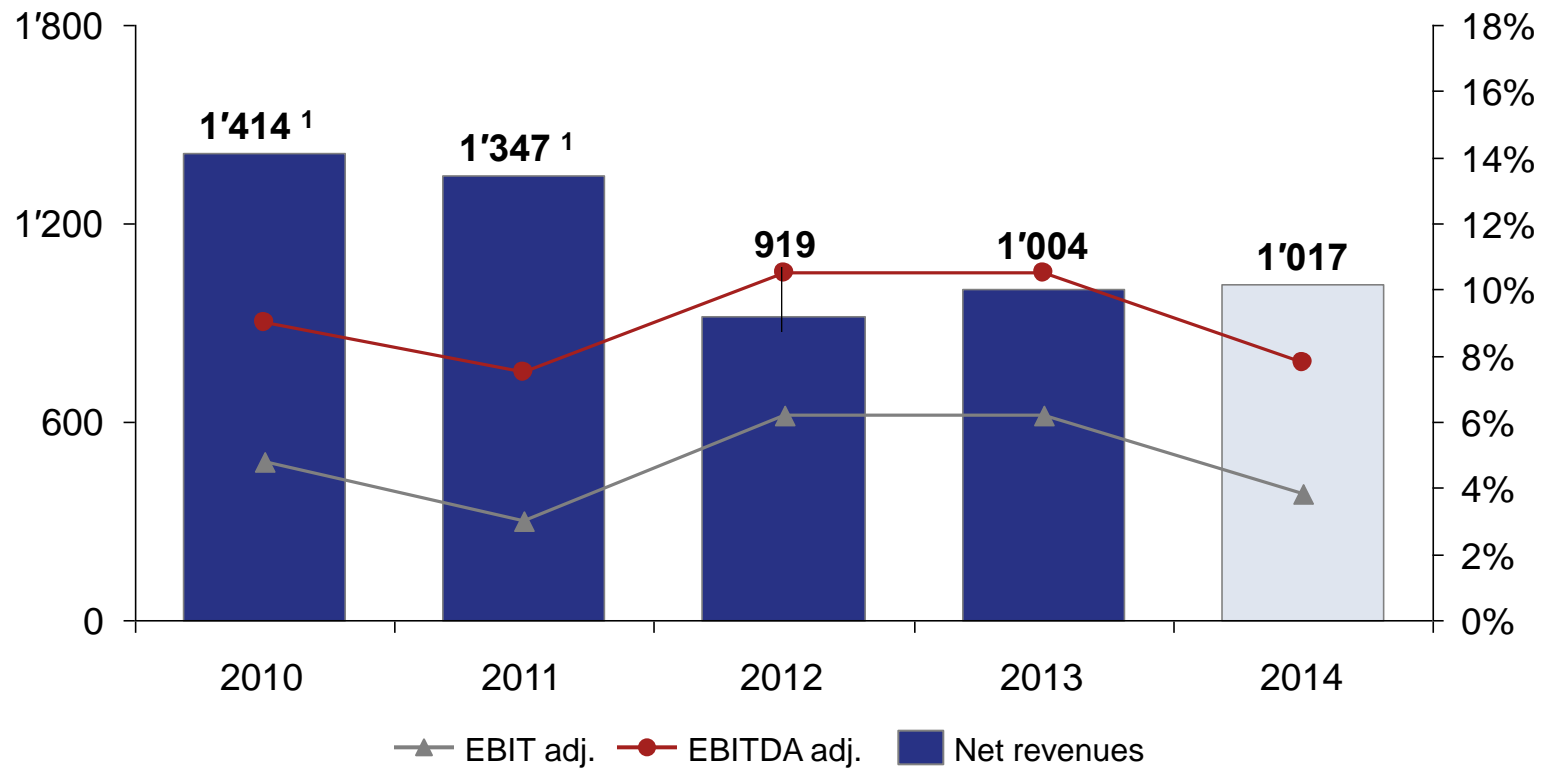
Switzerland
  Germany
  RoW

Note: Figures in brackets represent last year's figures



## Net revenues / EBITDA adjusted / EBIT adjusted Adjustment of business portfolio finalised

In CHF M

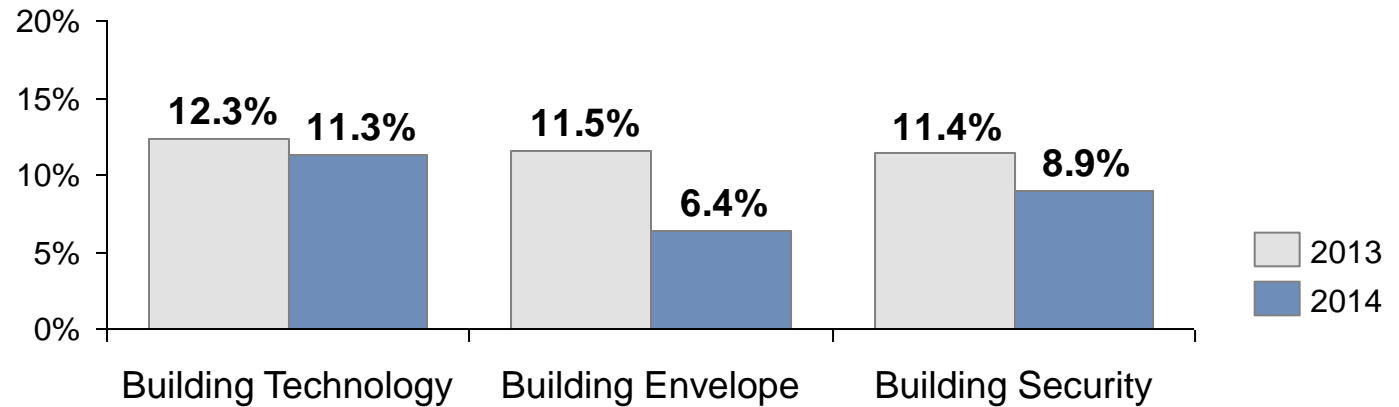


