Media release

After a difficult 2011, AFG looks to the future with confidence

Slight fall in net revenues in 2011 owing to strong Swiss franc and more cautious investment climate – Adjusted EBIT margin just within expectations at 3.0% – Sharp and lasting change in market conditions leads to substantial impairments and a net loss of CHF -70.2 million – Initial success of reorganization measures encourages confidence for the future.

A r b o n, 6 March 2012 - **AFG, one of Europe's leading construction industry suppliers, had a difficult year in 2011. Net revenues fell 4.7% to CHF 1347.4 million owing to the unfavourable exchange rate situation. While the EBITDA margin fell from 8.6% to 7.4%, and EBITDA came to CHF 100.2 million, AFG kept within its target range with an EBIT margin of 3.0% after adjusting for exceptional factors. However, because of a previously announced need for substantial impairments, actual EBIT came to CHF -34.3 million (previous year CHF +47.5 million), and there was a net loss for the year of CHF -70.2 million (previous year CHF +14.2 million). The main reasons for this result were the impairments, totalling CHF 73.0 million, that affected mainly the Surface Technology Division, and to a lesser extent the Heating Technology and Sanitary Equipment and Steel Technology Divisions, as well as Corporate Services. Nevertheless, AFG, with cash and cash equivalents of CHF 249.6 million and an equity ratio of almost 40%, still has a solid balance sheet. The current year will also be affected by the transitional situation: the initiated improvements will only start to have a positive effect on AFG's results in subsequent years. The Board of Directors is recommending to the forthcoming Annual General Meeting that no dividend be paid.**

"Adjustments to the balance sheet mean that the overall result looks disappointing," says Daniel Frutig, CEO since June 2011. "This does not do justice to our operating performance in an environment made very difficult by exchange rates and by rising cost and price pressures. Taking restructuring measures into account as well, this performance was actually much better than the result suggests." Mainly because of the effects of the strong Swiss franc on export and import prices, 2011 was very much a financial year of two halves. While AFG posted growth of 6.2% after adjusting for currency influences and acquisitions in the first half year, this fell by 5.0% compared with the previous year in the normally stronger second half.

This was in part because investment support measures in Germany came to an end, and because markets were unsettled by the increasingly threatening-looking European debt crisis. Both factors led to a significant decline in investment confidence. Lack of capacity in some production facilities, and surplus capacity in others also had a negative effect on net revenues and costs, confirming the need to take action in the context of the review of the whole organization. These developments are reflected in different ways by the performance of the individual divisions.

Owing to lower demand from outside Germany – i.e. the UK (especially Aqualux) and other Western European countries - the biggest **division**, **Heating Technology and Sanitary Equipment**, experienced a downturn in net revenues. This division was also the one hardest hit by the ending of economic stimulation programmes in Germany. In this difficult environment, the division's net revenues fell 11.4% to CHF 482.3 million, though after currency adjustment the fall was only 1.7%. Higher material costs, especially the cost of steel, could not always be passed on through in full to sales prices because of the intense competition. Finally, moving production from Riesa (Germany) to Stribro (Czech Republic) temporarily caused longer supply times and higher costs. Despite further process improvements and cost savings, this led to a much weaker EBIT of CHF 26.3 million.

Net revenues at the **Kitchen and Refrigeration Technology Division** were only slightly down on the previous year despite the organizational and financial impact of ongoing restructuring measures. The CHF 257.6 million net revenues figure represented a decrease of 3.5%, or of 2.4% after currency adjustment. The Kitchens business suffered particularly in Switzerland's border regions and in major projects from the impact of increased imports of competing foreign products, which are profiting from the exchange rate situation. Production problems at Forster Kitchens and insufficient utilization of production capacity in Warendorf (Germany) placed further constraints on the division's performance. This and the cost of the corrective measures taken are reflected in an unsatisfactory EBIT of CHF -9.4 million.

Stable construction activity, a strong focus on the Swiss home market, and a high level of innovation allowed the **Windows and Doors Division** to increase net revenues slightly by 0.3% to CHF 406.4 million. Net revenues in Switzerland increased by around 3.0%. In addition, the expanded factory in Pravenec, Slovakia, did not start producing windows until later than planned. Despite the impact of this delay on revenues and despite the still intensely competitive market situation in Slovakia and the Czech Republic, the division's EBIT of CHF 40.2 million was higher than the previous year's, thanks mainly to its strong position in the Swiss market.

