Röchling Group Expanding Worldwide
Fifth Plant in China and Seventh Plant in the USA

15.06.2011 - The Röchling Group got off to an outstanding start in 2011. It increased sales in the first quarter by 22.8% to a total of EUR 293.9 million (previous year: EUR 239.4 million). The sustained good outlook for the future was driven by 22.2% growth in incoming orders to EUR 313.8 million (EUR 256.7 million in Q1 2010). In the Automotive Plastics division, sales improved from the previous year’s quarter by 14.6%, and in the High-Performance Plastics division they rose by as much as 30.9%.

“We are in the midst of a growth spurt,” said Georg Duffner, CEO, explaining the good start to 2011. “The Röchling Group is benefiting from strong demand, particularly in China and other newly industrializing countries. In order to continue to benefit from opportunities, the topic of international expansion has highest priority.” For example, this year the Group commissioned its fifth plant in China, located in Chengdu, the capital of the southwestern Chinese province of Sichuan, and its seventh manufacturing facility in the USA (Akron, Ohio). The Röchling Group is currently building an additional manufacturing facility in Pitesti, Romania. Duffner: “Whereas the Röchling Group still generated 67% of its sales in Germany ten years ago, we expect to derive two-thirds of our sales from other countries in 2014.”

2010: Sales Grew to EUR 1 Billion

Following the year of recession, 2010 represented dynamic growth for the Röchling Group. Good demand prevailed not only in the automotive market but also in the capital goods industry, particularly the chemical industry and medical technology. Sales rose by 20.6% to EUR 1,002.8 million. Incoming orders, which increased by 26.8% to EUR 1,044.4 million, performed even better.

The growth engine was the unexpectedly rapid recovery of the global economy, driven by a surge in China and other growth markets. As a result of the upturn, the Röchling Group increased investments in tangible assets by 34.2% to EUR 35.9 million. Among the most important projects in 2010 was the first assembly line for the flexible production of six different intake manifold models in the Röchling Automotive plant in Changchun, China, with an annual output of 737,000 units.

Due to encouraging business development, the Company’s financial position continued to improve. “Given the continued increase in our financial strength, we are well equipped to remain on track for global expansion,” stated Marc Trube, CFO of the Röchling Group. The 8.8% increase in the number of employees to 5,971 as of December 31, 2010 underscored the Company’s confidence in the future. At the end of March 2011, Röchling had as many as 6,376 employees.
High-Performance Plastics Grew by 25 Percent

The High-Performance Plastics division recorded a sales increase of 25.9% to EUR 529.6 million. All important sales markets experienced good demand. “In particular, the area of renewable energies has developed into an important business field for us,” stated Röchling COO Ludger Bartels, who is responsible for this topic.

However, since the summer of 2010 significant price increases for raw materials have had a dampening effect on the business. A surge in worldwide demand has led to scarce supply.

In the wake of the economic rebound, the High-Performance Plastics division nearly doubled its investments. They climbed by 84.1% to EUR 19.7 million. Focal points were the expansion of production at sites in Haren/Emrs and Lahnstein, Germany, as well as extensions to production facilities in Singapore and China. An additional element was the expansion of manufacturing of injection-molded plastic parts for medical technology through cleanroom production in Brensbach, Germany. All Company groups increased their staffing in response to the rising workload. As a result, the number of employees rose by 8.3% to 2,763 (previous year: 2,549).

Automotive Plastics Division Benefits from a Rapid Market Recovery

The international automotive supplier industry recovered from the severe economic decline in 2009 with astounding speed. Thus the industry’s global sales in 2010 nearly matched the pre-crisis level. As a result of the good market development, the Automotive Plastics division increased sales by 15.8% to EUR 473.7 million. The growth rates were particularly high in China and the USA.

The investments of the Automotive Plastics division, which totaled EUR 16.1 million, remained nearly at the same level as in the previous year (EUR 15.9 million). The emphasis here was particularly on expanding capacity. A new production hall was constructed in Worms, Germany, for example, for the manufacture of lightweight parts. As the business in China is operating at full speed, the Chinese subsidiary in Suzhou expanded its capacity and moved into a new production hall.

The workforce grew by 275 new employees, 9.6% more strongly than in the High-Performance Plastics division. On December 31, 2010, Röchling Automotive group had a total of 3,136 employees. This corresponded to an increase of 9.6%. The personnel rise occurred primarily in Europe and Asia.

In order to further strengthen its position as an innovation leader, Röchling established the new specialist division New Business Green Car. In view of the increasing variety of new vehicle and drive concepts, the division is designed to promote the development of corresponding plastics products.

Despite the good trend, the outlook for the future is not untroubled, as the industry sees itself exposed to new risks. Although China’s enormous automotive market is rapidly gaining in importance, many suppliers complain of financial tension caused by the high costs of expansion necessary to augment their pres-
ence in this market. In addition, the industry is suffering from rapid price increases for raw materials. Although the Chinese government has maintained its economic stimulus program since the beginning of 2010, at the end of the year it announced restrictions on the registration of new private cars beginning in 2011.

The remaining regions of the Automotive Plastics division similarly recorded sharp increases in incoming orders and sales. Here also, the sector is worried about the increasing scarcity of raw materials as a result of rising demand.

**Company’s Largest Investment Program Launched**

Notwithstanding these risks, Röchling still sees itself well positioned and views the future with optimism. In view of the very promising outlook for growth, the Executive Board launched the largest investment program in the Company’s history. In total, more than EUR 80 million are to be invested in the expansion of existing plants as well as new plant construction. In the first quarter of 2011, therefore, the Group increased expenditure on fixed assets by more than 100% from EUR 6.7 million to EUR 13.8 million.

The Executive Board expects the upward trend to continue in the second quarter of this year. Duffer: “However, it is too early to make a forecast for the entire year of 2011. The economy’s development after the summer break will be decisive for business performance. Thus we must await the impact of various risks on the year, particularly the further development of prices for raw materials and energy, the consequences of the natural and nuclear disaster in Japan, lingering problems surrounding the highly-indebted eurozone countries, as well as the situation in North Africa.”