

2 Activity report

Building on a strong foundation

Strong ambition
creates
opportunity.
Close collaboration
creates results.

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Message from the CFO



→ Mel de Vogue,
Chief Financial Officer

2019 was an outstanding year from a financial performance perspective, as all key indicators reached record levels. The revenue of Etex grew by 4.9% in 2019 to EUR 2,940 million on a like-for-like basis, generating a double-digit REBITDA improvement (+15.6% like-for-like) to reach EUR 483 million. As a result, the REBITDA margin reached 16.4% and the net recurring profit increased by 12.7% to EUR 187 million. The free cash flow before dividends, acquisitions and disposals of businesses reached its highest historical level at EUR 152 million. Combined with the successful disposal of non-core businesses, the net debt decreased to EUR 331 million, its lowest level since 2011.

A general overview of our worldwide results

The **significant organic revenue growth (+4.9%)** achieved by Etex in 2019 is the result of our positioning as a manufacturer of lightweight building materials, solid market fundamentals on which the group operates, a structured innovation strategy and a strengthened sales excellence approach. The growth in revenue benefitted from our geographical diversification, complementary routes to market, a good mix of project-based business and our wide product range. In 2019, Etex continued to invest in its strong brands and improved its service levels. With the exception of Exteriors, all our divisions recorded top-line growth. The 2.4% negative scope impact is mainly attributable to the disposal of two tile roofing businesses in the UK and Portugal and of French polypropylene honeycomb blocks and panels producer Nidaplast. The 1.0% negative currency translation impact is mainly due to a weaker Argentine peso and British pound.

Our **REBITDA amounted to EUR 483 million**, including the EUR 28 million impact of additional depreciation linked to the new lease accounting rule. When compared to the comparable REBITDA in 2018, including leasing depreciation, this performance represents a like-for-like increase of 15.6%. This performance is mainly attributable to the combination of the increase in volumes and an improved gross profit, thanks to the focus on our product mix and the benefits reaped from a fully centralised procurement strategy. In addition, overheads have been contained, despite the strong top-line progression, thanks to restructuring measures decided upon at the end of 2018. The REBITDA margin reached its highest level ever at 16.4%, compared to 14.9% (*pro forma*: including restatement for depreciation of leasing) in 2018.

Revenue in 2019

2,940

million euro

Like-for-like increase
of 4.9% vs. 2018

Despite an increase of net financial charges primarily related to the newly recognised lease debt, **Etex's net recurring profit (Group share) was up by 12.7% to EUR 187 million**, another record performance. The non-recurring items mainly relate to impairment with respect to the Residential Roofing division, with significant gains on the disposal of businesses and impairments on the remaining businesses, as well as some restructuring costs. The company's net profit reached EUR 181 million in 2019, up 24.9% year-on-year.

Cash generation reached a record level of EUR 152 million before dividends, acquisitions and disposals of businesses. This strong cash generation is partially the result of a new, focussed approach related to free cash flow generation that was set up two years ago and based on internal cross-divisional and cross-functional free cash flow 'champions'. The strong improvement in revenue and REBITDA was combined with a strict approach to working capital and capital expenditure management.

At the end of December 2019, **Etex's net financial debt decreased to EUR 331 million**, a strong reduction despite the additional lease debt seen from 2019 due to compliance with the new lease accounting rules (EUR 120 million at year end, of which EUR 110 million in debt and assets was newly recognised from the beginning of 2019 after application of the new rules). At the end of 2018, the

2019 results in a nutshell

Total sales: EUR 2,940 million, including the impact of unfavourable exchange rates compared to 2018 (around EUR 22 million) and the EUR 71-million negative impact related to scope changes. Organic growth led to a year-on-year revenue increase of around EUR 136 million, or 4.9% when comparing to 2018, excluding the disposed of British and Portuguese clay roofing tile businesses.

Gross profit: EUR 896 million or 30.5% of sales, vs 29.4% in 2018, through managing our margins efficiently.

Overhead on sales ratio: 20.7% vs 21.0% in 2018, resulting mainly from the restructuring initiatives taken in 2018 and despite one-off product liability charges exceeding those incurred in 2018.

Operating income before non-recurring items (REBIT): EUR 292 million, up by EUR 47 million, representing 9.9% of sales. In 2018, the REBIT amounted to EUR 245 million, or 8.5% of sales.

Net non-recurring charges: EUR 24 million, with significant one-off gains mainly with respect to disposals of Residential Roofing businesses offset by Residential Roofing impairment charges and further restructuring. The operating income (EBIT) reached EUR 268 million vs EUR 221 million in 2018.

Net financial charges: slight increase from EUR 27 million in 2018 to EUR 31 million in 2019, mainly resulting from the impact and accounting treatment of the newly recognised lease debt and the discounting of long-term provisions offsetting the lower interest charges resulting from deleveraging.

Net profit (Group share): improvement from EUR 140 million to EUR 176 million.

Net recurring profit (Group share): increase from EUR 166 million to EUR 187 million.

Net financial debt: the decrease from EUR 584 million at the end of 2018 to EUR 331 million is due to operating cash flow generation on top of the business disposal proceeds, offset by the newly included lease liability (EUR 110-million impact on opening balance). It also includes the positive effects of a non-recourse factoring programme set up in 2015, which amounted to EUR 154 million at the end of 2019 (vs EUR 159 million at the end of 2018). Excluding this non-recourse factoring programme, the net debt would have been EUR 485 million, a decrease of EUR 368 million compared to EUR 853 million at the end of 2018 when restated for leasing.

net financial debt reached EUR 584 million (EUR 694 million including new leasing debt). In addition to strong free cash flow generation, the net debt reduction was achieved through the significant proceeds from the sale of our UK and Portuguese clay tile roofing businesses. The net debt in 2019 includes the favourable effect of the non-recourse factoring programme set up in 2015, which amounted to EUR 154 million at the end of the year (vs EUR 159 million at the end of 2018). Excluding this programme, the net financial debt would have reached EUR 485 million (vs EUR 743 million at the end of 2018). The company's net financial debt/REBITDA ratio decreased from 1.4x in 2018 to 0.5x in 2019. Excluding the favourable impact of the non-recourse factoring programme, this ratio decreased from 1.8x to 1.0x year-on-year.

Changes in the scope of consolidation

In August 2019, Etex sold its clay tile roofing business in the United Kingdom (Marley Ltd) to Inflexion and its Portuguese clay tile roofing business (Umbelino Monteiro S.A.) to Edilians (formerly Imerys Toiture). Earlier in 2019, in January, the French polypropylene honeycomb blocks and panels producer Nidaplast was disposed. The contribution of the three disposed businesses to the revenue amounted to EUR 186 million in 2018. Their contribution to the REBITDA amounted to EUR 33 million in 2018 (including leasing depreciation restatement).

Revenue by division

Building Performance registered a like-for-like revenue growth of 8.0% to reach EUR 1,790 million, thanks to strong growth registered in nearly all geographies. This reflects a combination of higher volumes and improved margins in plasterboard and associated products, especially but not exclusively in Europe, important projects in passive fire protection and volume growth in our fibre cement business in Africa and in Asia.

This performance clearly illustrates the strategy developed by Building Performance to deliver first-class service to its customers, thanks to a reinforced supply chain with the commissioning of our new plant in Spain, the launch of new products such as the ultralow-density plasterboards Solidtex in Italy and Solidroc in France, and the highest-performing fire-stopping board Promatect XS, as well as increased brand awareness in Europe.

The revenue of our Exteriors division (EUR 592 million) was impacted by a EUR 19 million like-for-like sales reduction (or 3.1%), mainly attributable to Northern Europe, Germany (corrugated sheets), Latin America and the United States. 2019 was a year of transition, as this new division, which centralises our fibre cement activities, was set up at the beginning of the year.

The facade business continued to benefit from its strong reputation in the architectural segment and sidings while

REBITDA in 2019

483

million euro

Like-for-like increase of 15.6% vs. 2018

the fibre cement roofing activities were impacted by their exposure to the European agricultural sector. In 2020, the Exteriors division is expected to benefit from the efforts and investments made in quality, people and brands last year.

Residential Roofing, excluding the disposed businesses in the United Kingdom and in Portugal, **recorded an increase in revenue of 3.9% like-for-like in 2019 to reach EUR 261 million**. This is mainly thanks to our high-performing Creaton businesses in Eastern Europe. The German market for Creaton remained difficult, with declining volumes in line with the market evolution, but some price initiatives have been successfully implemented to limit the impact on revenue.

2019 was a turning point for Creaton. The investment in new products, the brand and the quality of service have started to pay off in Poland, Hungary and South East Europe, and should also benefit our German activities in 2020.

Revenue in South Africa was flat.

Finally, **Industry registered a like-for-like revenue growth of 4.3% to EUR 179 million**, with a strong performance in mass transportation and fire-rated appliances. 2019 was the third consecutive year of strong organic growth as well as a record year in terms of revenues. The division benefits from its geographical diversification, the increased demand for fire protection solutions requiring highly rated certificates, and the approach by segment.

Net recurring profit (Group share) in 2019

187

million euro

Increase of 12.7% vs. 2018

Consolidated Statement of Financial Position (Balance Sheet)

The value of Etex's **property, plants, and equipment** remained stable at EUR 1,631 million vs EUR 1,642 million in 2018, but this is the outcome of newly recognised past leased assets from the beginning of 2019 (EUR 110 million) offsetting the impact of scoped-out residential roofing entities during the year. **Capital expenditure** (tangible and intangible assets) reached EUR 169 million (including EUR 34 million relating to new leasing contracts recognised during the year), compared to a recurring depreciation of EUR 190 million. **Goodwill and intangible assets** went down from EUR 422 million to EUR 323 million, mainly due to the impairment of goodwill with respect to the remaining residential roofing business.

Our **working capital** decreased from EUR 271 million in 2018 to EUR 224 million in 2019, a significant improvement attributable to the disposals occurring during the year and to specific one-off amounts collected from authorities and insurers in 2019, as well as a disciplined approach implemented across Etex. As a result, the working capital level is improving compared to 2018 in percentage of sales.

Our **actual return on capital employed** increased from 9.7% in 2018 to 11.5% in 2019. Excluding the impact of non-recurring items, the **recurring return on capital employed** reached 12.6% in 2019 vs 10.8% in 2018. Both financial indicators show significant progression and demonstrate the pertinence of our rigorous capital allocation strategy.