1) Including discontinued operations

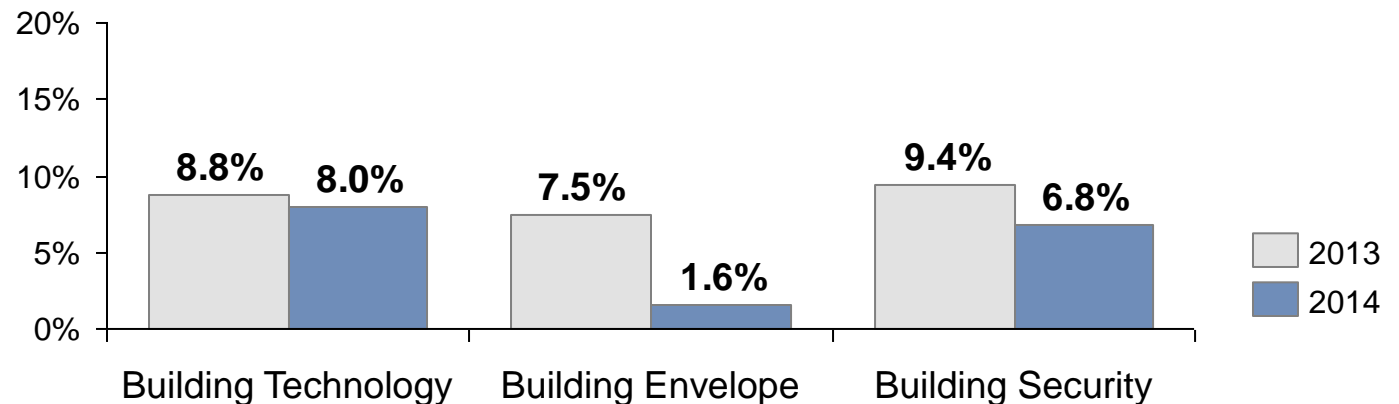
## EBITDA- / EBIT-margins per Division

### Margin pressure, esp. in Building Envelope

**EBITDA  
margin,  
adjusted**



**EBIT  
margin,  
adjusted**