The **Steel Technology Division** posted a slight increase in net revenues of 0.8% to CHF 140.5 million. The strong market position enjoyed by Forster Profile Systems in Switzerland and Germany compensated for the exchange-rate driven fall in demand from other European markets and the USA. Because of exchange rate factors, however, the automotive business's net revenues were significantly below the previous years. The division makes its products exclusively in Switzerland and depends heavily on export sales (70% of profile products and 90% of tube products are sold abroad). Consequently the strong influence of exchange rates caused a fall in EBIT to CHF -5.8 million.

The **Surface Technology Division**, led by Dr Hannes Schmüser since last July, increased net revenues again. With an 8.5% rise in currency and acquisition-adjusted terms, the actual increase was 6.9%, giving annual net revenues for the division of CHF 63.6 million. The new production facility in Changshu, China, should begin operations in the second quarter of 2012 and contribute to net revenues from mid-2012. Despite rigorous implementation of ongoing cost reduction measures, the cost of building this plant and installing production lines, combined with the difficult competitive situation caused by unfavourable exchange rates, hurt the earnings situation. As a result, EBITDA was below the previous year's level at CHF -1.3 million, while EBIT showed a loss of CHF -66.9 million owing to the high impairments.

The **Logistics Department's** 27.2% decline in turnover to CHF 18.0 million was largely a result of the relocation of Heating Technology production and of the sale of Asta AG Arbon's European activities. Following completion of the sale of Swiss activities at the end of January 2012, this department will no longer be reported separately; instead it will be managed as the Transport Logistics Competence Centre.

Further reduction in net indebtedness

Total assets declined to CHF 1271.0 million (previous year CHF 1388.2 million) as a result of the value adjustments, and the equity ratio fell back slightly from 41.8% to 38.9%, which is still a solid ratio by industry standards. Despite the more difficult conditions, AFG managed to reduce net debt further to CHF 167.5 million (previous year CHF 169.4 million), and despite slow sales, it achieved a positive free cash flow of CHF 12.8 million. This may have been significantly lower than in the previous year (CHF 59.7 million), but this is because investments returned to a normal level after having been reduced sharply in the previous two years.

Current financial year part of a transitional period

2011 was a tough year which, while highlighting weaknesses in AFG's focus and processes, also led to rapid corrective measures thanks to a thorough and energetic review of the whole organization. The relocation of radiator production from Riesa to Stribro, which weighed down on sales and earnings last year, is now complete; expanded window production in Pravenec is now running at full capacity; and the capacity problems at EgoKiefer have been resolved. In the Kitchens business, an integrated marketing platform for Switzerland has been created for the three brands Forster, Piatti and Warendorf.

Meanwhile, at Forster Kitchens- & Refrigeration Technology AG, separate management was put in place for Forster Kitchens and Forster Refrigeration Technology as from 1 December 2011 in order to clarify responsibilities and powers of authority.

For the same reason the two segments within Forster Rohr- & Profiltechnik AG were given their own separate management teams from 1 March 2012. The Logistics Department was also reorganized following the sale of Asta AG Arbon's transport operations.

In addition to these organizational measures, AFG's management team was strengthened in the second half of 2011 by the addition of the Head of the Surface Technology Division, the General Manager China and the Head of Corporate Procurement. Finally, from 1 April 2012 the Head of Global Operations will have group-wide responsibility for operational excellence in all processes as well as for technology and innovation management.

All of these measures will provide new impetus for the individual divisions and business areas, as well as facilitating cost and sales synergies. Further substantive measures are being prepared as part of AFG's strategic reorientation. These include the accelerated development of international markets, not least in order to reduce dependency on the Swiss franc. The medium-term goal is still to achieve approximately 40% of net revenues outside the two home markets Switzerland and Germany.

Further measurable operational progress will become apparent this year as a result of the ongoing review of the business portfolio. Nevertheless, 2012 will still be influenced by the company's restructuring. AFG will only harvest the first fruits of the great efforts being made to refocus the company in subsequent years. Consequently, the Board of Directors is recommending to the forthcoming Annual General Meeting that no dividend be paid out for the 2011 financial year.

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This press release, the annual report and further information on AFG can also be found on our website at www.afg.ch.

AFG

The AFG is a leading building supply group offering cutting-edge technology, innovative solutions and services and a proven international track record. The company has its head office in Arbon, in the canton of Thurgau (Switzerland), and is quoted on the Swiss Stock Exchange (SIX). It has about 50 production and distribution companies and is active worldwide, with offices and partners in over 70 countries.

The five divisions making up AFG reflect the Group's activities: Heating Technology and Sanitary Equipment, Kitchens and Refrigeration Technology, Windows and Doors, Steel Technology and Surface Technology. Production facilities are located in Switzerland, Germany, England, France, the Czech Republic, Slovakia, the USA and China. In its domestic markets, Switzerland and Germany, AFG holds a leading market position. The Group is aiming at opening up new markets and expanding its international activities.