Subsequent events

As the coronavirus pandemic (COVID-19) continues to develop and an increasing number of countries are announcing stringent containment measures, companies around the world are under pressure. Etex is no exception, and the impact of the virus outbreak on our business continues to evolve. Moreover, a number of Etex colleagues have been infected with the virus. Continuing sanitary containment measures could adversely affect the results

of our operations, financial position and net assets in 2020. So far, some of our production sites had to stop or significantly slow down their operations, while on specific markets we are experiencing a significant slowdown in demand. We have limited visibility on the potential impact of the virus on our markets in the coming months. Any disruption is uncertain, but we have robust governance and management tools in place to mitigate any potential impact and to monitor closely the level of spending.

Outlook for 2020

The coronavirus crisis will obviously have a major impact on our performance in 2020, although it is currently impossible to accurately determine it. Nevertheless, we are confident that our tight control on costs will secure the present and future of Etex considering our strong financial position, strong balance sheet at the end of 2019, available financial resources and a careful management of our cash position.



Building Performance

→ Neil Ash,
Head of
Building
Performance



Led by **Neil Ash** since January 2020, Building Performance is Etex's largest division. It is responsible for developing, producing and marketing high-performing plasterboards and fibre cement boards as well as passive fire protection products and dry construction systems. France, Germany and the UK are its largest markets, and it continues to pioneer dry construction in Latin America. We asked Neil to share his insights on the division's performance in 2019 and his vision of the future.

What key words would you use to describe 2019 for the division?

Performance and profitable growth, definitely. Most of our global regions grew and significantly boosted their margins. Building on our 2018 investments in business transformation, we succeeded this year in enhancing our commercial execution. We have closed 2019 with excellent results versus last year, mainly driven by smart pricing initiatives and a strong market overall. 2019 was definitely a great year for us.

Early November 2019, Etex announced the largest investment in its history. Can you elaborate?

This is indeed the most important strategic decision we've taken last year. We will be constructing a completely new facility at the Royal Portbury dock, in the port of Bristol (UK) – well connected and next to our existing plant there. This GBP 140 million capital expenditure is proof of our belief in the long-term strength of the UK construction market – Europe's largest plasterboard market. Through this investment, we will not only provide our customers with even better service and reliability of supply. We will also capitalise on a growing plasterboard market as clients recognise

the productivity benefits that lightweight construction offers. Investing in the added capacity also strengthens our ability to develop superior building material systems for our customers, helping to create high performing buildings to meet the needs of the people who use them (read more on p. 33).

You are the new Head of the division since early this year. What will be your strategic priorities for 2020 and beyond?

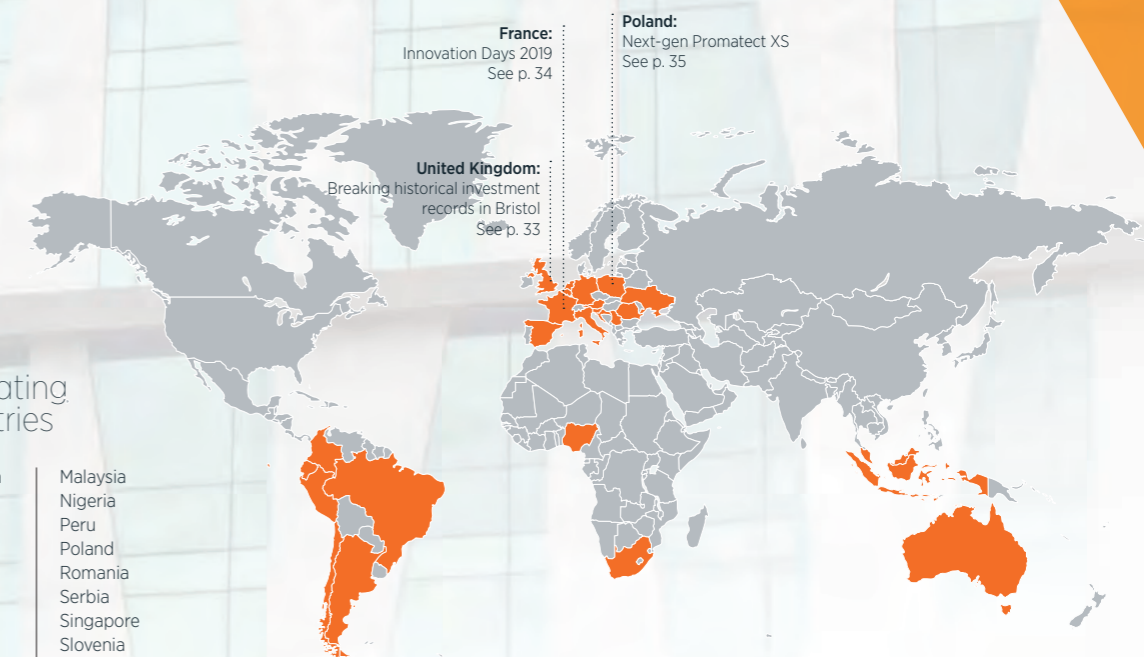
Sustainable growth, within the framework of the Etex strategic initiatives, continues to shape all of the division's activities. Building on last year's success, we will continue to focus on customer engagement, innovation in lightweight construction and collaboration across boundaries. The attraction, retention and development of top talent and promising young leaders is also one of our top long-term priorities, and employee engagement is crucial for us to achieve our ambitions.

Ultimately, we aim to be the leader in high-quality, sustainable lightweight building solutions in all of our core markets by being a top-level player with a customer-centric approach.

We promised an outstanding performance in 2019, and we delivered.

Operating countries

- Argentina
- Australia
- Austria
- Belgium
- Brazil
- Chile
- Colombia
- Croatia
- Ecuador
- France
- Germany
- Hong Kong
- Indonesia
- Italy
- Malaysia
- Nigeria
- Peru
- Poland
- Romania
- Serbia
- Singapore
- Slovenia
- South Africa
- Spain
- The Netherlands
- UK
- Ukraine



Revenue of Building Performance
(in EUR million)



Comparatives have been restated to reflect the new divisional structure of Etex as from 1 January 2019.

How did we perform in 2019?

In 2019, the Building Performance division of Etex grew in all of its key markets around the world. A combination of factors influenced these positive results, including strong demand in plasterboard, improved margins, commercial excellence and the impact of the restructuring decisions that were taken in 2018.

Revenue

Europe

Sales grew strongly year-on-year throughout most of the countries. This is mainly attributable to a significant increase in plasterboard volumes, driven by a strong market in several countries; and improved margins.

France: an ongoing trend of decreasing sales was reversed in 2019, with the division strengthening its position in line with trends in other European countries, thanks in particular to a strengthened position in DIY.

UK: for the fourth year running, the division recorded excellent results in the UK, where it was decided to build a new, state-of-the-art production facility (see next page).

Spain: the division recorded great results and successfully increased its production capacity in several factories. A new factory in Gelsa was commissioned, on time and within budget, in early 2019 and it recorded a remarkable first year.

Latin America

Sales grew strongly in this region, but these results are also the effect of extreme inflation in Argentina. The division's

activities in Brazil have also recorded growth thanks to a robust upswing in the market.

Argentina: 2019 was a politically and economically challenging year in this country. Hyperinflation caused mechanical growth in sales figures but overall volumes declined.

Brazil: after the negative impact caused by economic crises over the last few years, the Building Performance division demonstrated profitable growth again in this growing market.

Africa and Asia

Sales growth in Asia approached the double digits in 2019, with new export markets identified and successfully harnessed. However, the political unrest in Hong Kong and a weakened economic environment in Singapore have had an impact on Promat sales. While Building Performance markets in Africa are small, the division performed well, especially in Nigeria where unique products such as KalsiKraft remained popular in 2019.



Profitability

Building Performance has recorded a strong increase overall, also in percentage of sale, thanks to higher volumes and improved margins, as well as to the positive impact, mainly in Europe and Latin America, of the restructuring plan that was implemented in 2018 and which successfully streamlined the organisation and made it more agile. This favourable impact will also carry over this year.

→ Royal Portbury dock, port of Bristol, United Kingdom

Breaking historical investment records in Bristol

Last year, the Board of Directors of Etex approved a capital expenditure of over GBP 140 million for the construction of a new plasterboard production facility near the Port of Bristol in South West England.

"This is the fifth new plant that Etex has commissioned since 2015", explains **Christophe David**, Head of Operations at Building Performance. "It is also the largest investment that Etex has made in the history of the group. We have made it clear to the UK and the world that we believe in our customers and markets and that we have a long-term commitment to enabling growth in the construction industry."

The new facility unlocks extra production capacity to address key challenges in the region, including housing shortage and growing renovation demands. Even more, the plant will feature state-of-the-art and eco-friendly technologies. "The production line will be highly energy-efficient", Christophe goes on to say. "We will also implement a rainwater harvesting system and use recycled gypsum in production processes."



Key commercial initiatives

2019 was a year of continuing commercial successes with the introduction of next-generation versions of the division's most popular and high-performing products. From ultra-lightweight fire protection solutions to patented fibre cement boards and plasterboards, Building Performance solutions continue to lead in their markets and offer excellence in insulation, mechanical strength, durability and more.

Promat's reign as commercial and innovation star continues

As Etex's best and widest-known brand for passive fire protection, Promat continues to strengthen its portfolio of fire-resistant materials and systems for the construction industry. Promat offers the best performing fire resistance solutions for compartmentation, structural protection and ducting systems, completed with efficient fire stopping products which help our customers to reach the highest quality in fire safety.

Building Performance's most successful latest innovation PROMATECT®-XS – the thinnest and highest-performing fire-stopping board on the market – was introduced in 2019. This is a completely new generation of Promatect developed using a production technology created by our R&D centre in Tiselt, Belgium. Read more about this launch in the product spotlight on the next page.

Other Promat successes in 2019 include the launch of Promatect®-100, a compartmentation solution, and of the fire stopping collar Promastop®-FC MD, the latter being the result of an intensive three-year research and development process. Promastop®-FC MD is easy to install and



offers a very high level of productivity and performance.

The sky is the limit for fibre cement and plasterboard launches

2019 was marked by strong innovation successes such as ultra-light density plasterboards with Solidtex in Italy or Solidroc in France. These boards feature exceptional mechanical performance, enabling them to compete with masonry solutions.

We also launched the WAB Sanitised solution with an anti-bacterial function. This new range confirmed our leadership position in the Extreme wet & weather resistant boards field, used for indoor and outdoor applications.

In addition, some optimised solutions were launched with an easier installation procedure. In Latin America, we have distributed the Simplissima decorative systems, and in Romania we have expanded our 'smart' lightweight plasterboard offer and introduced the moisture-resistant AH offer.

'Cross-border' was the keyword at Innovation Days 2019

Held in the prestigious Innovation & Technology Centre in Avignon, France, the 2019 Building Performance Innovation Days event welcomed in September 80 customers from nine countries in Europe, Africa and South America. But instead of hosting groups from different countries on different days, all participants gathered at once – for an international, cross-border discussion about innovation.

