**Press release**

**Date:** 15th November 2017

Roto Group: slight turnover increase / Consolidated markets / Construction industry on the road to recovery / Window and door technology: Russia rallies – China grows / Roof windows: weak performance on the German market hampers sales / Extensive capital investments / Forward strategy using acquisitions / New innovation campaign / Confidence for 2018 / Factor of “politics” causes uncertainty / Sights set on continued growth / “Customer first” as guideline / “Increase in the price of raw materials forces price adaptations”

**Roto is growing and remaining consistent**

***Leinfelden-Echterdingen / Böblingen – (rp)*** Although the Roto Group did not achieve all the goals it set for itself in full in 2017, it increased its performance, competitiveness and sustainability once again. It is predicting a total turnover of around 630 million euros, which is on balance 1% to 2% above the previous year’s level in a globally consolidated market environment. “If economic policies don’t get in the way” the construction supplier expects good opportunities in general for 2018 and anticipates slightly prospering markets. With a turnover increase of between 3% and 5%, the company would like to participate in this. This is how the chairman described the cornerstones of the company’s development during the 12th International Trade Press Day. In addition, in mid-November 2017 in Böblingen, near Stuttgart, the chairman announced the continued consistent focus on the “customer first” maxim.

**More light than shadows**

For the first time in years, Dr Eckhard Keill attested that the international construction industry is in slightly better shape in 2017, all things considered. The head of Roto explained that after drastic losses, the economy in Russia, for example, is slowly recovering again. However, continued uncertainty can be felt, meaning that incipient stabilisation in residential construction remains fragile. In contrast, in China, the construction sector is proving to be the mainstay of general economic growth. According to data from Germany Trade & Invest (GTAI), this was reflected in a significant increase in the number of construction projects commenced. In addition, the demand for residential properties increased sharply. However, this does not apply to properties in the upper segment, which are particularly relevant to Roto.

The upswing in the USA, which has been ongoing for several years, is continuing with an increase expected to be in the mid-single-digit range. Neither the moderately increased interest rate, nor “Trump’s erratic policies” have had a negative impact as yet. In Canada, the recovery of the construction industry was much better than predicted after two weak years. An important reason for this is state funding programmes. Keill confirmed continued differentiated development for Latin America. For instance, a renewed positive trend in Argentina is in contrast with a construction industry that is slowing once again in Brazil, and now also in Mexico.

In Europe, the slight upwards trend is likely to pick up speed in 2017. For instance, the Euroconstruct research network is expecting an average construction growth of 3% for its 19 member countries. However, upon closer examination, the situation in each individual country remains very different, as always.

This also, or especially, applies to residential construction. While Hungary and Ireland ranked highest here, the institute categorised Austria, Germany, the United Kingdom, Finland and Switzerland at the lower end of the scale according to the most recently available data. The wide spread is partly based on an extremely heterogeneous starting situation in the countries examined. In general, residential construction is benefitting from mainly good framework conditions such as a good financing climate, positive labour market development and increasing income of private households. The increasingly high price level for residential properties poses a risk to future demand.

Keill completed his analysis of general global building activity by discussing Germany. Back in 2016, he warned that the company should shift its focus onto new builds only. The renovation sector, which is dominant in the market as a whole, disappointed once again. It is also worth “taking a good look” at the new build sector. This year, the approval figures for single-family and multi-family houses have shown a considerable decrease already. The significant increase in multi-family houses does nothing to change the fact that “approval does not mean completion by a long way.” The 265,000 units expected here for 2017 are additionally far less than the real requirement of 350,000 to 400,000 houses.

**Welcome stabilisation**

With regard to developments on the international window and door markets, the Roto Chairman of the Board of Directors firstly recalled the judgement he made last year that there would be stabilisation “over all” here in 2017. This is exactly what happened. Despite this “good news”, regional differences were encountered once again.

In Russia, there are “first glimmers of hope” because the “virtually unstoppable free fall” of the past two years is now stopped. Even with favourable development, 2017 will result in stagnation at most. In contrast, the phase of distinct market losses continues in Brazil.

Things look much better in other markets that are important to the company. In China, different market segments are registering differentiated development. The trend in the USA is constantly upward, while the even higher rate of increase in Canada is considered a complete surprise.

In Europe, the markets appeared to be in relatively good shape for the most part. This applies to Western and Northern Europe without virtually no limitations. In the south of the continent, the range spans stagnation to slight positive figures. If we disregard Russia and Ukraine when considering Eastern Europe, the majority of the markets there showed an upward trend. Stable export dynamics in countries such as Poland and Romania make a significant contribution to this. These export dynamics are facilitated by the continued advance of PVC windows.

