



## Media release

### AFG Arbonia-Forster-Holding AG on the up

#### All divisions post higher net revenues than in previous year, but strong Swiss franc leaves its mark

Arbon, TG, 25 January 2011 – **As expected, AFG Arbonia-Forster-Holding AG, the international construction products and technology group, performed much better in 2010 than in the previous year. Consolidated net revenues were 2.1% higher than in 2009 at CHF 1,414 million. However, like many other manufacturers in Switzerland, AFG suffered from the strength of the Swiss franc. After adjusting for currency effects, net revenues increased by 5.8%, reflecting the substantial operational progress made by AFG. Overall, the solid economic conditions in the group's home markets of Switzerland and Germany shored up sales in the construction-related divisions, while the continuing weakness of the UK market, which is also important to AFG, pulled back the division's sales performance. The Windows and Doors Division achieved a record 7.6% increase in net revenues (or 8.8% after currency adjustment); the Steel Technology Division returned to its former strength with net revenues climbing 13.1%; and the Surface Technology Division made up a third of the previous year's fall in income by posting a 17.1% (20.3% after currency adjustment) rise in net revenues. "The prompt action taken to improve our competitive position in a highly competitive environment has paid off," says Edgar Oehler, Chairman and CEO of AFG. "As a result, we were able to gain market share even in some of the more challenging markets."**

For the first time in several years, all of the company's divisions posted year-on-year increases in net revenues (after adjusting for currency effects). This is despite the fact that new residential construction in Germany – an important segment for AFG – only recovered slightly last year from the 50-year low recorded in 2009. Nowhere in Europe are so few new homes being built today than in Germany. The growth markets of Eastern Europe performed well, indicating that these countries have also made their way out of the economic crisis. In addition, the fact that higher input costs could only be passed on to customers to a limited extent had an effect on profits as well as sales.



"We assume that results for 2010 will be more or less in line with expectations," says Edgar Oehler. AFG Arbonia-Forster-Holding AG publishes its annual results on 8 March 2011.

The main casualty of the lack of new building in Germany was the **Heating Technology and Sanitary Equipment Division**, which saw revenues fall 3.9% to CHF 544.5 million, though in local currency terms it actually posted an increase of 3.3%. The continuing strength of the Swiss economy bolstered the division's positive performance, but the slow speed of British economic recovery and, in particular, the sluggish state of the UK residential construction sector pushed down revenues at UK subsidiary Aqualux. However, the fall in revenues was smaller than last year's, which suggests that Aqualux has reached the turnaround point.

For the first time in a long while, the **Kitchens and Refrigeration Division** saw improvements in individual sectors and posted net revenues at virtually the same level as the previous year at CHF 267.1 million (2009: CHF 269.4 million). After adjusting for currency effects it actually posted a rise of 0.2%. This positive development was mainly due to much higher sales of Piatti and Forster kitchens. Sales of Warendorf kitchen products were still unsatisfactory, though here too, the worst seems to be over. The refrigeration business saw a stable development in net revenues compared to the previous year.

The **Windows and Doors Division** recorded a very healthy rise in net revenues of 7.6% (8.8% after currency adjustment) to CHF 405.2 million. Both businesses – windows and doors – contributed equally to this result. The division is reaping the rewards of its innovative development work, which has resulted in products that meet the environmental and technical security needs of today's market. Capacity has been built up steadily over recent years, but the increase in net revenues would have been in double-digits if more capacity had been available.

The revival of the car industry also helped to push the **Steel Technology Division** back onto its accustomed growth trajectory. It achieved a 13.1% increase in net revenues to CHF 139.4 million, with sales of precision steel tubes for the car and furniture industries rising more than those of steel profiles. This division was, of course, particularly affected by the increase in steel prices, especially since these can only be hedged a quarter of a year in advance. The car firms' keener purchasing policy and the weakness of the euro also meant that the higher cost of steel could not always be fully integrated into sales prices.

Thanks to a noticeable recovery in the printing business, the **Surface Technology Division** recorded a strong rise in net revenues for the first time since 2007. The marine, paper, textiles and pharmaceuticals sectors also posted positive results in the second half of 2010. Net revenues at the division increased 17.1% to CHF 59.4 million. After adjusting for currency movements the rise was slightly higher than the predicted 20%.

Finally, net revenues in **Corporate Services**, which also includes the group's own logistics operations, went up by a healthy 8.3% to reach CHF 26.8 million.



### Cautiously optimistic outlook

Demand in the group's key divisions and markets increased noticeably towards the end of last year – though this was certainly due in part to the imminent rise in value added tax. It seems that in Germany and Britain, residential construction has bottomed out and sectors which suffered a dramatic collapse, like the car and printing industries, are beginning to stage a sustained recovery. Nevertheless, it is difficult to make predictions owing to continuing uncertainties about economic and currency policy, especially in Europe. "We must continue to live with the strong Swiss franc and the sharper rises in costs," says Edgar Oehler. "By implementing permanent optimizations, we will attempt to counteract the problems that these factors cause for us. We remain cautiously optimistic about net revenue and earnings for the current year."

### Net revenues

Net revenues in CHF million	2010 <sup>1)</sup>	2009	Change	Change currency adjusted
<b>AFG Arbonia-Forster-Group</b>	<b>1'413.6</b>	<b>1'384.2</b>	<b>2.1%</b>	<b>5.8%</b>
- Heating Techn. and Sanitary Equip. Division	544.5	566.8	-3.9%	3.3%
- Kitchens and Refrigeration Division	267.1	269.4	-0.9%	0.2%
- Windows and Doors Division	405.2	376.7	7.6%	8.8%
- Steel Technology Division	139.4	123.3	13.1%	13.1%
- Surface Technology Division	59.4	50.8	17.1%	20.3%
- Corporate Services	26.8	24.7	8.3%	8.3%
./. Group consolidation	-28.8	-27.5		

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



## **Dates**

Publication of 2010 annual report	08 March 2011
Results press conference	08 March 2011, 10.30 a.m., Hotel Metropol, Zurich
Financial analysts' conference	08 March 2011, 2 p.m., Hotel Metropol, Zurich
Annual General Meeting	29 April 2011, 4 p.m., 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).

### **About AFG Arbonia-Forster-Holding AG**

AFG Arbonia-Forster-Holding AG, based in Arbon, Switzerland, is a leading integrated construction industry supplier and technology group. The company is listed on the SIX Swiss Exchange and operates through five Divisions: Heating Technology and Sanitary Equipment, Kitchens and Refrigeration, Windows and Doors, Steel Technology and Surface Technology. Its production sites are in Switzerland, Germany, France, the USA, the Czech Republic, the UK and Slovakia. AFG has about 50 production and distribution companies around the world, as well as several representative offices and partners. It is active in more than 70 countries in total. Its brands - Kermi, Arbonia, Prolux, ASCO Swiss, Aqualux, Forster Küchen, Forster Kühlen, Warendorf, Piatti, EgoKiefer, RWD Schlatter, Slovaktual, Forster Präzisionsstahlrohre, Forster Profilsysteme, STI | Hartchrom and Asta – are at the heart of its business. With these brands, AFG Arbonia-Forster-Holding AG has built up leading positions in its home markets of Switzerland and Germany. It is also engaged in intensive efforts to develop new markets in Eastern Europe, Russia, and the Middle and Far East, though always with a close eye on the general economic situation. A separate Asia Pacific regional branch was set up in 2008. AFG's focus is on segments that reward outstanding innovation and responsiveness with robust margins and exceptional long-term growth potential.