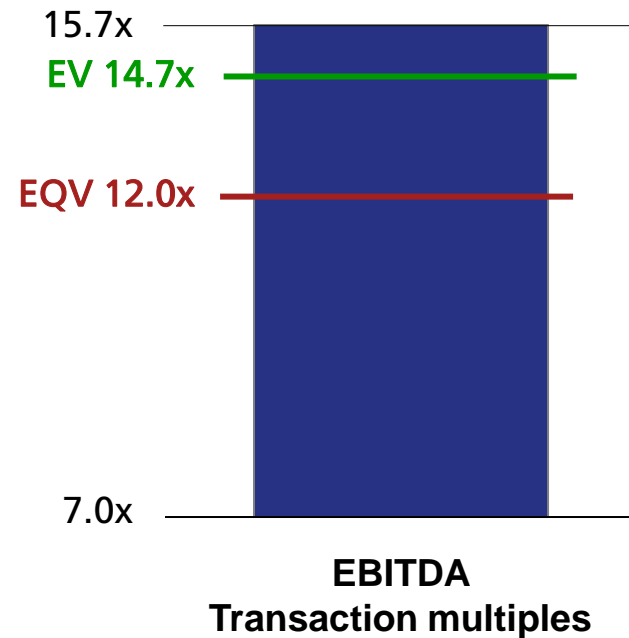


## Acquisition Sabiana

### Strategic move into ventilation, air-conditioning

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

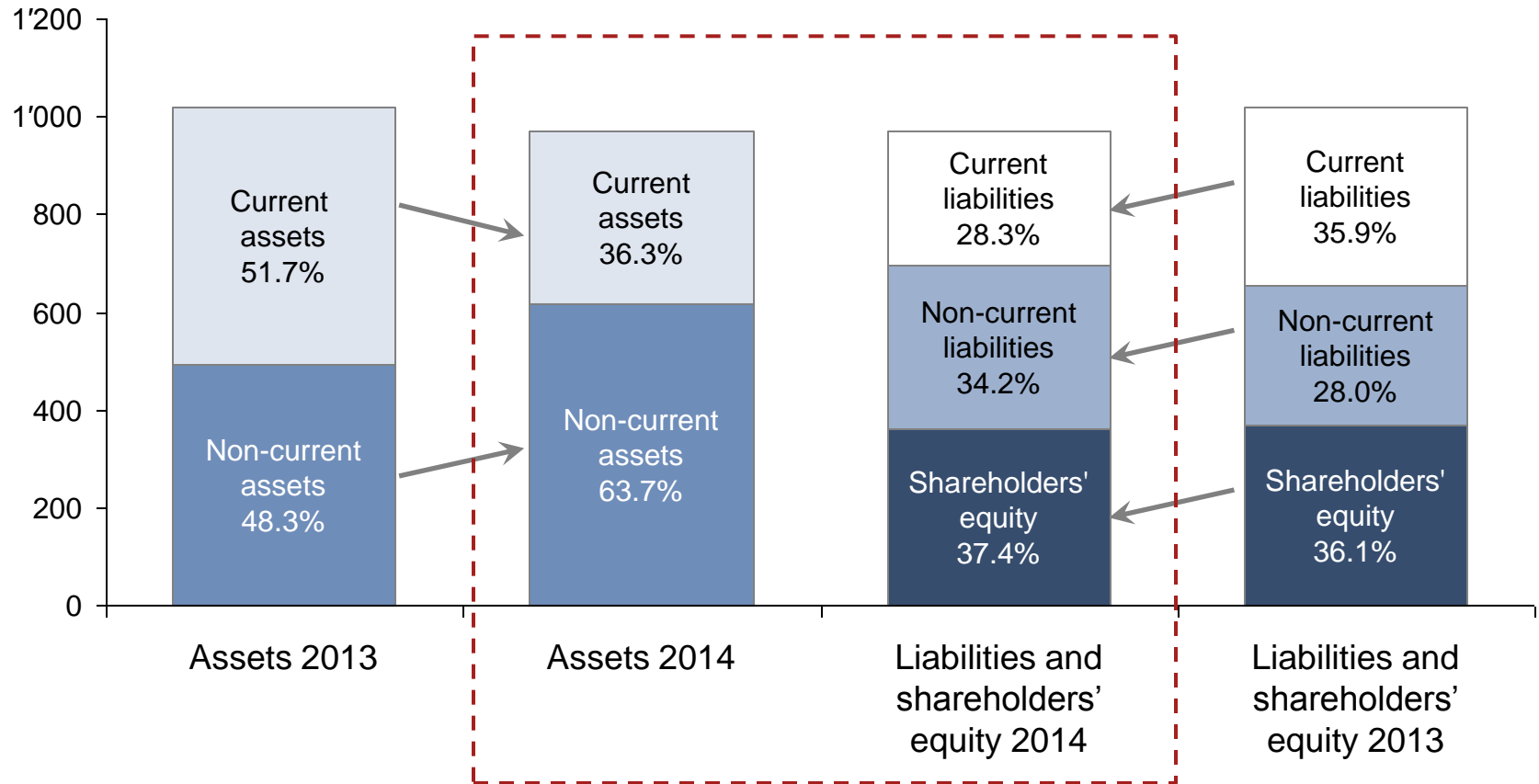
### Multiple range (EV / Key Financial)



