



AFG  
Arbonia-Forster-Holding AG



# Media Conference Takeover and Integration of RWD Schlatter AG into AFG Arbonia-Forster-Holding AG

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## **A further step into the future – massive strengthening of market position**

Over the past three years AFG Arbonia-Forster-Holding has grown strongly in terms of both sales and profits. It has also seen a corresponding increase in its workforce. This development did not occur in a vacuum and, in fact, received consistent support from our shareholders.

The foundations for this development and course of action were laid on 16 September 2003. From its position in the past as a sort of "general store", the organisation has grown to become one of the most important suppliers to the European construction industry. We have devoted our efforts to the realisation of a "one home – one stop" strategy, which focuses on the growth of our core activities. This continues to mean that we are aiming for growth in the following company divisions – Heating Technology and Sanitary Equipment, Kitchens and Refrigeration and Windows and Doors. We aim to achieve this expansion organically with an annual growth rate of 5 to 10 %. However, the amount of expansion envisaged is not restricted to organic growth. We have repeatedly stated that we are on the lookout for potential takeovers both actively and passively, i.e. we are actively looking as well as being receptive to offers from others.

The desired organic growth at AFG also includes the areas of R&D, innovation and investment. Our aim is neither to update the past nor to manage the present, what we want to do is grasp the future. For the current fiscal year AFG has an investment volume of approx. CHF 105 million, which should guarantee our success in the future.

Growth at AFG also includes increased internationalisation, the development of foreign markets and penetration into new distribution channels. What we produce and sell today are the results of the developments of yesterday. And it's precisely for this reason that we place such importance on the issue of business development.

### **Five divisions – two strong areas**

AFG currently comprises 5 divisions compared to just three years ago. Three of these five divisions focus on the construction sector, whereas the other two are active in the technology sphere. In addition, the Steel Technology Division provides a sort of bridging function as some of its components are also supplied to the construction industry.

On 09 January 2007 we announced the takeover of STI Surface Technologies AG and its 12 subsidiaries and their integration into AFG. The aim of this move was to strengthen and expand the profitable technology sector at AFG and to make us less susceptible to the cyclical nature of the construction industry.

This strategy and our business model have been received very positively by our shareholders – and there has also been a very positive response over the past three years from the industry in general, our business partners and the stock exchange. This is clearly evidenced by the fact that between September 2003 and 16 February 2006 the

market value of AFG rose from CHF 140 million to CHF 1127 million, i.e. an increase of approx. one billion Swiss Francs or eightfold growth. These facts and comparative figures are certainly compelling.

### **Growth continues**

We are here today to inform you of a further step in our expansion process. The acquisition of another company and its integration within AFG is not an unplanned or random action that we are embarking on simply because the opportunity arose.

In each of our five divisions we work to a strategy and a business plan. We have followed these guidelines and principles in our considerations regarding the direction in which the Windows and Doors Division and EgoKiefer AG should develop.

EgoKiefer is the largest and certainly the most successful window manufacturer in Switzerland and the company is a benchmark for all aspects of the industry throughout Europe. However, the company is not a market leader in the doors sector. In our opinion windows and doors belong together, especially as they have the same technical function, i.e. they close the holes in the building! The business plan also states that EgoKiefer needs to raise its international profile in order to assure its growth. And to be able to pursue this strategy of internationalisation successfully, our companies must first of all do their homework. With EgoKiefer this means having to increase and strengthen its market share of doors in the home market. EgoKiefer must also expand its window construction capacities – and this is at least being achieved to some extent with the new manufacturing facilities in Villeneuve. There is insufficient space at Altstätten and this space can only be created if door manufacturing is expanded elsewhere. One thing is dependent on the other – an extremely strong position on the Swiss market creates the basis for increasing internationalisation.

### **Excellent option found – problem solved**

RWD Schlatter AG, with its headquarters in Roggwil and sales office in Dietikon ZH, is the leading door manufacturer in Switzerland. In addition to external plastic doors, RWD Schlatter also offers a range of other high-quality products. Major expansion of its own door manufacturing facilities in Altstätten would inevitably have led EgoKiefer into a position where they were in direct competition with RWD Schlatter. The two companies are currently in competition in only a few areas of the market and tend to complement rather than compete with each other. If a competitive relationship had been created between the two companies, it would have resulted in a battle for market share. In view of the current market situation, this development could have been difficult. The most likely scenario would have been two losers and an outsider coming in as the winner.