Keill succinctly reported “nothing new” for Germany. This primarily applies to current association predictions, which assumed that the number of window units sold in 2017 would increase by 3% to reach 14.2 million. The predictions for 2018 are also similar. The same underlying trend is prevailing for external doors. This provides a “false image of the real situation” once again because the constantly significantly increasing imports are included. The development of the domestic manufacturer market is much more conclusive. The hard facts here confirm Roto’s frequently uttered fears. According to these facts, window production in Germany in 2016, amounting to 11.9 million units, still remained below the level of 2014 (12.2 million). Door production is also experiencing a decline. And: “anyone who thinks they’ll see a reversal of this trend in 2017 would be mistaken.”

The stabilisation of the international markets which was discernible on the whole is encouraging for Keill on the one hand. But on the other hand, it cannot hide the often extremely low starting basis, such as in Russia. In addition, problems which are specific to individual countries, such as Germany, must be noted. For the window and door industry, 2017 was a year of market consolidation. “But no more than that,” added the head of the construction supplier.

**Contrasting developments**

Chief Financial Officer Michael Stangier provided information about current developments at Roto. Firstly, he recalled the Group turnover of 622 million euros which was achieved in 2016 and was exactly the same as the level from the previous year. This consistency is to be considered a success on balance, due to the powerful resistance encountered for market and currency reasons. The objective for 2017 is to achieve a slight turnover increase and perform better than markets and competitors where possible, while retaining a solid foundation.

As at 30th September 2017, the Window and Door Technology (FTT) division displayed a slight turnover increase compared to the same period in the previous year. This means that it is “according to plan” as a whole. The first three quarters showed changeable development – from “really good” to “mediocre” to “still OK.”

Stangier described the moderate turnover losses in Russia as “in line with the market.” Another “disastrous year” has luckily failed to materialise. In China, growth for Roto is as good as in the USA. Without a doubt, Canada is among the positive surprises. In Brazil, Group member Fermax was able to distance itself to some extent from the general weak performance on the market. Currency effects in the South American country, which are favourable for Roto are also worth a mention – because they are atypical of 2017.

Despite individual developments which are occasionally differentiated, the overall assessment in Western, Eastern and Southern Europe is on balance “decent”. The same applies to Germany. With the slight turnover increase achieved by the reporting date, Roto is expected to outperform the manufacturer market which is vital to its own business. All things considered, Stangier appeared to be “really pleased” with both the turnover side and the performance in the “market shares” category.

The mid-single-digit reduction in turnover accumulated as at 30th September 2017 in the Roofing and Solar Technology (DST) division was primarily based on the “disappointing third quarter” and the declining markets for the most part, explained the Chief Financial Officer. He reported reduced proceeds from sales for Southern and Eastern Europe, while strong turnover growth in France helped the region of Western Europe achieve a moderate increase.

However, the “negative surprise” was the weak business performance in the core market of Germany. There are many causes for this. The specific reasons mentioned were as follows: the new build boom concentrating on multi-family houses, the dominance of flat roofs in some new build clusters, declining renovation, the “hype” around building renovation to reduce energy consumption having “ended” and insufficient trade capacity. The latter in particular had a considerable negative impact on the roof window business.

Stangier put the total Group turnover at 483 million euros as at 30th September. It therefore slightly exceeded the corresponding value from the previous year (480 million euros). The moderate increase reflects the contrasting developments in the two divisions.

**High level of capital investments**

Stangier does not expect any “substantial changes” in the fourth quarter. He predicted a Group turnover of around 630 million euros for the whole of 2017, a figure which is 1% to 2% higher than the previous year (622 million euros). The ratio between foreign and domestic markets remains essentially at two-thirds to one-third, with a slightly increasing rate for foreign markets. The number of employees in the Group, which is showing a slightly downward trend, is approximately 4500 as at the end of September 2017. If you include the personnel from Chinese hardware supplier Union Ltd., acquired on 1st September, this figure increases to almost 4900.