# Balance Sheet

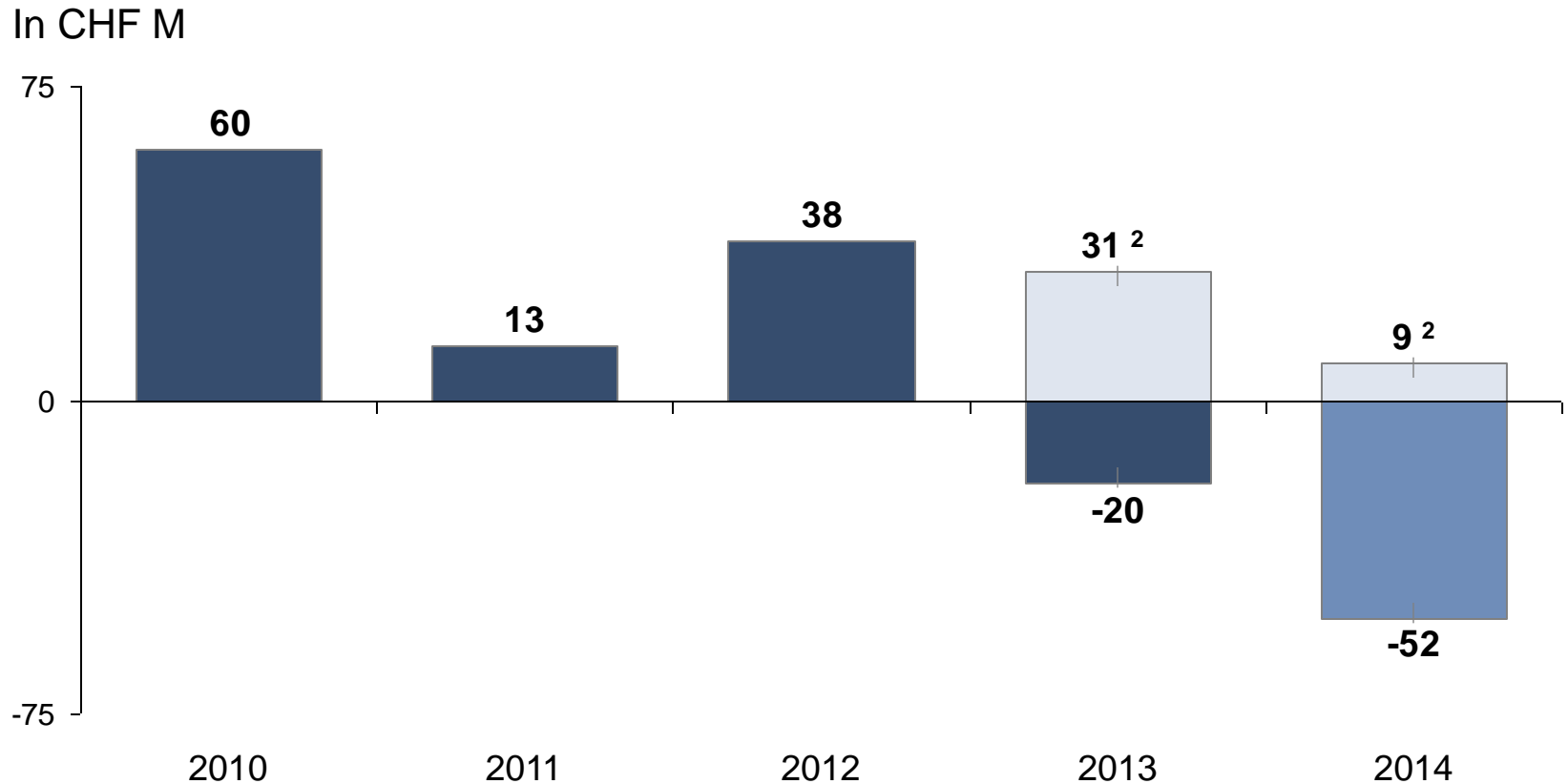
## Equity ratio slightly higher

In CHF M



## Free Cash Flow <sup>1</sup>

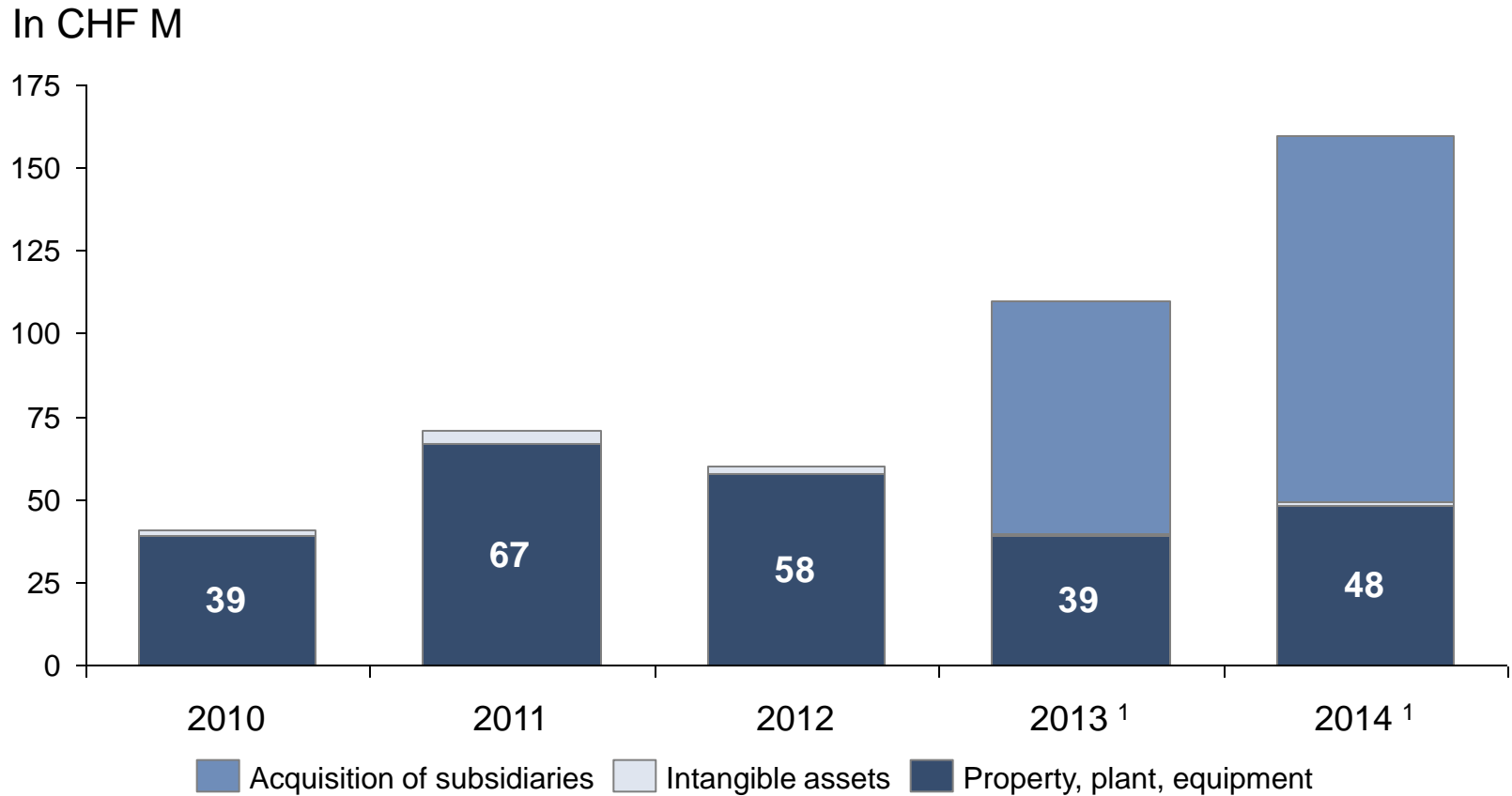