"The goal last year was to foster exchange between different countries", explains **Eric Bertrand**, Head of Innovation, Technology and Marketing at Building Performance. "When customers collaborate to innovate and drive growth, the entire market ecosystem benefits from it."

Next-gen Promatect XS

The perfect blend of innovative excellence and customer focus

Why Promatect XS excels

- A1 Reaction to fire
- Thinnest for every fire rate of steel protection
- Competitive pricing of final installed product
- Wide scope of application
- Covers all critical temperatures
- Fire rating up to four hours
- 25-year lifespan
- CE-marked
- Backed by European Technical Assessment

In 2017, the Building Performance sales team was still riding the wave of success generated by the original Promatect steel insulation board in Central and Eastern Europe. "But it's a highly demanding market", asserts **Elzbieta Mazur, Technical Director CEE at Building Performance Poland**. "Promatect had a strong reputation, but it wasn't enough to make itself heard to be successful in this segment".

Along with sales and technical colleagues, **Elzbieta** and her team decided to bring Etex back to the top in steel insulation. "We knew we had the innovative strength and customer engagement in Poland (and then the entire CEE region) to take a completely new approach to Promatect XS."

The R&D team worked throughout 2017 to develop an A1-class reaction to fire protection board that is also the thinnest for every fire rate of steel protection. **Elzbieta**: "Even more, the product covers all fire rates for widest scope of critical temperature, thinnest thicknesses of needed protection, fixes directly onto steel profiles, lasts for 25 years and is CE marked. There is nothing like it on the market."



However, a great product is only one element of success. "Our sales team is extremely skilled, I can't praise them enough", she continues. Other critical contributions include the masterful preparation of the fire tests, as well as the creation of the European Technical Assessment (ETA) and technical documentation. "It was a collaborative, cross-border effort," **Elzbieta** goes on to say. "We relied heavily on the team in France for the production of demanding deliveries while we prepared our product launch strategy in Poland, which we then adapted for Central and Eastern Europe. This year, we sold circa 150,000 m² of the new generation of Promatect XS in a single project."

→ Elzbieta Mazur, Technical Director CEE at Building Performance Poland



Thanks to our completely novel product development approach, every feature of this steel insulation board stands out. With Promatect XS, we can proudly state that we are – once again – the best in the market.

Project Casablanca

Passion and local expertise join forces with new ways of construction

With rental costs in the Chilean neighbourhood of Casablanca (Valparaíso region) skyrocketing, Santiago-based housing developer Inmobiliaria Gestión Urbana united with lightweight construction pioneer and Etex-Arauco joint venture E2E to bring affordable, high-quality living spaces to hundreds of low-income families.



Jacqueline Gálvez,
General Manager,
Inmobiliaria Gestión Urbana

Nicolás Pérez,
General Manager,
Eprefa Constructora

Watch
the video



What

A modular housing partnership between E2E and local developer Inmobiliaria Gestión Urbana

Where

Casablanca, Valparaíso region, Chile

Why

To boost quality of life and reduce housing market entry costs using new technologies and fewer resources

Who

400 houses, covering 10 hectares, for ± 1,600 residents

Introducing a dedicated local player in housing improvement

“Inmobiliaria Gestión Urbana develops integrated housing projects in urban locations with up to 80,000 inhabitants”, explains **General Manager Jacqueline Gálvez**, who is also a member of the Chilean Chamber of Construction and VP of the National Housing Group of Chile. In these influential roles, she dedicates her life to improving housing conditions as well as the public policies governing the local building industry.

“In Chile, we have the challenge of improving the building standards and technical specifications”, she continues. She founded her company 15 years ago in order to take local building standards to the next level in quality and performance. Today, Inmobiliaria Gestión Urbana employs 200 people.

Social benefits are the number one priority

The integrated housing solutions built by Inmobiliaria Gestión Urbana are shaped to meet the specific cultural and practical needs of the communities they are part of. “We strive to generate positive social impacts with our projects”, Jacqueline goes on to say. In fact, if a proposed project offers commercial advantages but no social benefits, her team won't build it.

“We have developed around 5,000 housing solutions and built approximately 1,000.”

Future-focussed building approaches

Seven years ago, Jacqueline began exploring international building methods, visiting Germany, Singapore, Denmark and beyond for inspiration and attending building industry fairs and events.

Modular housing and lightweight construction were key discoveries during her travels. She was also impressed to find that building specifications in Europe are consistent on all levels.

Jacqueline brought these insights back to Chile, sharing information with industry players and policymakers. That is when she met Felipe Montes, General Manager of Chile-based Etex-Arauco joint venture E2E, recognising a kindred spirit. He invited her to visit the E2E facility – which pioneers lightweight and modular construction.

A match made in modular

Recognising the huge potential of a collaboration between E2E and Inmobiliaria Gestión Urbana, Jacqueline proposed a joint, large-scale housing project in Casablanca.

Home to 25,000 people, the area is faced with very high rental prices due to a long-term lack of new houses. Jacqueline and Felipe were both convinced that modular construction technologies offered a huge opportunity to reduce waste, cut costs and provide residents with

The success of this joint project highlights how modular construction can transform lives in many different ways. Moving forward, we must continue to foster industrialisation in Chile by offering incentives to use new construction methods.

Jacqueline Gálvez, General Manager, Inmobiliaria Gestión Urbana

One crane, five personnel and one manager can build the second floors of four houses in a single day. This is why I believe in lightweight, modular solutions as the future of construction in Chile.

Nicolás Pérez, General Manager, Eprefa Constructora

affordable, high-performing, customisable housing – all at the same time.

To prepare for Project Casablanca, Inmobiliaria Gestión Urbana and E2E launched a four-house pilot project in the Chilean town of Santa Cruz. It was a big success, establishing a strong, trust-based relationship between both companies.

Complete solutions, smart logistics

To scale up in Casablanca, the duo called in the help of local construction company Eprefa Constructora. “The first floors of the houses are constructed by another company using concrete panels”, explains Eprefa **General Manager Nicolás Pérez**. “Then, E2E provides the complete, prefabricated, timber-framed modular elements of the second floor, which my team was responsible for assembling.”

As an installer, Nicolás appreciates the holistic approach to delivery and assembly that modular construction offers. “Everything is thought of during the offsite manufacturing and loading processes”, he states. “E2E's highly organised delivery system provides significant logistics advantages, and all the parts and pieces come built into the solution and pre-organised for rapid, intelligent installation.”

“Each day, E2E delivers 24 wall and roofing panels by truck, arranged on a metal rack. One crane, five personnel and one manager can build the second floors of four houses in a single day. This is why I believe in lightweight, modular solutions as the future of construction in Chile.”



Enabling smart resource use – from the ground up

As the project evolved, Jacqueline measured the impact of waste on the building process and brainstormed ways to reduce it even further. With this goal in mind, she ensured that every worker on the project received training in waste-reducing construction methods.

Thanks to the teamwork of all three partners, the new houses generated almost zero waste and reduce water and heating costs by 50% and electricity by 70%.

Even more, each house is built to fit the needs of each family. They are also customisable: families can choose materials in different colours and express themselves through their living spaces. This avoids the negative stigmatisation of social housing as one-size-fits-all projects.

As of January 2020, 70% of the project has been completed. By the end of the project, 400 houses will be constructed for approximately 1,600 residents, covering near 10 hectares of land.

Inspiring new ways of thinking about construction

The future of modular construction in Chile still faces some hurdles when it comes to policymaking and support.

“As most of the modular construction process is industrialised, it happens within the plant rather than on site”, Nicolás goes on to say. “This is a game changer for construction companies because in addition to being faster and cheaper, modular projects are simpler to manage.”

Jacqueline: “While these benefits are clear to all Casablanca Project partners, industrialised construction is very different from traditional building approaches. To generate buy in, educating supporting industries about the modular construction process will be an important focus. In addition, it is important for the local building workforce to understand that industrialisation doesn't threaten their jobs. On the contrary, it enables them to learn new tools and skills that will be crucial to the future of their communities, and of the world.”



Exteriors

Created on 1 January 2019, the Exteriors division is led by **Michael Fenlon** and is active on a global scale. This division combines the fibre cement exteriors activities of the former Roofing and Facade divisions, in line with Etex's focussed strategic plan. Michael tells us more about the division's challenging debut year.



→ Michael Fenlon, Head of Exteriors

Is there a word that sums up 2019 for Exteriors?

First years are always transitional periods for any organisation. The key word in 2019 was 'transformation', as we blended our fibre cement roofing activities with our newer, faster-growing facade business. As part of this transformation, we spent part of 2019 responding to challenges, upgrading quality and streamlining our processes.

It sounds like 2019 was a year of mixed results. What were the drivers behind the challenges?

We made tough, rigorous decisions in 2019 to really put quality, commercial excellence and customer focus in the spotlight. We tackled quality issues relating to several products, which of course had a negative impact on the performance of the division but these actions were in the interest of our customers and our long term commitment to our markets. We evolve in a competitive market place and in certain markets (particularly in Latin America), we faced economic and political instability. We were only partially able to offset this instability in 2019 through our pricing strategy and lower input costs.

It's important to emphasise that while the present situation requires a careful

approach, the future of Exteriors is very promising. We have an exciting innovation pipeline, a crystal-clear strategy and a sharp focus on sustainable growth, which will translate into results in the coming years. More importantly, fibre cement products are both our historical activity and completely in line with Etex's focus on lightweight materials. This will be key in our strategy going forward and offers a lot of opportunities.

Can you reveal more information about the projects in the division's 2020 pipeline?

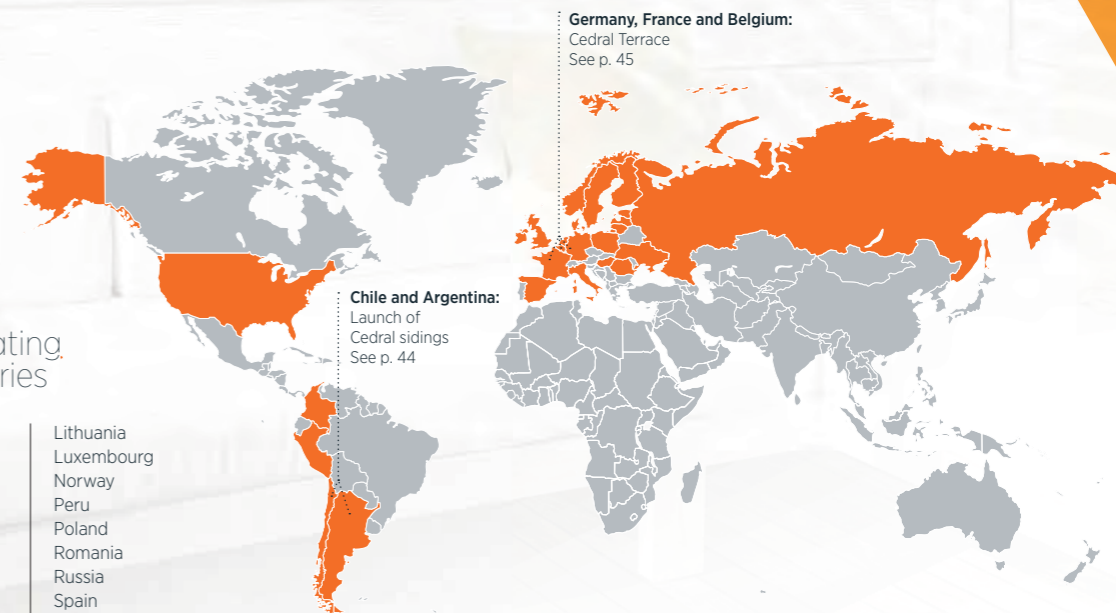
We have four big moves planned in the next months. Safety and employee engagement are critical. On those fronts, we have developed concrete initiatives to educate our talent, bring people together and establish intra-Etex communities.