The Chief Financial Officer also reported extensive capital investments. As part of a multi-year programme, just under 30 million euros were invested mainly in three focal points, which have now been completed to a large extent. The first of these is a fully modernised logistics centre for the FTT division at the headquarters in Leinfelden-Echterdingen. After “teething problems” as a result of unforeseen software problems, it is now impressing customers with fast, complete delivery capability. The second major investment project is the new DST innovation centre in Bad Mergentheim. Officially inaugurated a few weeks ago, it is a spectacular eye-catcher with its unusual architecture modelled on the company logo and is intended to provide freedom for creative work. Investment focal point number three: the “Roto NX” Tilt&Turn hardware system shaping the industry once again. The European specialist journalists who made the journey to the press day were able to experience the world premiere of this “milestone” first-hand. Permanent investments in additional new FTT and DST products document “continuous innovation”, according to Stangier.

**Exploding costs and their consequences**

The targeted acquisition strategy also serves to consistently increase performance, competitiveness and sustainability. The most recent examples of this are the acquisition of Union Ltd. – which was completed as planned on 1st September and has also had an effect on figures since then – and the purchase of Berlin-based Wollenberg GmbH completed on 1st November. The latter is an important step as part of the reorientation of the entire service division. The ability to access finance without problems for all acquisitions is a clear expression of Roto’s economic stability.

This is safeguarded, even though the revenue situation for 2017 has to be labelled “extremely unsatisfactory”. On balance, this is based to a relatively small extent on the negative currency effects, which primarily resulted from the revaluation of the euro. The “extreme pressure on revenue” in the Window and Door Technology division is of crucial importance. This is based on the “dramatic increase” in the price of raw materials with a lack of availability at the same time. The quotations for zinc have almost doubled since the beginning of 2016, while the increases for aluminium and steel were approximately 40% each.

Keill emphasised that Roto is unable to continue offsetting these “exploding costs.” He left no doubt that the company would have to “adapt prices significantly.” “That is unavoidable,” explained the Chairman of the Board of Directors. He expects the necessary acceptance of this on the customer side.

**Varying degrees of satisfaction**

Before looking ahead to 2018, Keill took stock of important market launches. This included the establishment of the new “Patio Alversa” universal Parallel Sliding and Tilt&Slide system around the world, which was launched at the end of 2016 at FTT. The “superior product concept” not only received extremely positive feedback from customers at national and international level, but also became established surprisingly quickly in reality. Specifically in recent weeks and months, the hardware specialist recorded a considerable increase in demand for the innovation, causing production in the Hungarian factory in Lövö to be ramped up “significantly.” In addition, the compliment that “Roto is one step ahead”, frequently uttered by customers, confirms the success enjoyed by the new range in practical applications. It is also the result of the “good work” of the global sales teams and the effectiveness of the various marketing activities. Some bad news from what is otherwise an entirely positive assessment: the time and costs spent on “regrettable and also authorised use of patents.”

On the DST side, Keill addressed the market launch of the PVC version of the new “Roto Q” roof window generation. The easy-to-install product received a positive response on the whole and impressed customers with its robust quality in particular. However, the general market contraction is having a negative impact on sales for 2017.

**Political risks**

Regarding the fundamental framework conditions for 2018, Keill believes that: “if things in the sales markets remain as they are, we can work well.” The currently observable and predicted economic development is cause for cautious optimism in most countries. Individual governments could and should support this by actively stimulating domestic demand and new build activity.

The possibility of “economic policies getting in the way” is worrying the head of Roto. The consequences of incalculable decisions and decision-makers are unforeseeable. The North Korean crisis in particular entails major risks. With regard to this, “we should all hope and pray.”

**Harnessing momentum**

A positive note prevailed when assessing the markets that are crucial to the construction supplier. In Russia, Keill expects a stable to slightly increasing trend, albeit once which is proceeding from a low starting basis (approximately 40% of the previous level). In addition, the market continues to depend to a large extent on political development and the oil price as the most important source of state income.

China is hoped to record moderate growth, despite a market that is difficult to assess. The prediction for North America remains unchanged from 2017. According to this prediction, the upswing will continue, but with somewhat weakened dynamics. Uneven development is to be expected in South / Latin America. There is continued scepticism for Brazil, which represents the dominant national economy in the region.

A stable situation on the whole with slight growth trend is seen in Europe. This includes the German market. However, the change in interest rate which is likely to occur has not yet been “priced into” the prediction. All in all, the international window and door markets might “prosper a little” in 2018.

Roto would like to participate fully in this. This is why the chairman is planning a turnover increase of between 3% and 5% in the Group. Exceeding the market average also features among Roto’s objectives once again. The priority is to create a long-term turnaround of the revenue trend due to the essential price increases.

