



L'Art de la Table  
1825

## Press Release

Arques (France), March 30th 2010

### **Arc International accelerates its transformation and its innovations to address a downturn in the economic environment**

- **A particularly difficult situation in 2009 with continued uncertainty in 2010**
- **A sustained and recognised innovation policy**
- **Continued efforts to re-focus the Group's activities**
- **Confirmed containment of costs and cash position**
- **Acceleration of the strategic transformation plan through major projects**

As anticipated, the crisis has had a great impact on Arc International's 2009 consolidated results which will be presented to the Annual General Shareholders' Meeting at the end of April 2010. Turnover totalled 1 billion euro, down by 14% mainly due to a drop in sales, but also because of considerable pressure on prices. Europe is the region that is the most influenced by this unfavourable context, and the site at Arques has been considerably affected. This site, which was designed for high volume production fundamentally intended for export, has been greatly impacted. Arques' export sales accounted for more than 80% of turnover in 2009. Its business with markets outside of Europe (for example Russia, where export activity declined by 50%) also suffered adverse exchange rate effects, which on the other hand worked in favour of competitors producing goods in low cost countries.

The operating result was -26 million euro as opposed to +39 million in 2008, due to a drop in volumes sold and a decrease in production in Europe. North America, where a cost reduction programme and a review of the business model bore their first fruits in 2009, is now performing well. The growth in sales recorded in China and the Middle East fully justifies investments conducted there.

The reduction of stock levels by 25% and the control of investments allowed the Group's cash position to be kept in check. Despite the crisis, Arc International continued to manage its debt levels by limiting the rise in the net debt to EBITDA ratio. This ratio was 1.29 in 2009, as opposed to 0.95 in 2008 and 2.5 in 2007. Debt levels were continuously monitored so that necessary investments could be made in research and development, in the competitiveness and sustainability of the Arques site and in the development of activities in emerging countries where industrial capacities are already saturated.

**2009 key figures (audited)**

	<b>2009</b>	<b>2008</b>
<b>Gross turnover (in millions of euro)</b>	1,000	1,162
<b>Operating result (in millions of euro)</b>	-26	39

<b>Breakdown of turnover by region (expressed as a percentage)</b>	<b>2009</b>	<b>2008</b>
<i>European Union</i>	56%	57%
<i>North America</i>	14%	12%
<i>International</i>	30%	31%

<b>Breakdown of turnover by business line (expressed as a percentage)</b>	<b>2009</b>	<b>2008</b>
<i>Consumer Goods</i>	53%	52%
<i>Food Service</i>	20%	21%
<i>BtoB</i>	27%	27%

**2009: Continuation of the strategic plan**

In this context of major economic crisis, Arc International continued its efforts to implement its strategic transformation plan, focusing on five main areas:

- *Sale or closing of unprofitable or non-strategic activities:* Sale of the production site in Spain (Bilbao) to management to meet over-capacity problems in Europe; sale of the Group's distribution subsidiary in Great Britain (Leeds);
- *Restructuring of long-standing markets:* Revision of the American business model allowing a return to profitable growth; reorganisation of distribution in France and Spain;
- *Acceleration of research and development:* Launch of new materials (Diamax<sup>®</sup> and Zenix<sup>®</sup>) with strong growth leverage which will expand the Group's presence in new markets;
- *Strengthening of the Group's presence in countries with strong growth:* Continuation of investments and increase in production capacity of sites that require this in order to help growth in local markets;
- *Continuation of the efficiency programme:* Launch of projects that aim to position the Arques site at a level of cost performance that will safeguard it against third country exports in the European market, its natural market.

## **2010: Continuation of necessary transformation**

Despite this very difficult situation in 2009 and continued uncertainty in 2010, Arc International will continue to gain in strength thanks to the implementation of its transformation programme. The aims of this programme are to give the Arques site a competitive edge, to improve organisational efficiency and to promote growth in markets with potential.

As it has in the past, the Group is now pursuing its innovation plan. In February 2010 it launched two new products that have no equivalent elsewhere in the world:

- Diamax<sup>®</sup>: A material which offers exceptional qualities of purity, shine and resistance, which will be used in Cristal d'Arques Paris collections.
- Zenix<sup>®</sup>: A previously unheard-of material which brings novelty to ceramics with the highest shock resistance index in the marketplace. This product, which is also highly scratch resistant and has a perfect finish, will be marketed under the brand names Luminarc (the world's number one Tableware brand) and Arcoroc.

These two innovations received an excellent response when they were launched at the Frankfurt Ambiente Trade Fair.

### **Guillaume de Fougères, Chairman of the Board of Directors of Arc International, announced:**

*"As anticipated, the Arc International Group braved a particularly difficult year in 2009. However, we were able to meet our objectives in terms of research and development and we accelerated our transformation plan and our programme to adjust to the economic climate in all units, with strong team commitment. The first quarter of 2010 continues to be tough across all markets. This year, we predict a slight increase in turnover thanks to our presence in emerging markets. We are doing all we can to ensure that our operating result gets back to normal - this is crucial.*

*Arc International remains the forerunner in its market, a market in which it is the world leader. Through its products, the Group is promoting the values of the tradition of French style Tableware. Diamax<sup>®</sup> is boosting our premium offer and illustrates, with Zenix<sup>®</sup>, the importance of innovation, which is at the heart of our strategy to serve consumers. In this way Arc International will be prepared to take advantage of the end of the crisis, whenever this occurs."*

#### **About Arc International, l'Art de la Table\* 1825**

Arc International employs 12,200 people worldwide including 8,000 in France. The Group, whose head office is located in Arques, in the French Pas-de-Calais region, achieved a turnover of 1 billion Euros in 2009. Armed with its knowhow in glassware, it developed globally and diversified its activities through the integration of materials other than glass. Today, it markets a full range of tableware products in more than 160 countries.

The Group covers the Consumer Goods and Food Service markets through a portfolio of brands, Luminarc<sup>®</sup>, Arcoroc<sup>®</sup>, Cristal d'Arques<sup>®</sup> Paris, Pyrex<sup>®</sup>\*\*and Chef & Sommelier. For more than 40 years the Group has also been addressing professional customers – industrialists, traders, manufacturers of semi-finished and finished products, and service providers – by offering them tailored-made solutions to meet their specific requirements (for industry, advertising, premiums and customer loyalty programmes).

Arc International is present in five continents with production sites (France, USA, China, and UAE), distribution subsidiaries (France, US, Spain, Australia, Mexico, Brazil, Japan) and sales offices.

Finally, the Group has adopted a strategy of sustainable development in order to balance economic requirements, social responsibility and respect for the environment, and joined the U.N.'s Global Compact in 2003.

\* Tableware

\*\* Pyrex<sup>®</sup> is a trademark of Corning Inc., licensed by Arc International Cookware SAS in Europe, the Middle East, and Africa

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