We will also take customer experience to new levels through customer journey analyses and completely renewed brand stories for our core products. Finally, innovation is our biggest project pillar. Just like the debut of our remarkable Cedral Terrace product in 2019, you can expect to see innovative products emerge in 2020, as well as a new innovation business model in the agricultural segment.

We're looking at a challenging present, but a very promising future.

Operating countries

- Argentina
- Australia
- Belgium
- Chile
- Colombia
- Denmark
- Estonia
- Finland
- France
- Germany
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Norway
- Peru
- Poland
- Romania
- Russia
- Spain
- Sweden
- The Netherlands
- UK
- Ukraine
- USA



Revenue of Exteriors (in EUR million)



Comparatives have been restated to reflect the new divisional structure of Etex as from 1 January 2019.

How did we perform in 2019?

While the new division focussed heavily on boosting product quality, innovation and customer engagement, the team had to manage a new organisational structure and the impact of product recalls and unusual circumstances from past years. This made 2019 a singular year for the division, but the result is a strong, unified organisation with a well-planned growth trajectory.

Revenue

Corrugated sheets

Latin America: while performance was good in our key markets of Chile and Peru, political and economic uncertainty led to fewer government-backed projects overall in 2019.

Europe: the regional market for this product is flat, but Exteriors aims to make gains by innovating in services. After the government discontinued a subsidy covering the replacement of corrugated sheets in 2019, sales in the Netherlands returned to normal after a two-year boost, causing the largest adverse impact on the division's results in Europe. Focus on quality in Germany also had effects on supply.

Equitone architectural facade products

Europe: the largest market for Equitone products, Germany performed well in 2019. Growth was in the double digits in France, while the rest of Europe remained flat. Sales in the UK were affected by Brexit uncertainty and project delays caused by the governmental investigation of products unrelated to Etex.

North America and Asia-Pacific: after a temporary drop in leads in the US in 2018, performance improved significantly, with the US remaining a strong, high-potential market. Equitone volumes in Australia grew significantly in 2019 and we expect this trend to continue.

Sidings

Europe: changes to our organisation which resulted in combining slates with sidings clearly had a short term effect on our growth in sidings, especially in Belgium and France, with Brexit affecting the entire UK market. Germany grew significantly, thanks to the efforts and focus of the commercial team. The division's business in the Nordics – another large market – was influenced by strong competition from other fibre cement producers.



Latin America: in Chile, we faced strong competitive pressure but were able to remain stable in 2019. The region as a whole continues to be influenced by unfavourable market and political conditions impacting all players.

Slates

Europe: performance in this segment was regionally strong in 2019, with especially robust growth figures in France, the UK and Ireland. A new factory was opened at the end of 2018 in Ireland, which gradually ramped up over the course of 2019. The outlook for slates is positive.



Profitability

The profitability of the Exteriors division was negatively impacted by three elements in 2019. Revenues were down due to lower volumes, mainly in corrugated sheets, while pricing levels were correctly maintained thanks to improved margins, and currency exchange rates were favourable. The performance of some factories was also lower than expected, and the division booked extra provisions to face quality claims. Additionally, Exteriors achieved overall savings in administrative expenses throughout the year.

Key commercial initiatives

From product launches to intensive customer experience initiatives, a wide range of commercial initiatives were kicked off by Exteriors in 2019 in multiple locations around the world. Supported by four pillars – safety, employee engagement, customer experience and innovation – the division set projects into motion that will prove crucial to a future of sustainable growth.

Orienting Cedral around customer needs

A great product, a beautiful logo and impressive visuals form a strong foundation for a customer-centric marketing strategy. “Cedral has this foundation, but we had to be even more ambitious to deliver seamless, responsive, proactive customer experiences”, explains **Philippe Rubbrecht**, Division Head of Brand Management at Exteriors.

Four types of customers, or ‘personas’, each with their own emotions and behaviours, were identified. “Following this exercise, we mapped out the customer journey – which is every single step a customer takes, from becoming aware of the Cedral brand all the way to post-sales service”, says Philippe.

An excellent marketing strategy is no longer about putting your brand and logo everywhere. Philippe: “Customer centricity hinges on a company’s ability to know who each customer is, what their needs are and how best to meet them. If you succeed at doing this, you gain their loyalty – and they will want to share their experiences.”

Cedral sidings debut in Latin America

The Cedral brand of sidings was launched in South America, specifically in Chile (April) and Argentina (October), in 2019. This is a significant milestone for the Exteriors division in South America, as sidings was previously perceived as a specification material suitable only for architects and installers.

The marketing team came up with a strong, customer-centric strategy, featuring the homeowner as the purchasing decision-maker and installers and architects as sponsors. As part of this strategy, 50 supplier stores were Cedral branded throughout Argentina and Chile.

Natura White: tailored completely for architects, with architects

The September 2019 launch of Equitone Natura White NF 164 marks a key achievement for Etex as a market leader in architectural facades: the end-to-end development of a completely novel product in response to real market needs. “Our customers, mainly architects, had requested a unique fibre cement facade material in both very dark and very light shades”, explains **Thierry Halsberge**, Brand Manager Equitone at Exteriors. “Architects are both very consistent and very specific: they wanted to be able to see a warm white, through-coloured fibre cement mix through a translucent surface, which is very different from your everyday coated facade material.”

It took eight years for Exteriors to develop Natura White, a material that ticks all the boxes in terms of aesthetics and performance – and the processes and technologies to support its manufacturer.

Cedral Terrace

Beauty that inspires an emotional connection

What makes Cedral Terrace unique

- Soft touch
- Natural colours
- Durable
- Easy to install and maintain
- Anti slip

There is high demand in Europe for beautiful, durable terrace planks, however, there were no ideal nor long-lasting solutions so far. “Traditionally, homeowners choose products made of wood or wood-plastic composite”, says **Michiel De Potter**, Project Manager Cedral Terrace & Contemporary at the Exteriors Division. “But with a little creativity, we came up with a completely new application for fibre cement boards and carved out our own niche in the European terrace plank market.”

This project kicked off in 2014 with a comprehensive market research assessment. “After identifying this market gap, a team was brought together with colleagues from R&D, Engineering, Operations, and Sales & Marketing. They explored the possible production technologies to fill the market gap. All resulting prototypes were then evaluated by homeowners and landscape architects, with their feedback serving as input for the further product innovation.”

Creating Cedral Terrace took time, effort and dedication. “After almost five years of development, we chose a progressive market launch in 2019 in order to use continuous market feedback to adapt the material in an agile way,” **Michiel** explains. “This approach enabled us to tweak our production process and realign our communication strategy.”

The result is the first patented fibre cement product ever produced, allowing us to enter a yet unserved segment. **Michiel**: “Cedral Terrace is unique because it speaks to the heart in a tactile way”.

In light of its success, it’s hard to imagine that Cedral Terrace was originally considered a longshot. “We knew where we wanted to go, but not how to get there. Many people have contributed – and continue to contribute – to perfect this differentiating product. Thanks to their dedication, Cedral Terrace is considered one of Etex’s most compelling innovation success stories.” Cedral Terrace is the perfect illustration that fibre cement is a key solution for lightweight construction in the 21st century.

→ Michiel De Potter, Project Manager Cedral Terrace & Contemporary



Reactions to Cedral Terrace are usually strong and immediate. You can read about it, but once you hold it in your hands, there’s a ‘click’. People engage with it and are instantly convinced and even inspired by it. With Cedral Terrace, feeling is believing.



→ Launch of Cedral sidings in Chile with customers and the local sales team



Bristol Business School

At the crossroads of academics, communities, sustainability and product excellence

Responsible for design and execution of the building that houses the Bristol Business School, Stride Treglown architects Nicholas Morris and Andrew Kingdon sought the most beautiful, versatile and resilient facade cladding. Equitone was their solution of choice – for plenty of reasons.

Andrew Kingdon
Senior Associate Architect,
Stride Treglown Bath

Nicholas Morris
Senior Associate Architect,
Stride Treglown Plymouth

Watch
the video



What

A state-of-the-art, GBP 55 million, 17,200 m² business school containing 148 offices over seven floors

Where

University of the West of England (UWE), Stoke Gifford, Bristol, UK

Why

To create an inspiring, professional, community-building structure using versatile and beautiful materials

Who

5,500 students and hundreds of faculty, corporate partners and community members

Wanted: building materials that meet the needs of educational institutes

Established in 1953, the Stride Treglown architecture and design practice is fully employee-owned and manages offices across the UK.

“We were one of the six architectural firms invited by the University of the West of England to bid on their Bristol Business School project back in 2013”, explains **Andrew Kingdon, Senior Associate Architect** at Stride Treglown’s Bath premises.

Specialising in higher education architecture, Andrew collaborates with universities across the UK to design functional, accessible, beautiful buildings that serve unique purposes.

“In this role, I maintain relationships with the specifiers we work with and always keep an eye out for innovations in building materials that best meet the needs of education projects”, he continues.

“As a versatile product with a competitive cost per square metre, Equitone has been on our radar for years. A specification manager took me to visit a school outside of Bath, which is where I first saw Equitone installed.”

Developed with architects, for architects

This experience gave Andrew and his team confidence that Equitone would be a great material for Bristol Business School.

“Equitone is a very large panel – three by two metres – that can be cut into any shape and installed in a variety of patterns”, continues Andrew. “The fact that Equitone panels are through-coloured is also important. The product is lightweight, it has a great texture, grain and finish that breaks down the solidity of large facades. People love the appearance.”