### Disappointing funds from operations



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

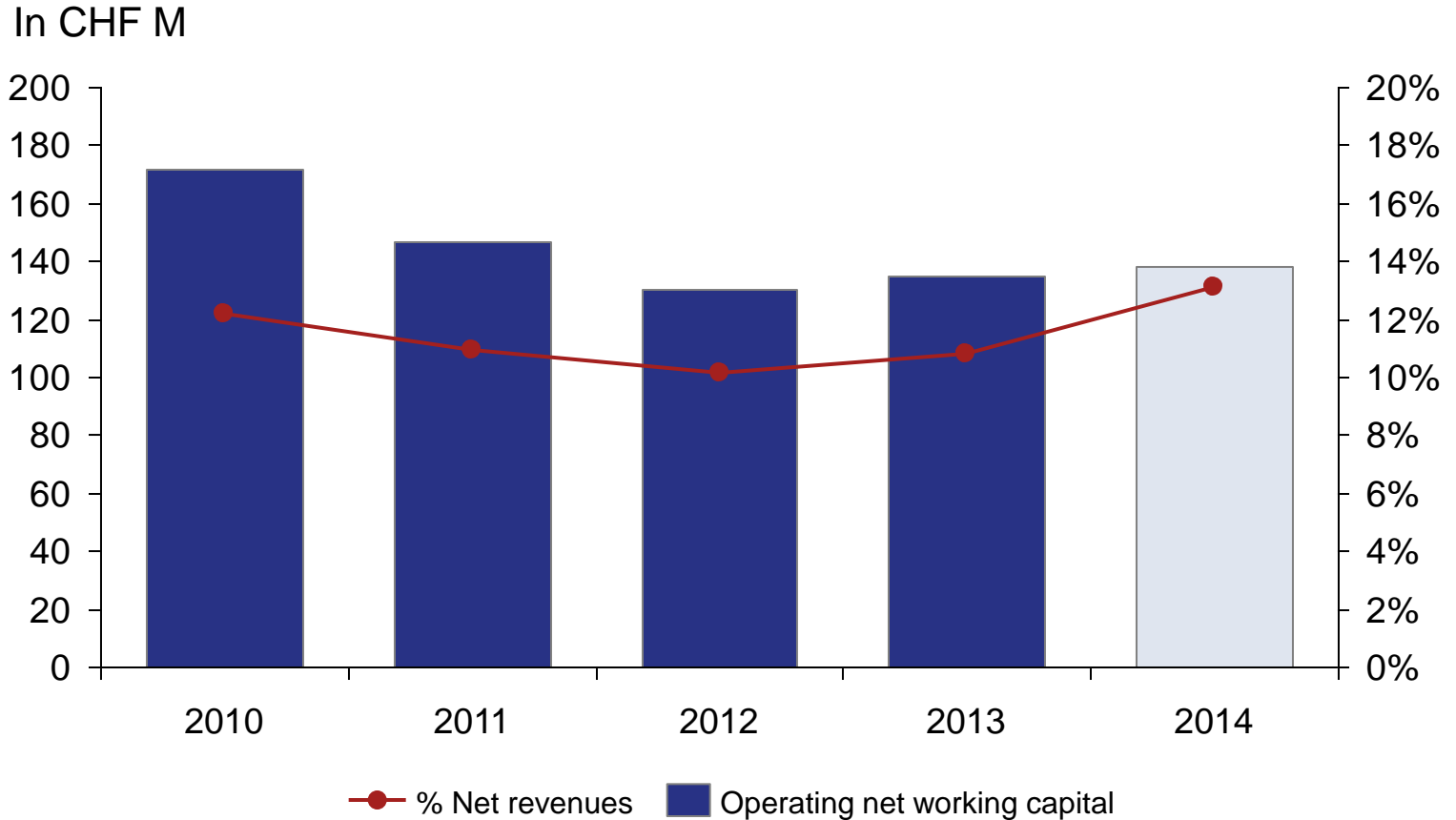
## Development of Investments

### Capex in line with previous years' average



1) Continued Operations

