



## Media release

### **AFG Arbonia-Forster-Holding AG affected by downturn in construction and technology markets**

**Slightly lower net revenues than last year – Stronger balance sheet – Cautiously optimistic outlook**

Arbon TG, 26 January 2010 – **During the 2009 financial year, international building products supplier and technology group AFG Arbonia-Forster-Holding AG was unable to escape the impact of some often dramatic market downturns. The company's revenues of CHF 1384.2 million were 11.9% lower than in the previous year (-9.1% after adjusting for exchange rate movements). "The dramatic downturn on many of the markets in which we operate could not be offset by the progress made in other market segments or by the cost reduction measures we took across the group," said Chairman and Delegate of the Board of Directors Edgar Oehler when commenting on the revenue trend. "But given the problems caused to the real economy by the global financial crisis, we are still satisfied with the results achieved, especially since we were able to strengthen the balance sheet by significantly reducing our net debt, as well as improve our liquidity appreciably." Because of the measures taken to cultivate the markets and thanks to an easing-off of the decline in demand in various sectors, first signs of recovery began to be seen towards the end of the second half of the year. This has prompted the company to make a cautiously optimistic estimate of revenue and earnings trends for 2010.**

There were mixed performances from the individual divisions once again in 2009. The technology divisions were hit harder by declining demand, while the construction-related divisions experienced less serious falls. This confirmed the wisdom of AFG's portfolio strategy, which is based on grouping together industrial activities with different business cycles.

Last year's difficult conditions are reflected in the performance of the **Heating Technology and Sanitary Equipment Division**, which saw revenues fall 12.3% to CHF 566.8 million (previous year CHF 646.2 million). After adjusting for currency movements the fall was only 6.4%. Demand from the German and Swiss construction industry remained relatively stable, but the UK market shrank again. This inevitably had an effect on Aqualux, the major British sanitary equipment supplier that joined the division in 2007. The Eastern European market, especially Russia – one of the division's traditional export markets – suffered as the financial crisis made it more difficult to find funding for new builds. This led to a widespread collapse in investment confidence. All of the construction-related divisions have focused on the renovation and modernization market in recent years. In the



current environment this has also proved to be a strategically astute move for the Heating Technology and Sanitary Equipment Division.

The **Kitchens and Refrigeration Division** continues to suffer from the excess number of providers, especially internationally, which has led to a permanent price war particularly in the kitchens segment and projects business. Because the division, with its clearly positioned brands, does not want to give into this competitive pressure without a fight, it suffered a substantial fall in revenues, especially in the previously important export business (ex-Germany). Overall, the division's revenues fell by 7.3% to CHF 269.4 million (290.5 million). Given the market conditions, this is a satisfactory result. The division does not expect the market to stage a sustained recovery until next year.

The **Windows and Doors Division** continues to be one of AFG's most solid performers. It shone in a hostile market environment, recording a slight 1.5% decline in revenues to CHF 376.7 million (382.4 million). While revenues in Switzerland rose slightly, construction activity in Slovakia, another of the division's home markets, declined by around 40% and in other East European markets by up to 60%. However, in the foreseeable future the Windows and Doors Division should profit from continuously rising quality demands with regard to products energy, environment and security ratings.

The **Steel Technology Division** suffered for self-evident reasons, the most obvious being the worldwide difficulties experienced by the automotive and mechanical engineering sectors. Its revenue fell sharply, by 26.1% to CHF 123.3 million (166.8 million). In the precision steel tubes sector the downturn in demand from the industries mentioned above reached historic levels of between 40 and 70 percent. Demand from the furniture sector, another key customer of the division's products, also experienced a significant fall in the second half of the year. The decline in revenues at Forster Profile Systems, which services the construction sector, was much lower at 10%, which was close to the industry average.

The **Surface Technology Division** – the company's second technology business – suffered from a dramatic decline in demand from printer manufacturers. STI I Hartchrom, which is one of the world market leaders for coating print cylinders, was hit by the full impact of the steep worldwide fall in advertising. This caused a serious decline in revenue, by 42.8% to CHF 50.8 million (88.8 million). The film and foil manufacturing and drive technology sectors were also hit hard by the recession, while the food and aviation businesses performed satisfactorily. With inventories having been reduced sharply across the market and with newly introduced processes and production technologies coming on stream, STI I Hartchrom expects demand to pick up to a certain extent this year.