Nicholas Morris, a fellow **Senior Associate Architect** at Stride Treglown and co-chair of the Plymouth branch of the Royal Institute of British Architects (RIBA), agrees. “Equitone’s range of colours and textures gives us a wide selection of materials to choose from when designing a project. I especially appreciate Etex’s drive to engage with architects and ask for their input regarding future products – it’s very valuable and encouraging.”

Equitone panels are lightweight, they have a great texture, grain and finish that breaks down the solidity of large facades. People love the appearance.

Andrew Kingdon, Senior Associate Architect, Stride Treglown Bath

As a business, Stride Treglown addresses sustainability not just in our projects, but in educating our clients and encouraging the wider spread of sustainability standards and requirements. In Etex, we see a shared mindset – which will become increasingly important to the building industry in the future.

Nicholas Morris, Senior Associate Architect, Stride Treglown Plymouth

Equitone puts the finishing touches on a community hub

For the cladding of Bristol Business School, Andrew chose two colours of Equitone panels – Pebble and Calico – in a large format tile: one colour for the teaching wing and the other to define the academic and research space.

Andrew: “As a business school, Bristol seeks to attract external companies and has strong links to the local business community that collaborates with the university. The building had to look professional and on par with high-end offices within the local context. When considering cladding options, quality was a priority.”

It was the first major academic building to be developed as part of the university’s new master plan and represents an investment of GBP 55 million. The 17,000 m² school incorporates specialised teaching spaces, mock courts and city trading rooms as well as a team entrepreneurship zone. There are social learning spaces and even a café, since the campus is open to the wider community.

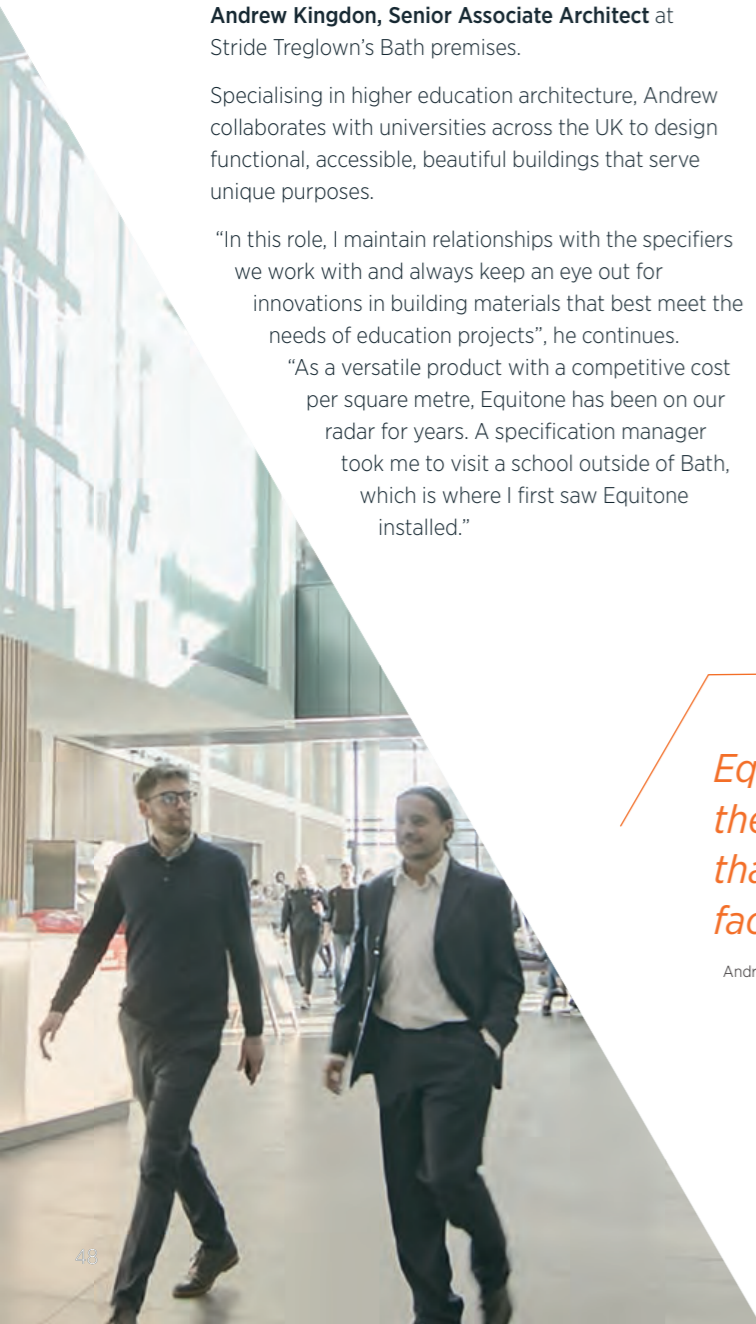
The school is also the first building in the UK to incorporate new ultra-thin Equitone panels with hidden mechanical fixings. “This enables an optimal use of resources because there is no panel overlap: we used less material to clad the building”, Andrew asserts. “Even more, it looks really slick and continues to weather perfectly three years on.”

Building sustainability into every project – as an industry

Nicholas: “Speaking of sustainability topics like the optimal use of resources, I recently had the opportunity to visit the Etex plant in Kapelle-op-den-Bos, Belgium alongside architects from around the world and participate in an interactive workshop. There, I discovered more about what Etex does as a business. I was impressed by the innovative emphasis that Etex places on the manufacture, reuse and recyclability of its products.”

“As co-chair of RIBA Plymouth, I strive to promote a sustainable agenda by encouraging peers to consider climate and sustainability in architecture. As a business, Stride Treglown addresses these concerns not just in our projects, but in educating our clients and encouraging the wider spread of sustainability standards and requirements. In Etex, we see a shared mindset – which will become increasingly important to the building industry in the future.”

“Indeed, sustainability is high on the agenda at universities, who want to be innovative with their new buildings”, Andrew agrees. “The fact that Etex pushes sustainability credentials is a very positive evolution, for us, our customers and the world.”



Residential Roofing

The Residential Roofing division was defined on 1 January 2019 and gathers the group's clay and concrete tile roofing activities (as well as components and accessories). In 2019 it focussed on its performance while delivering on the divestment strategy in place to enable the smoothest, most streamlined transition possible. **Paul Van Oyen**, CEO of Etex and Interim Head of the Residential Roofing division until October 2019¹, tells us more about the past, present and future of the business.



→ Paul Van Oyen, CEO & Interim Head of Residential Roofing¹

Can you sum up 2019 in a few words?

'Steady' would be one defining word of the year in terms of performance, with challenging conditions in some areas being balanced by significant successes in others. Our activities have evolved in a particularly positive way in Eastern Europe, while we have been able to compensate for adverse conditions in Germany. The other word, paradoxically, is 'evolving', as we have continued to deliver on the strategic shift of the group initiated two years ago.

What is the rationale behind the strategic shift?

The 2011 acquisition of the European and Latin American activities of Lafarge Gypsum was a major strategic step for Etex. It took us a few years to truly assess how this milestone would redefine the future of the group. Two years ago, we decided to execute a strategic shift by focussing Etex on lightweight and modular construction. Our goal is to become a world-leading player in the sustainable, cost-effective, quality-focussed building technologies of the future.

In this context, residential roofing, which is a heavy construction materials business, doesn't quite match our vision of the future anymore. This is a fact especially since

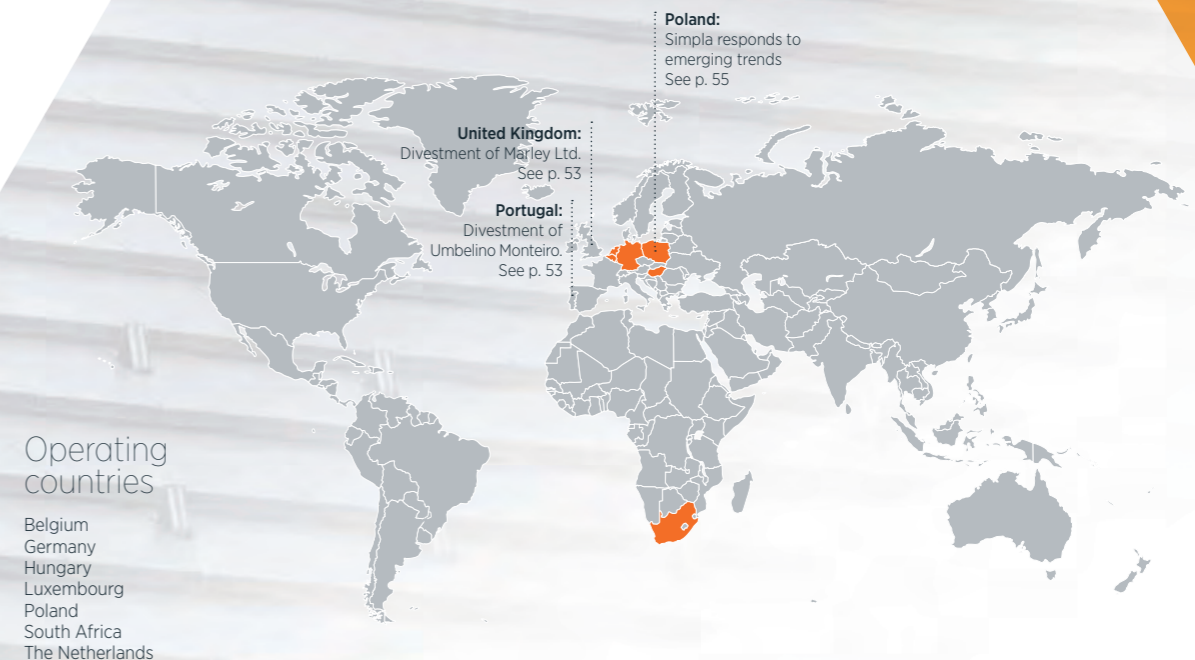
the roofing market is being consolidated, which led us to make important decisions. Participating in this consolidation would indeed require a lot of investment. We decided instead to make these in lightweight construction, an equally capital-intensive business, but one that is in line with our purpose. 2019 was a turning point in the realisation of our ambitions. On the one hand, we created the New Ways division, which is dedicated to modular construction methods. On the other, we have divested two major businesses in our Residential Roofing division.

Can you tell us a bit more about these divestments?

The first step was taken in August, when we sold our Portuguese clay tiles business Umbelino Monteiro to roofing solutions provider Edilians. An even bigger decision was taken at the end of the same month, when Marley, the leading UK manufacturer and supplier of roofing tiles and components, was sold to Inflexion. I would like to emphasise that in both cases, we are convinced that the new parent companies will offer many new opportunities to Umbelino Monteiro and Marley.

¹On 21 October 2019, Christoph von Nitzsch succeeded Paul Van Oyen as Head of the Residential Roofing division.

We made targeted divestments and focussed on commercial and operational performance.