## Changes in Operating Net Working Capital

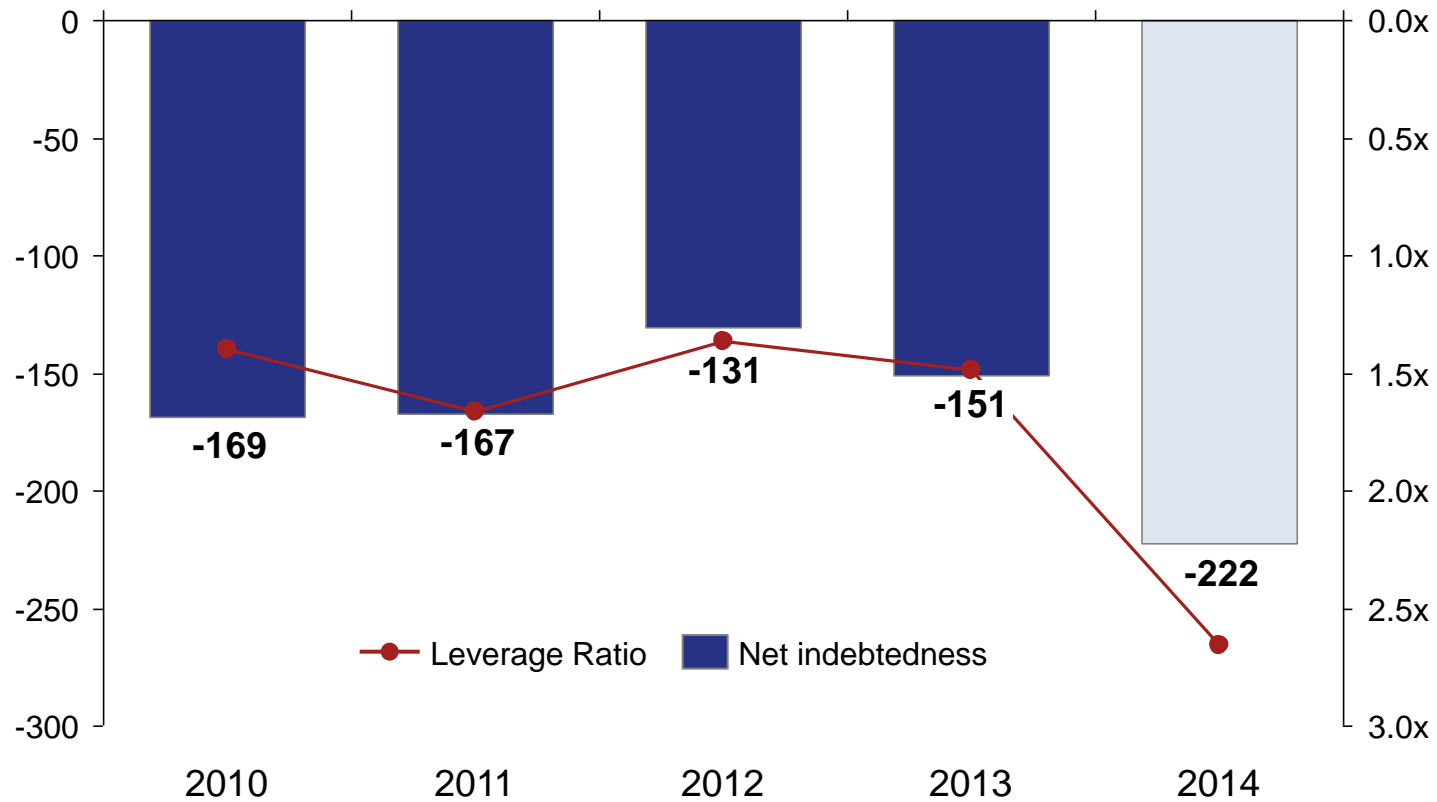


Note: Operating NWC = Accounts receivable + inventories – accounts payable – advances from customers