Revenues in the **Corporate Services** business, which also includes parts of the company's own logistics capacities, reflect the overall contraction of volumes at AFG and external customers. The unit finished the year with revenues of CHF 24.7 million (31.5 million).



The 2009 income statement will be marked not only by the traces of economic trends, but also by exceptional aspects - in particular one-off costs relating to the write-off of most of the goodwill from UK company Aqualux. Despite the swiftly enacted cost reduction measures for 2009 and their impact on the bottom line, EBIT will therefore be weaker than the previous year, presumably leading to a negative annual result.

The baseline effect that hurt AFG Arbonia-Forster-Holding AG's results for 2009 should have a positive effect on 2010 results. Most of the industries that are significant for AFG seem to have passed the worst. The surprisingly resilient construction industry in our home markets will continue to provide important support for the three construction-related divisions and thus for the group as a whole. Edgar Oehler believes, therefore, that AFG will make further progress in 2010 in terms of both revenues and earnings. However, it is impossible to say at the moment how large this improvement will be.

The detailed 2009 financial statements are published on 16 March 2010.

## Net revenues

|   | 2009 <sup>1)</sup> | 2008 <sup>2)</sup> | Change        | Change<br>currency adjusted |
|---|--------------------|--------------------|---------------|-----------------------------|
| <b>Net revenues</b> in CHF million            |                    |                    |               |                             |
| <b>AFG Arbonia-Forster-Group</b>              | <b>1 384.2</b>     | <b>1 570.6</b>     | <b>-11.9%</b> | <b>-9.1%</b>                |
| - Heating Techn. and Sanitary Equip. Division | 566.8              | 646.2              | -12.3%        | -6.4%                       |
| - Kitchens and Refrigeration Division         | 269.4              | 290.5              | -7.3%         | -6.5%                       |
| - Windows and Doors Division                  | 376.7              | 382.4              | -1.5%         | -0.8%                       |
| - Steel Technology Division                   | 123.3              | 166.8              | -26.1%        | -26.1%                      |
| - Surface Technology Division                 | 50.8               | 88.8               | -42.8%        | -41.9%                      |
| - Corporate Services                          | 24.7               | 31.5               | -21.6%        | -21.6%                      |
| ./. Group consolidation                       | -27.5              | -35.6              |               |                             |

<sup>1)</sup> Provisional, unaudited figures under IFRS

<sup>2)</sup> Slovaktual for 12 months since 1.1.2008 (Windows and Doors Division)



**Key dates:**

|                                   |   |
|-----------------------------------|---|
| Publication of 2009 annual report | 16 March 2010                                 |
| Results press conference          | 16 March 2010, 10.30 am, Hotel Widder, Zurich |
| Financial analysts' conference    | 16 March 2010, 2 pm, Hotel Widder, Zurich     |
| General Meeting of Shareholders   | 16 April 2010, 4 pm, Seeparksaal, Arbon       |

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This press release and further information on AFG Arbonia-Forster-Holding AG can also be found on our website at [www.afg.ch](http://www.afg.ch).

**AFG Arbonia-Forster-Holding AG – a leading construction industry supplier and technology Group**

AFG Arbonia-Forster-Holding AG, based in Arbon, Switzerland, has leading positions as an integrated construction industry supplier and in selected areas of technology. Listed on the SIX Swiss Exchange, the company comprises five divisions: Heating Technology and Sanitary Equipment, Kitchens and Refrigeration, Windows and Doors, Steel Technology, and Surface Technology. The Group has production facilities in Switzerland, Germany, France, the United States, the Czech Republic, the U.K., and Slovakia.

AFG has an active presence in more than 70 countries worldwide, with roughly 50 of its own production and distribution companies, as well as representatives and partners. The Kermi, Arbonia, Prolux, ASCO Swiss, Aqualux, Forster Kitchens, Forster Refrigeration, Miele Kitchens, Warendorf, Piatti, EgoKiefer, RWD Schlatter, Slovaktual, Forster Precision Steel Tubes, Forster Profile Systems, and STI | Hartchrom brands are the backbone of AFG. With these brands, AFG has built leading positions in its home markets of Switzerland and Germany and is intensively pursuing entry and development of new markets in Eastern Europe, Russia, and the Middle and Far East.