Revenue of Residential Roofing
(in EUR million - excluding the disposed businesses in the United Kingdom and Portugal)



Comparatives have been restated to reflect the new divisional structure of Etex as from 1 January 2019.

How did we perform in 2019?

For the Residential Roofing division, 2019 was a year of focus. After moving fibre cement roofing activities to the Exteriors division in the beginning of the year, the Residential Roofing division started 2019 with a coherent foundation that is fully integrated and operational. Two businesses were sold, the closing of the clay tile factory in Malsch was finalised, and greater emphasis was placed on the strong Creton brand.

Revenue

Europe

2019 was a positive year, with leading performance recorded in Eastern Europe and a slightly improved top line in Germany despite difficult market conditions. It was also the first full year of activity of the new entity Creton Benelux.

Poland: 2019 was the division's best year ever in Poland, thanks to a thriving market in both the clay and concrete tile segments, and to Creton's leadership position. The new Simpla tile was launched last year, which already has a very favourable outlook (read more on p. 55).

Hungary: the business had a very good year, as the division's sole facility in this country operated near full capacity throughout the year.

Germany: the German pitched roofs market declined further in 2019, impacting Creton's volumes. The business was able to offset this market impact, resulting in a slightly increasing top line year-on-year. Residential

Roofing's facility in Malsch, Baden-Württemberg, was closed at the end of the year without causing any business disruption.

El-Tec: this joint venture (51% held by Creton) specialising in the production of abutments and ridge rolls using innovative materials, became a supplier to our competitors thanks to the quality of its products.

Africa

As the corrugated sheets activity in Nigeria is within the scope of our Exteriors division since 1 January 2019, Marley South Africa is the only remaining activity of Residential Roofing on the continent – and outside of Europe. The company performed well last year despite challenging political and economic conditions as well as competitive pressure. Sales are nearly flat, yet margins improved over 2018.



Profitability

Thanks to good market conditions and improved margins as well as a better utilisation of production capacity, the division's profitability significantly improved in 2019, particularly in Germany and Eastern Europe.

Strategic divestments in 2019

Marley Ltd., UK

The division's largest divestment of 2019 took place at the end of August. Marley Ltd, an Etex subsidiary and the leading UK manufacturer and supplier of roofing tiles and components, was sold to Inflexion. Marley has some 600 employees and operates five manufacturing sites and two distribution centres. The divestment comes after 20 years of operation within Etex.

This divestment is in line with the group's wider strategy of building on our strengths, and we are certain that Inflexion will continue to add value to Marley.

Umbelino Monteiro, Portugal

Umbelino Monteiro specialises in the production of unique clay tiles for niche projects and restorations. As part of its strategy, Etex closed the sale of this business in early August 2019 to French

based group Edilians.

Umbelino Monteiro employs around 100 people and operates three production lines.

The divestment comes after 12 years of operation within Etex. With a network of twelve clay tile manufacturing sites, Edilians – formerly Imerys Toiture – is a leading provider of roofing solutions in Europe and brings close to 180 years of know-how and heritage.

All activities of Umbelino Monteiro related to fibre cement building materials, a core technology of Etex, remain with Etex.

Key commercial initiatives

Highlights of 2019 for Residential Roofing include product launches and commercial successes in Poland and Hungary as well as unique partnerships. The division continues to focus on its well-performing brands and markets where it leads the industry.

Creaton Germany honours influencers

The 2020 Dach+Holz International trade fair for the roofing and timber construction sector was the perfect setting for Creaton Germany to issue the very first Creaton Influencer Award.

This award recognised social media influencers in the roofing domain. During a two-stage competition, online users selected five favourites from a pool of eleven nominees. Next, an external panel of judges chose the winners during a livestreamed event. The competition gathered 500 visitors at the Creaton stand.

Creaton Poland puts roofers in the lead

To establish even closer relationships with installers, Creaton Poland created

the TOPdekarze ('TOP Roofers') online platform in 2019. Via this platform, roofing companies can browse articles on roofing products, installation tips and expert advice. There is even a competition where roofers can accumulate points by logging into the platform regularly, by taking quizzes and performing tasks online, and by building roofs with Creaton products. The 50 roofers earning the most points between September 2019 and April 2020 will win participation in an automotive event.

First year of Creaton Benelux

2019 saw the creation of Creaton Benelux. Throughout the year, its team organised and participated in several events, roadshows and fairs to strengthen relationships with roofers, distributors, turnkey companies and architects. As such, the team's various Roof Top events invited around 650 people leading to 200 Creaton ambassadors. In May 2019, the team also participated in Architect@Work, a unique platform that introduces innovative products to architects in Belgium and beyond. In November, Creaton Benelux took part in the Belgian Roof Day. There, the team underlined their commitment to be a reliable partner offering attractive, high-quality clay and concrete pitched roof solutions.



Introducing customised, end-to-end roofing systems

With the goal of broadening its roof system portfolio, Creaton Hungary launched a brand-new steel and aluminium rain gutter system in Southeast Europe in 2019. The breadth of this range offers customers fully integrated gutters and accessories in the same colour variations as Creaton roof tiles. The team developed a proprietary coating, ROBUST, to ensure that the metal surface of the rain gutter systems are optimally protected against mechanical damage. The coating also fulfils every requirement of the highest UV resistance class (RUV4).

Simpla

Responding to emerging trends with a market-leading product

Why Simpla is on track to become a leading product on the Polish roof tile market

- Ultra flat, tough, large format
- Watertight, resistant to challenging weather conditions
- Easy to install
- Available in market-specific colours

After the continuing success of flat-style roof tiles on the European market, the Residential Roofing team in Poland saw a fruitful opportunity. **Sławomir Sobota, Regional Sales Director:** "Demand for this type of tiles was just emerging in Poland, and we wanted to lead the market with something truly unique. We made full use of the internal Etex network during the design phase, working closely with the competence center in Belgium and experts in Germany and Hungary."

"As a result, Simpla is – simply – an excellent product. We funnelled so much effort into creating the simplest, most beautiful, flattest product, mixing highly refined clay from two different sources and stabilising the tile with engineered ribs. There's nothing else like it in Poland."

When it comes to residential construction in Poland, flat roof tiles are trending. Homeowners building modern new houses want to incorporate flat, wide-format roof tiles in dark colours into their designs. The Residential Roofing team performed intensive market research to discover exactly what local residents look for in a roof tile. "Because of this laser-sharp customer-centric approach, Simpla took off", **Sławomir** continues.



The main differentiating features of Simpla are its modern and extremely flat shape, its durability and its ease of installation. "Roofers in Poland are big believers in Simpla, thanks to our multi-channel marketing campaign and the training sessions we offered them via our academy", **Sławomir** explains. "Because homeowners construct homes only once or twice in a lifetime, we knew we had to convince installers that Simpla is the perfect product – and we succeeded."

→ Sławomir Sobota,
Regional Sales
Director at Residential
Roofing Poland



Simpla is one of the most modern, highest-quality and best-made roofing products of its kind. So many people have confidence in Simpla, from roofers and homeowners to engineers.

Our partnership with Terhalle

Supporting a growing business partner and long-time Etex ambassador

Established over three decades ago in Germany, the Terhalle construction firm has championed Creton roofing solutions almost from the start. From the beauty and durability of the product range to the quality of the collaboration with the Etex team: it is clear why this partnership works so well.

Ludger Wittland
Managing Director and
Head of Marketing,
Sales & Procurement,
Terhalle Holding

Watch
the video



What

A growing Germany-based firm specialising in roofing solutions and timber construction

Where

Germany and the Netherlands

Why

The breadth, quality and exceptional experiences enabled by Creaton roofing solutions

Who

Bringing world-class roofing solutions to homeowners and architects across the region

A star in the German construction industry firmament

Established in 1986 as a carpentry company, Terhalle has since grown enormously, with expansion after expansion. "We started to build our first timber homes in 1992", explains **Managing Director and Head of Marketing, Sales & Procurement, Ludger Wittland**. "In fact, we pioneered this approach in the region, moving on to end-to-end construction in 1995."

After acquisitions in 2007, 2010 and 2019, Terhalle Holding now employs 400 people in four departments: timber construction, turnkey construction, interior fittings and windows & facades. "We have also set up a brand-new company in the Netherlands focussed on installing windows, facades and doors", Ludger continues.

"At our headquarters in Ahaus, Germany, we have a 65,000 m² facility, with 100 of our employees working offsite for our subsidiaries in the domains of metal construction and roofing."

A strong proponent for Creaton roofing components

After 30 years of experience in the residential construction industry, the Terhalle team has strong feelings about the products they recommend to their customers.

"We've worked with Etex Creaton clay tiles and roofing systems for many, many years, and have incorporated Creaton solutions into countless projects", Ludger asserts. "Whenever we have the opportunity to advise a customer, we recommend Creaton. Over 90% of the buildings that we have roofed are fitted with Creaton tiles."

Creaton is the key clay and concrete roofing tiles and components brand of Etex's Residential Roofing division. From historically accurate renovations to cutting-edge architectural builds, Creaton features in diverse residential and commercial projects all over Europe. The range includes tiles for pitched and flat roofs and matching components in many colours, glazes, shapes and profiles. "There is a Creaton option for almost any project", says Ludger.

Never change a winning team

As Terhalle relies so heavily on Creaton solutions, a unique collaboration with Etex is key to their success – and success benefits both parties.

"Because we are so focussed on Creaton products, we work very closely with Etex", Ludger goes on to say. "We treat each other as equals and we can count on a

Our customers trust us to recommend the best products and solutions. With Creaton, we can offer a full solution that includes roof tiles and all needed accessories - we lack nothing. It is because of this that we always recommend Creaton products.

Ludger Wittland, Managing Director and Head of Marketing, Sales & Procurement, Terhalle Holding

Creaton's assortment is great, the accessories are high quality and the support is fantastic. 90% of our roof tile sales are linked to Creaton products, and – just like in football – we'd never change a winning team.

Ludger Wittland, Managing Director and Head of Marketing, Sales & Procurement, Terhalle Holding

dedicated Creaton sales team. They are very engaged and advise us on approaches to construction issues – another reason why we send large orders Creaton's way."

Terhalle customers include homeowners, architects and even public organisations. In Germany, the public sector – often in the form of housing associations – is responsible for large residential construction projects and works with architects to complete them. Architects specify materials and services needed in a bill of requirements, which is published publicly on a portal for construction firms like Terhalle to bid on.

Ludger: "It was through this process that we were able to recently win two large public contracts, recommending Creaton roof tiles in both cases. For the Emscher housing association, we processed and

installed over 2,000 m² of Creaton tiles for a single project. In this case, we advised the customer to choose Creaton over the roof tile requested in the public announcement. In Münster, we built a kindergarten that also features Creaton tiles."