## Net Indebtedness and Leverage Ratio

### Higher debt, leverage ratio beyond target

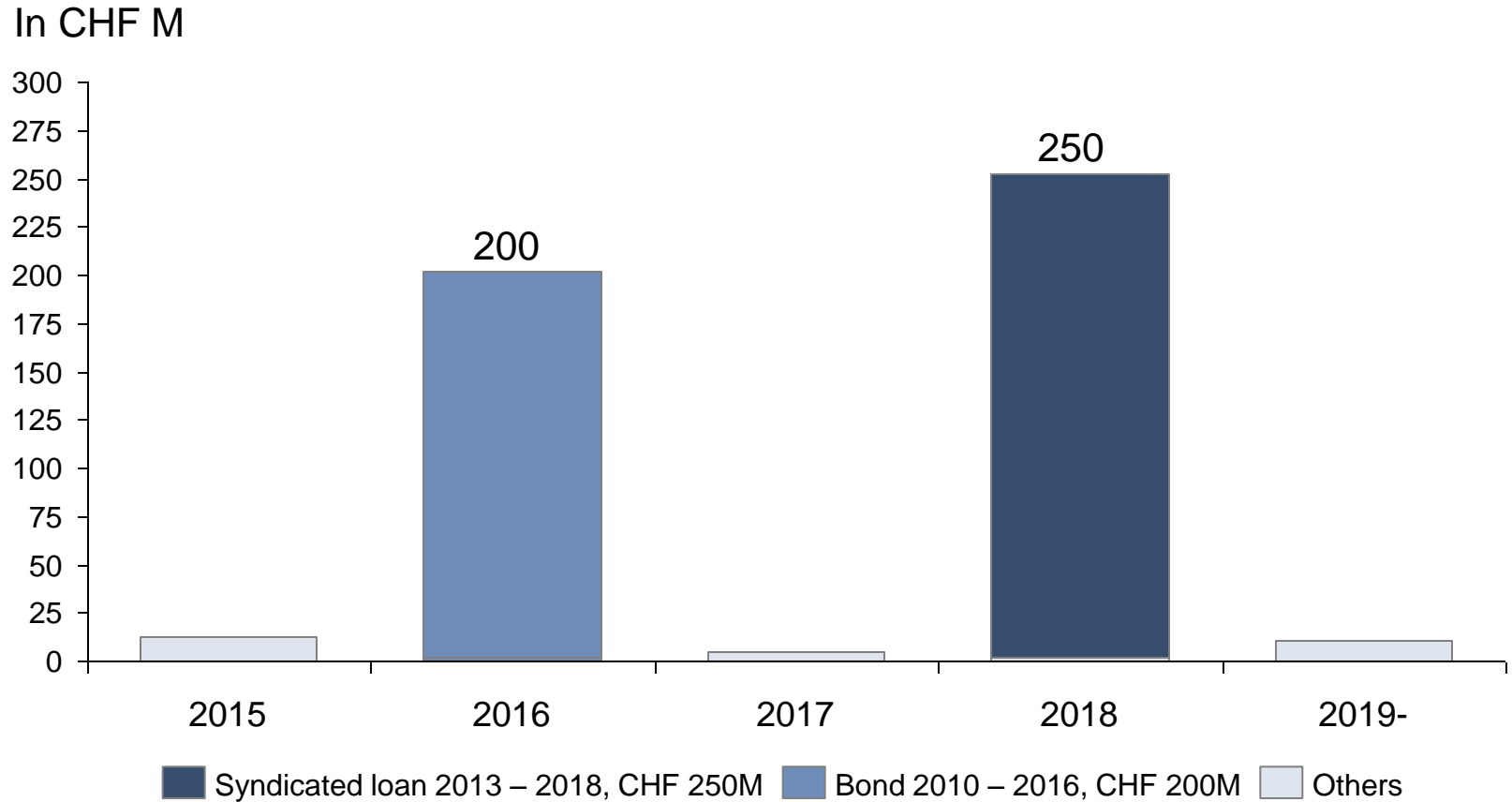
In CHF M





## 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)

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##### 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)

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

## Agenda

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Questions

# 100 days at AFG

## Overview

### Summary

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1

Reality at AFG

2

Priorities &  
Actions

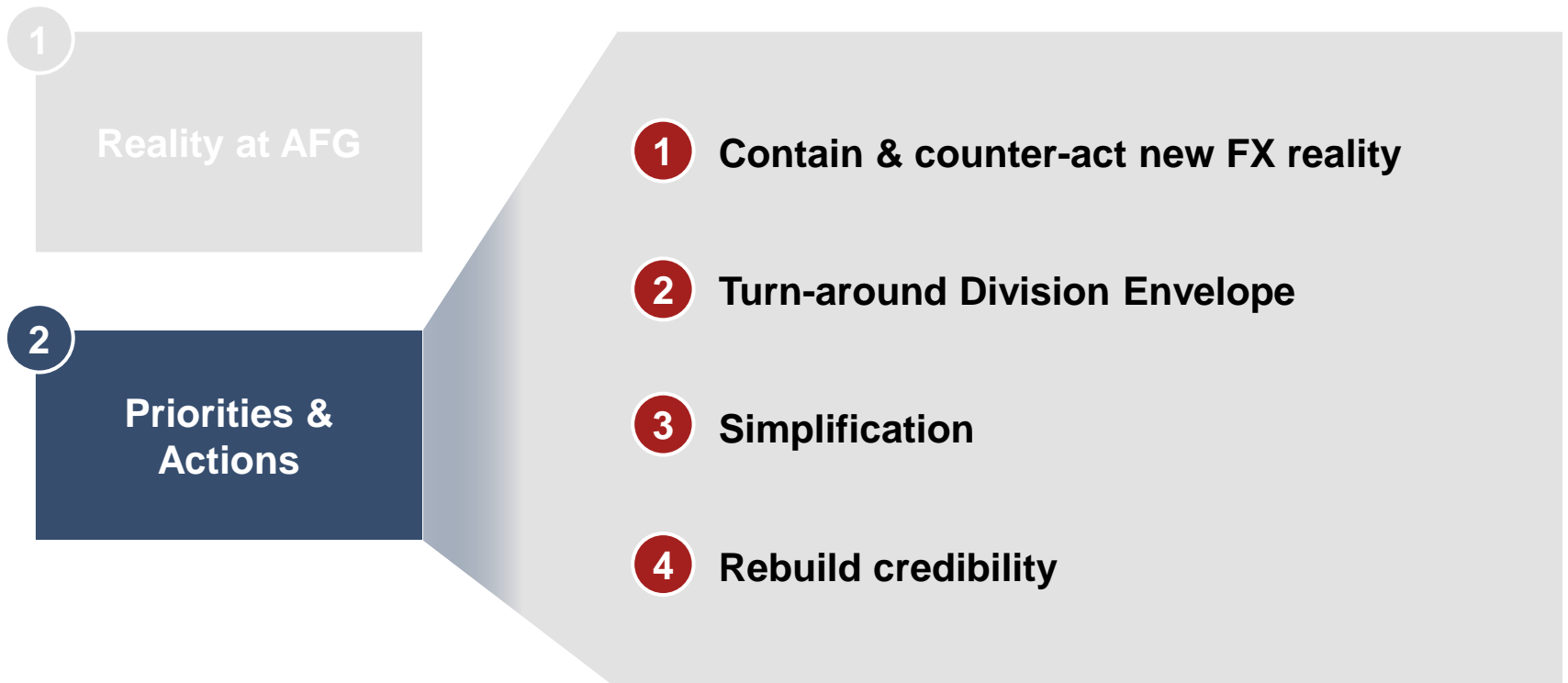
- **Significant changes in 2014**
- **Various key challenges remain**
  - Complexity
  - Credibility
  - Culture
- **SNB decision generates additional headwind**