Against this background it seemed sensible to investigate the possibility of a collaborative relationship with RWD Schlatter AG and its sole owner, Ronald Pieper. We met for the first time about a year ago in Arnegg SG where we both explored our mutual interests. Naturally, we did not come to an agreed course of action at the first meeting, but we did identify the strengths and weaknesses of the two companies in the areas of door manufacturing, development and marketing. The future of the companies was equally important to both parties.

## **Combination of weaknesses and strengths from the two organisations eliminates weaknesses**

We considered the synergies resulting from the expansion of the future market position of a united RWD Schlatter and EgoKiefer door manufacturing organisation. A further important aspect was the opportunity afforded to both companies to expand their offer and in combination to become a complete system supplier. I make no secret of the fact that RWD Schlatter was larger than EgoKiefer and had a better market position. There are plenty of figures to show that during the last fiscal year RWD Schlatter manufactured twice as many doors as EgoKiefer and generated about twice as much sales volume as EgoKiefer.

RWD Schlatter also has a number of innovative core competences in the door manufacturing sector and does not want simply to manufacture and sell doors. Its aim is to focus on exploiting its core competences in the mid to high-range market segment, e.g. in doors that offer protection against fire, burglary, weapons, climatic conditions, radiation, heat and noise. The company already has 1 Swiss patent, 75 fire protection certificates, 30 anti-burglary certificates and other official inspection certificates in the areas of climate control, bullet resistance, noise etc.

RWD Schlatter was the first door manufacturer to be awarded the Swiss Minergie energy efficiency standard for doors.

These and other general economic factors led us to the conclusion that the integration of RWD Schlatter within AFG and its transfer to the Windows and Doors division was the right course of action for the future of both companies, their employees and their customers.

And on Monday, 19 February 2007 the relevant agreements were signed with retrospective effect as of 1 January 2007.

## **Shaping a common future**

Our declared objectives are as follows:

- The door manufacturing and sales section will continue to operate using the same distribution channels over the short term.
- Production will be maintained in Altstätten SG and Roggwil TG over the short to medium term.
- RWD Schlatter AG will be integrated as a Doors Business Unit within the Windows and Doors Division.
- A merger of RWD Schlatter AG and EgoKiefer AG is not envisaged at present.
- In Roggwil there is a separate management team.

- It is envisaged, however, to concentrate door manufacturing at RWD Schlatter in Roggwil. This will create the necessary space to expand and increase window manufacturing in Altstätten.
- There is no intention to cut workforce numbers as we want to expand the Doors Business Unit. No previous acquisition by AFG has resulted in a cut in workforce numbers. Quite the reverse, we have often created new jobs.
- The incorporation of RWD Schlatter within the Windows and Doors Division will introduce immediate and quantifiable synergies, e.g. in production, distribution channels, marketing, sales, procurement and R&D.

### Final comments

The takeover and integration of RWD Schlatter AG by AFG Arbonia-Forster Holding is in fact a win-win situation for both companies and all involved parties. These two companies complement each other almost ideally. Production will be strengthened and will be able to be organised more efficiently. The manufacturing capacities can be coordinated and optimised almost perfectly. This development will produce a strong force in door manufacturing and distribution in the Swiss market by creating a complete system supplier from two companies supplying different sub-sectors. Where necessary and wherever possible, quality will be improved.

The RWD Schlatter site in Roggwil is absolutely ideal. It is situated less than 10 kilometres from AFG, its subsidiaries in Oberthurgau and STI | Hartchrom AG. The distance from the EgoKiefer headquarters in Altstätten is about 30 kilometres, i.e. at most a 30-minute drive away.

With its takeover of RWD Schlatter, AFG Arbonia-Forster Holding AG has once again shown its commitment to Switzerland – and particularly Eastern Switzerland – as a location for manufacturing industry. The corporate group will now be employing a workforce of about 2500 within a radius of approx. 20 kilometres in Arbon TG, Altstätten SG, Roggwil TG and Steinach SG.

We have made an excellent start to 2007 and AFG looks set to achieve consolidated sales (excluding further acquisitions) of around CHF 1.4 billion in 2007. It will have a workforce of more than 5500 employees in Switzerland and abroad (5 sites in Switzerland, 4 in Germany, 2 in France, 1 in the Czech Republic, 1 in the USA and 2 in China for 2007). We also have our own companies in more than 20 other countries.