"When it comes down to it, Creaton is our only choice in roof tiles. We don't need to work with any other supplier, because the relationship we have with Etex works so well. It's like in football: never change a winning team."

Creaton travels to East Asia

The Terhalle leadership team has even taken Creaton roof tiles to the other side of the world to star in a unique project.

"During an exhibition in Germany, we met with three South Korean peers that requested our help with a show house with the theme of 'Made in Germany'. Two years ago, we finished the construction of a beautiful family home in South Korea, constructed completely out of German-made products – including Creaton roof tiles."

"This is a great opportunity to bring modern building trends to new markets, and we look forward to broadening our collaboration with international peer companies – alongside Creaton."



Industry



→ Steven Heytens,
Head of Industry

Since 2016, the Industry division has pioneered in the domains of structural fire protection and high-performance insulation in thermal process industries, construction, transportation, energy and beyond. Head of Division **Steven Heytens** describes the 2019 performance of this globally active division, highlighting its robust progress along its sustainable growth trajectory.

Can you sum up the 2019 results of Industry in a few words?

Right in line with our business ambitions and strategic plans, we registered growth for the third year running. We also dedicated plenty of effort to developing our new strategy, 'Industry 2025'. This new growth strategy succeeds the one we outlined in 2016, which we have successfully achieved.

What are the factors behind the division's achievements?

There are four key factors here, the first being a strong focus on our unique customer segments, as co-creating solutions together with our customers and partners is truly at the heart of our activity. The second has to do with the flexibility of the division in terms of services, sales, operations, logistics, etc. – which is a competitive advantage unlocked by our global scale. Finally, there is the strong brand legacy of our high-quality products and the remarkable talent of our people.

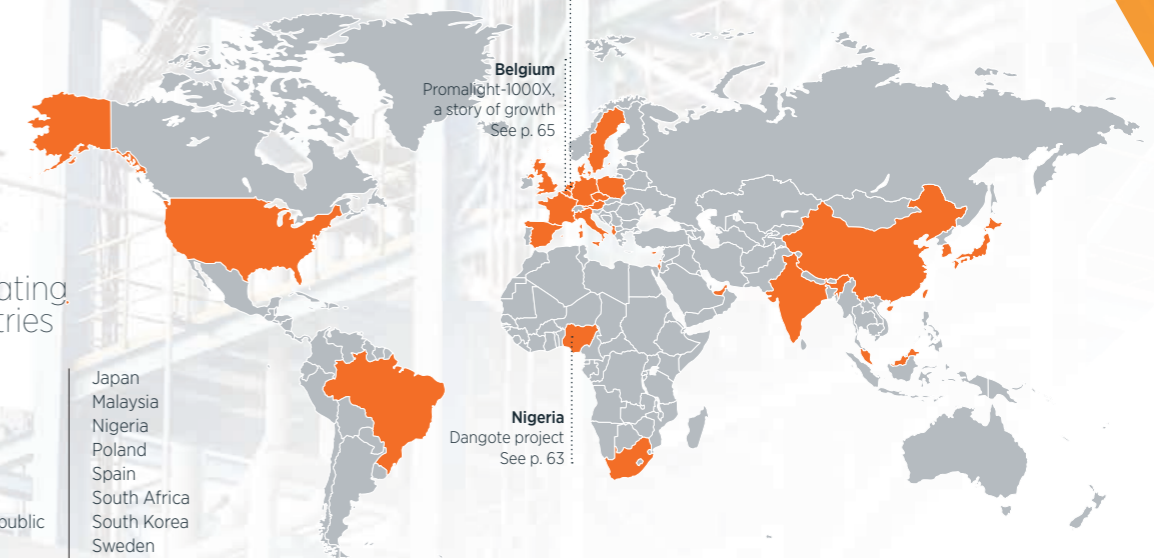
And the 2025 strategic roadmap you mentioned – could you provide more details?

We have four concrete goals: to double our current revenue, to be the global leader in passive fire protection and high-performance insulation, to offer an end-to-end, segment-driven customer experience and to add significant new business through innovation and acquisitions.

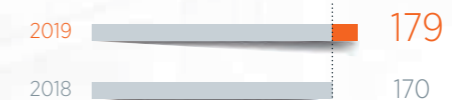
In order to achieve these goals, we centre our activities around safety and sustainability, customer experience, high-value partnerships and sustainable profitable growth – not to mention providing a great place to work for our talent.

We have reached key milestones in each of these areas in the last three years and learned some valuable lessons. For instance, we have a strong reputation, fantastic products, great flexibility and dedicated people. But we have also identified some important opportunities to enhance support and scalability, and to bring our customers the innovative solutions they need to meet the energy and productivity challenges of tomorrow. Moving forward, these opportunities will take centre stage.

Revenue and profitability kept rising in 2019 - we're right on track.



Revenue of Industry
(in EUR million)



+4.3%
like-for-like

How did we perform in 2019?

Our Industry division continued to make waves in its role of technology leader in 2019. Nearly every business segment and every geography performed well last year, with particularly strong growth in Europe. The division also won and delivered a remarkable series of projects in the oil & gas sector, with more to come in 2020.

Revenue highlights by region

Europe

Thanks to the region's macroeconomic conditions, Industry recorded strong organic growth in Europe, thriving on the successful results of developing solutions in close collaboration with partners and customers. The division realised significant project-based business in France and the Czech Republic. In the UK, microporous solutions grew, while calcium silicate volumes increased in Italy. The revenue was nearly flat in Germany.

Asia, Middle East and Africa (AMEA)

The division's performance in AMEA was a mixed story. Industry booked record sales in Japan and reaped the rewards of a strong commercial strategy in India. However, markets in China were less attractive in 2019, and there were fewer oil & gas projects in the Middle East and Asia-Pacific. Overall, the region slowed down compared to 2018.

United States

Continuing investments in the North American team and production facilities translated into steady growth in 2019.

Performance by segment

Fire-rated assemblies & applications

Industry supported the original equipment manufacturing (OEM) market in 2019 to boost our customers' initiatives, increasing green energy use in electric heating appliances and improving their fire and smoke protection systems.

Heavy industry

2019 featured steady performance. However, this segment was challenged by an economic slowdown in European steel markets.

Oil & gas

Industry experienced a record year for offshore pipe insulation projects in this segment, signing an important thermal insulation and fire protection supply agreement in Nigeria (see next page).

Mass transportation

Historically strong performance continued in 2019, with Industry recording global successes in the support of smart solutions for aerospace and automotive industrial players.

Energy

This segment recorded stable performance overall, with solid growth in sustainable energy applications.

Marine

Stable positioning in Europe and growing activities in the US contribute to a solid outlook for this segment, with further development planned.

Profitability

The profitability of the Industry division reflects its growing revenues in combination with the outcome of a continuous focus on commercial excellence. Operating cash flow levels continued to improve, also in relation to sales levels, strengthening the division's financial health and supporting its strategic growth roadmap.

Commercial and operational excellence

The division strives to put the customer at the centre of its activities. On this front, the Salesforce customer relationship management (CRM) solution was rolled out last year. By mid-2020, Industry will use this tool to connect with its customers in an entirely new way, with commercial teams organised around customer segments instead of regions. A single customer support platform for EU customers is also in development.

Industry signs multi-million USD deal with Dangote Group

Back in early 2018, **Charles Taylor**, Global Segment Manager Oil & Gas (O&G) at Industry, identified a completely new opportunity for Industry: the potential fire protection supply to the new Dangote Group refinery in Nigeria. The Industry O&G team kicked off the relationship with a promising

visit to the refinery project site and the offices of Dangote's India-based materials specifier, EIL.

The division employed a local sales engineer to connect regularly with the client and take the lead on the ground by giving presentations and technical clarifications to decision makers and monitoring on-site activities. Thanks to the team's constant customer focus, all parties were kept up to speed on Dangote's plans, needs and requirements.

Through tireless engagement efforts, expert price alignment and transparency, the Industry team made the winning bid on the Dangote refinery project.

Key commercial initiatives

From the skies to the ocean floors, Industry products can be found in structures, vehicles and facilities worldwide. In 2019, the division recorded remarkable achievements in several product areas, geographies and customer segments. Below are just a few of these success stories.

Promat: successfully aligning commercialisation with product performance

During 2019, the Industry division worked hard to promote Promat as the leading brand for passive fire protection and high-performance insulation in industrial applications. A milestone in this journey was the launch of the new corporate Promat website for industrial customers providing a brand-new experience based on the brand and range of products.

"We have clarified our brand strategy and ambition, by positioning Promat as the umbrella brand for our target of industrial customers. It is our ambition to collaborate and co-develop with our customers", explains **Pieter Morisse**, Head of Marketing & Innovation at Industry. "The new tagline says it all: 'Together, creating a safe and sustainable world'."

In addition to sharpening the brand's positioning, the Industry sales team also developed its route-to-market strategy in 2019. "Every sales colleague will be responsible for a specific customer target group. This committed approach empowers our experts to better understand the challenges our customers face and identify the best solutions – in close collaboration with them", says Pieter.

Industry teams up with Building Performance to safeguard Benelux tunnel

When our divisions collaborate, share expertise and unite to achieve a goal, great things happen, as demonstrated by the results of a unique tunnel project in Rotterdam, the Netherlands.

The two teams deviated from the standard solution with Promat Fendolite MII to enable the contractor to keep the tunnel operative during the installation. Together, they came up with a solution by using 10,000 m² Microtherm Overstitched, tested and approved by Rijkswaterstaat, the Dutch Ministry of Infrastructure and Water Management. Additionally, the disruption of the tunnel traffic was kept to a bare minimum – an important achievement for the contractor.

This project illustrates the power of inter-divisional teamwork in delivering high-performance products that meet the highest technical standards.

Co-developing thermal insulation technology in Germany

The Industry Germany team recorded several important success stories in the domain of thermal insulation and fire protection solutions for a range of applications. These include modular underfloor heating, product line insulation and fire protection technologies for the transportation of dangerous materials.

An example of a solution co-developed with one of our customers is the underfloor heating we specified and delivered in 2019: Hydropanel, a fibre cement board for dry construction applications. This exceptionally thin board offers high load capacity and excellent stability.

Taking a high-performance product to new heights

Working with leading airplane manufacturing companies, Industry is developing solutions that enable aircrafts to consume less fuel and reduce their CO₂ emissions. In 2019, the Industry team developed a customised, lighter version of Aeroguard: Aeroguard 96, a flexible, ultra-thin insulation panel designed to offer high performance solutions for the most demanding aeronautics and aerospace applications. Etex is a leader in pushing the product technology boundaries.