To achieve these targets, Keill announced a “consistent forward strategy in the two strong divisions.” At FTT, it primarily extends to the new “Roto NX” Tilt&Turn highlight, while the priority at DST is establishing the “Q” range as a permanent fixture in practical applications. What these two divisions have in common is that: “everything we do is to ensure integral implementation of our strict ‘customer first’ principle.”

**Double short portrait**

The schedule for the press day also included a visit to the production plant and the renovated logistics centre at the headquarters in Leinfelden-Echterdingen. Around 200 employees produce hardware for Turn-Only and Tilt&Turn windows on a surface area of approximately 14,500 square metres. The highly automated factory houses facilities for punching, assembly and tool construction. Cold forming was also introduced in 2017.

The logistics service centre, with around 70 employees, comprises a surface area of approximately 25,000 square metres. In 2017, Roto invested in automatic small components storage, a driverless transport system and the SAP “Extended Warehouse Management” (EWM) stock management system here. The logistics centre is used as buffer storage for production at the Leinfelden-Echterdingen factory, as a distribution centre for Germany, France, to some extent Russia, Scandinavia and other export countries, and as spare parts storage. A range comprising more than 16,000 items is kept in stock.

***Captions***

“If economic policies don’t get in the way” Dr Eckhard Keill expects good opportunities in general for 2018 and anticipates slightly prospering markets. With a turnover increase of between 3% and 5%, Roto would like to participate in this, explained the construction supplier’s Chairman of the Board of Directors during the 12th International Trade Press Day.

**Photo:** Roto **Dr\_Eckhard\_Keill.jpg**

Although the Roto Group did not achieve all the goals it set for itself in full in 2017, it increased its performance, competitiveness and sustainability once again. Michael Stangier highlighted this on the occasion of the 12th International Trade Press Day. For 2017, the Chief Financial Officer expects a total turnover of around 630 million euros.

**Photo:** Roto **Michael\_Stangier.jpg**

Roto aims to continue consistently focusing on the “customer first” maxim. The cornerstones of this are an extensive range of investments and an enhanced innovation campaign in both divisions. The “extreme increase in the price of raw materials”, including for zinc, aluminium and steel, is a cause of concern for the construction supplier. It renders considerable price adaptations “unavoidable”, according to statements made in mid-November 2017 in Böblingen, near Stuttgart.

**Photo:** Roto **Roto\_Frank\_Leinfelden.jpg**

Hardware for Turn-Only and Tilt&Turn windows is produced on a surface area of approximately 14,500 square metres in the Roto production plant at the headquarters in Leinfelden-Echterdingen. The highly automated factory houses facilities for punching, assembly and tool construction. The photo shows stay arm final assembly.

**Photo:** Roto **Axerarm\_Endmontage.jpg**

The fully modernised logistics service centre in Leinfelden-Echterdingen is among the extensive investments Roto is making in focal points. It comprises a surface area of approximately 25,000 square metres. In the image: the multi-aisle automatic Euro pallet storage.

**Photo:** Roto **Europalettenlager.jpg**

The technological highlights of the Roto logistics centre in Leinfelden-Echterdingen include a driverless transport system “driven” by laser scanners for containers and pallets. It serves as a distribution centre for Germany, France, to some extent Russia, Scandinavia and other export countries.

**Photo:** Roto **Fahrerloser\_Transport.jpg**

In 2017, Roto invested in multi-aisle automatic small components storage (photo), a driverless transport system and the SAP “Extended Warehouse Management” (EWM) stock management system in the logistics centre in Leinfelden-Echterdingen. During the 12th International Trade Press Day held by the construction supplier, European industry journalists learned that a range comprising more than 16,000 items is kept in stock at this site alone.

**Photo:** Roto **Kleinteilelager.jpg**

Print free – copy requested

**Publisher:** Roto Frank AG • Wilhelm-Frank-Platz 1 • 70771 Leinfelden-Echterdingen • Germany • Tel. +49 (0) 711 7598 0 • Fax +49 (0) 711 7598 253 • info@roto-frank.com

**Editor:** Linnigpublic Agentur für Öffentlichkeitsarbeit GmbH • Koblenz office • Fritz-von-Unruh-Straße 1 • 56077 Koblenz • Germany • Tel. +49 (0) 261 303839 0 • Fax +49 (0) 261 303839 1 • koblenz@linnigpublic.de; Hamburg office • Flottbeker Drift 4 • 22607 Hamburg • Germany • Tel. +49 (0) 40 82278216 • Fax +49 (0) 40 82278217 • hamburg@linnigpublic.de