# 100 days at AFG

## Priorities and actions – short-term focus 2015

### Summary

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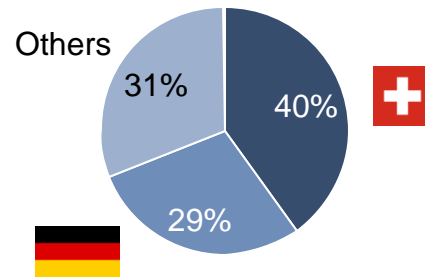


# 1 Contain & counter-act new FX reality

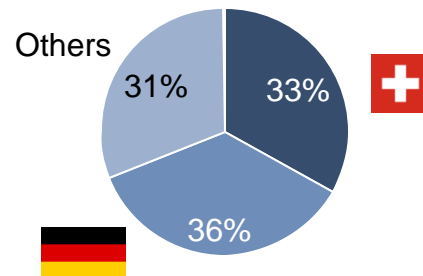
## FX – CHF exposure analysis

### Key considerations

**Sales  
2014**



**Costs  
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

- 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

- 1 CHF / 1 EUR

- New budget

#### Transaction

- Sales
- Purchasing

- Low share of Swiss made exports
- Selective pricing adjustments
- Purchasing savings initiative

#### Cost competitiveness

- Import pricing

- Accelerated cost improvements
- Structural adjustments

## 2 Improve Division Envelope: Two key areas

### Structure

- Align EgoKiefer structure to market reality
- Accelerate PVC relocation Altstätten (CH) → SK
- Refocus Swiss market organization

### Strategy

- 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"><li>▪ Mixed picture</li><li>▪ Germany positive and main driver</li><li>▪ Market cooling in CH anticipated</li><li>▪ Continued weak Italian market</li></ul>
Eastern Europe	<ul style="list-style-type: none"><li>▪ Political uncertainty</li><li>▪ Solid growth in Poland expected</li><li>▪ Slovakia with flat development</li></ul>
HUBS	<ul style="list-style-type: none"><li>▪ Declining Russian imports</li><li>▪ Middle East project sentiment positive</li><li>▪ Limited China project market growth</li></ul>

**Challenging overall picture**

## 2015 – Outlook

### Division Building Technology

<i>In CHF M</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Net revenues	456.2	445.4	<b>490.2</b>
Adjusted organic growth	-0.3%	-2.1%	<b>2.4%</b>
EBITDA margin, adjusted	12.9%	12.3%	<b>11.3%</b>
EBIT margin, adjusted	9.6%	8.8%	<b>8.0%</b>

#### 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

<i>In CHF M</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Net revenues	320.1	410.8	<b>376.0</b>
Adjusted organic growth	-3.8%	+2.1%	<b>-9.2%</b>
EBITDA margin, adjusted	11.0%	11.5%	<b>6.4%</b>
EBIT margin, adjusted	7.3%	7.5%	<b>1.6%</b>

#### 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

<i>In CHF M</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Net revenues	141.6	146.2	<b>149.9</b>
Adjusted organic growth	+1.1%	+3.2%	<b>+2.7%</b>
EBITDA margin, adjusted	9.4%	11.4%	<b>8.9%</b>
EBIT margin, adjusted	7.3%	9.4%	<b>6.8%</b>

#### 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



## Agenda

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| <b>5. Summary</b>       | <b>William J. Christensen</b> |

Questions

# Summary

## Priorities and actions defined

### Short-term actions (2015)

#### Building Technology

- Cross-selling Sabiana
- Sabiana integration
- Streamline brand portfolio
- Sanitary quality of growth

#### Building Envelope

- EgoKiefer structural adjustments
- PVC ramp-up Slovaktual
- Supply chain optimization & purchasing
- Dobroplast improvements
- Geographic penetration PVC sales

#### Building Security

- Division strategic sourcing project
- Direct sales growth Germany (Profiles)
- Various new product launches

### Priorities

- **Contain & counter-act FX impact**
- **Turn-around Division Envelope**
- **Simplification**
- **Rebuild credibility**

## Important dates

### Summary 2015

**April 17, 2015**

- General Meeting

**August 6, 2015**

- Interim report on the First Half 2015

**November 11, 2015**

- Investor Day 2015
- Sabiana, IT

**January 21, 2016**

- Sales 2015

**March 1, 2016**

- FY 2015 results

## Agenda

- |                         |                |
|-------------------------|----------------|
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## Questions

**Questions?**

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**Thank you**

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