Promalight-1000X

A story of growth through collaboration and operational excellence

Highlights of Promalight's success story

- High-quality microporous board for the Thermal Process Industry
- Extremely low thermal conductivity, withstands temperatures up to 1,000° C
- High global demand
- Improved quality by production technology investment
- Driven by a business development collaboration between Etex and Evonik

Our Industry division produces insulation products in many shapes and forms. "The four core technologies we produce (microporous, calcium silicate, intumescent and cementitious sprays) are designed to insulate or protect a wide range of applications, structures and/or buildings against heat or fire", explains **Tom Martens, Product Manager Microporous**.

Microporous is the best-performing high temperature insulation material that exists – and Promalight microporous boards are at the top of their game. "Promalight is used in markets like furnace-building, steel & aluminium as well as the glass & ceramics industry, to name a few. Promalight boards have an extremely low thermal conductivity and therefore have a high thermal resistance. Combined with a low density, we can offer thin and light (back-up) insulation linings, resisting temperatures up to 1,000°C", **Tom** continues. "But since it has become a kind of commodity product, it was necessary for us to find creative ways to make Promalight stand out."

Inspired by a commitment to operational excellence, Microtherm invested in a highly efficient automated production line which was commissioned in April 2019. This new press clearly unlocks operational advantages – producing a higher quality

board with improved strength at a lower density and at a faster pace, ultimately resulting in a lower cost of production. Moreover, in collaboration with raw material supplier Evonik, this investment will enable us to capture market share in the existing markets, but also develop business in new segments all around the world.

Tom: "There is global demand for the product and huge market potential. By investing in both technology and business development together with future-focussed partners, we are opening up a new world for Promalight."



→ Tom Martens,
Product Manager
Microporous



We are starting to grow our market share in existing markets and we are expanding into new project areas – all thanks to our willingness to continuously improve and listen to and collaborate with our customers and partners.

Lapinus Application Development Centre

A win-win through mutual commitment, customer centricity and product excellence

When two specialists with complementary products join forces, the sky is the limit.

Developing brake pads for automotive manufacturers, Lapinus also tests, sells and markets PROMAXON-D – a brake pad solution developed by Etex. This partnership demonstrates how two companies can accomplish so much more when they work together.

Mike Palmen
Automotive Area
Sales Manager,
Lapinus

Watch
the video



What

A collaborative R&D facility specialising in PROMAXON-D applications

Where

Roermond, the Netherlands

Why

To enable a safe and comfortable braking experience of passenger cars

Who

Millions of people worldwide to travel safely

A company created to meet exceptional standards

A 45-employee subsidiary of the 12,000-strong ROCKWOOL GROUP, Lapinus develops raw materials for automotive brake pads and supplies them to manufacturers across the globe.

"Lapinus was founded in the early 1990s to respond to the very specific and extremely high standards of the automotive industry", explains **Mike Palmen, Automotive Area Sales Manager**. "My background is in automotive engineering, and I handle the sales of our product to customers in the United States, Canada and Mexico by maintaining a strong network of distributors and agents."

Among its customers, Lapinus has a reputation for innovation. "Whenever ROCKWOOL comes up with a new product idea, we are often responsible for bringing it to the market", Mike continues. "It is through this role that we established a partnership with Etex in 2012, as Etex also prioritises the development and manufacture of innovative, smart and safe technologies."

An unlikely combination? Think again!

At that time, Etex was already supplying brake pad manufacturers with PROMAXON-D, which is applied to ensure performance under high temperatures.

Lapinus has supplied raw materials to the brake pad industry for more than 30 years.

As a result, the company boasts a large network and deep expertise in braking technologies. "Etex decided to collaborate with us because we have those strong customer connections as well as the knowledge of how to apply PROMAXON-D in automotive."

At Lapinus' Application Development Centre, engineers develop and manufacture new products on a small scale. "But we don't do this to supply the market", Mike asserts. "The testing we perform in the centre is to demonstrate to customers, academically and scientifically, how they can use products from Etex, Lapinus and other companies in a brake pad to meet their performance goals. This capability is deeply important to high-end automotive customers supplying the OEM industry."

The Etex facility developing PROMAXON-D specialises in product excellence – not multi-vendor R&D. Mike: "This is where we come in. Etex engineers and manufactures an extremely consistent, customer-centric product, while Lapinus excels in the application and combination of materials. It's a success story for both of us: together, we've doubled sales of PROMAXON-D."

As an Etex partner, part of our job is being close to the market and to understand what drives customers. Together with Etex we align product development and quality management processes with the dynamic needs of the automotive industry.

Mike Palmen, Automotive Area Sales Manager, Lapinus

Etex engineers and manufactures an extremely consistent, customer-centric product, while Lapinus excels in the application and combination of materials. It's a success story for both of us.

Mike Palmen, Automotive Area Sales Manager, Lapinus

Two complementary roles

Etex and Lapinus aren't simply two separate elements of a supply chain. "As an Etex partner, part of our job is to be close to the market, visiting customers to understand what drives them in the short, medium and long term. We bring this information back to Etex, assisting them in aligning product development and quality management processes with the dynamic needs of the automotive industry", Mike goes on to say.

"At Lapinus, we really appreciate Etex's willingness and flexibility in understanding our input and making high-impact changes to product and processes. In addition, we sell our own mineral fibre product as well as PROMAXON-D, and we have observed that these two materials perform even better when used together."

Enabling millions to brake safely around the world

Via Lapinus, Etex supplies PROMAXON-D to companies that together produce hundreds of millions of brake pads. "When drivers brake, the pads connect with the wheel rotor to create friction – decelerating the vehicle and generating heat. In fact, temperatures can exceed 500 degrees Celsius. For this reason, brake pads must be able to both withstand high temperatures and perform well under them."

This is one of the key features of PROMAXON-D. Mike: "Millions of people every day rely on their brake pads, and millions of brake pads rely on PROMAXON-D. This product literally enables people around the world to brake safely."

Another key technical aspect of this product is its noise-reducing properties. "The number one reason why new car buyers return to the garage for service is brake noise", says Mike. "PROMAXON-D contributes to driver comfort and prevents expensive and unnecessary maintenance."

The importance of consistency in high-risk applications

As one can imagine, automotive companies demand safe, high-performing products in high-risk applications such as braking elements.

Mike: "Etex offers this safety and quality, but even more, it offers consistency. The consequences of inconsistency in brake pads could be very serious, as it is a safety item. After working with PROMAXON-D for over eight years, I can state that the quality and consistency of this product is excellent. Customers are very happy and confident in the production process."

To illustrate the laser-sharp focus on quality that some manufacturers have, Mike recounts a memorable experience with a high-end Japanese client.

"Japanese industrial players are extremely precise, and their reliability standards are some of the highest in the world. This particular customer had ordered samples of PROMAXON-D on a quarterly basis for over four years, continuously testing the consistency of the product. Then, they visited the production facility in Tisselt, Belgium and audited its operational processes, quality management systems and even natural disaster plans!"

"In the end, they were impressed and chose to use PROMAXON-D in their brake design. It's important to note that the same materials must be used for the entire five- to seven-year lifecycle of the car to guarantee reliability, with no substitutions allowed. Their choice is a huge commitment, and in my opinion, one of the biggest compliments Etex could get."



Introducing New Ways

Launched at the beginning of 2020, New Ways is the fifth division of Etex. It embodies our ambition to be a key player in the transformation of the construction industry. We believe that the emerging market for offsite lightweight and modular building solutions can fulfil many global needs. Specialised in these technologies, New Ways will bring high-quality, beautiful and affordable living spaces to people around the world.

Driven by modern challenges

Founded on partnerships

The world is faced with several megatrends that impact almost every business activity: resource scarcity, rapid urbanisation, housing shortage, ageing infrastructure, new technologies, etc. We believe that Etex can address a number of these trends by transforming the way we think about construction.

Built from the ground up to be agile, scalable and technology-driven, New Ways represents a unique shift in the building materials and construction industry.

The division specialises in two core modular building technologies, wood and steel framing. By combining these technologies with Etex's expertise in high-performance fibre cement and plasterboards, New Ways offers its customers strong, fire-resistant, lightweight wall panels and other building elements containing built-in utilities infrastructure and insulation. These modular elements are then delivered to the building site and connected together. The result: smoother logistics flow, less waste, streamlined operational processes, rapid construction, lower costs... and optimal comfort for the end users.

Wood framing

E2E: this joint venture based in Chile is 50/50-owned by Etex and sustainable timber product specialist Arauco. E2E develops and manufactures end-to-end building solutions composed of panels, wood-based interior frameworks and external fibre cement and concrete boards. Two projects were launched in 2019: 'Horizonte del Pacifico' (5 four-storey buildings) and 'Casablanca' (first floors of 400 units). Read more about the latter on p. 36.



→ Tecverde

Tecverde: this Brazilian wood-based framing technology pioneer is majority owned by E2E since early 2020. The firm is an established regional player in industrialised lightweight building solutions for the residential and corporate markets in Latin America. To this day, Tecverde has already delivered some 5,000 houses to its customers.



↑ Cristian Montes, Head of New Ways

We invited the Head of New Ways, **Cristian Montes**, to tell us more about the mindset, mission and objectives of the division.

What is the vision of New Ways?

New Ways activates our ambition to bring beautiful, affordable and high-quality housing to people by offering building solutions rather than standalone products. Our success hinges on our ability to support and empower our customers and to be a bold, technically skilled player in our industry.

Do you feel that this unique beginning – through targeted joint ventures – has positive impacts on the way the division operates?

Definitely. New Ways is like a start-up within Etex. Our mandate is to build this new business with a pioneering mindset, as it is something different, challenging and new. It's great motivation for all of us – and our flexible mindset will positively impact our company, partners and the people we help.

What achievements and milestones do you see in the future of the division?

In 2020 and 2021, we will expand our presence in the Americas and Europe. We plan to partner with or acquire at least one factory for the steel framing technology. As for wood framing, we will continue to develop our partnership with Arauco in each of our countries of operation.

In the midterm, I see plenty of opportunity for growth. While we are currently focusing on large-scale housing in Latin America, the same demand for modular exists in markets around the world. As an established global company, Etex offers robust links to these markets. We have already gathered a significant knowledge of regulations and construction systems. The next step is to strengthen the connections between our many locations and companies to create a pool of modular and lightweight construction expertise that is unique in the world.

Steel framing

EOS: based in Newton Aycliffe, UK and acquired by Etex in 2016, EOS specialises in the design, engineering and manufacture of lightweight, fully integrated steel framing systems such as ThruBuild® used in modular building elements. This year, EOS is planning to expand its activities in Latin America and Europe through joint ventures.



→ EOS

Benefits of modular construction

50%
faster construction

90%
less water consumed

85%
less energy consumed

80%
lower CO₂ emissions

85%
less construction waste