Press Release

AFG Arbonia-Forster-Holding AG continues its high pace of growth

Arbon TG, 7 August 2007. – **AFG Arbonia-Forster-Holding AG, the international supplier to the construction industry based in Arbon, Switzerland, presents a solid half-year report with a sustained high pace of growth. AFG benefited from the largely favourable construction industry in most of its key sales markets in the first six months of 2007. Net sales increased compared with last year by 22.8% to CHF 679.66 million (previous year: CHF 553.57 million), adjusted for acquisitions by 9.3%. Growth in earnings largely kept pace with this growth in sales despite much higher material, wage and energy costs in part. EBITDA increased by 16.6% to CHF 65.21 million (CHF 55.93 million) and reached 9.6% (10.1%) of net sales. On the other hand, the amortisation of intangible fixed assets involving the companies acquired, STI Surface Technologies International Holding AG and RWD Schlatter AG, slowed the Group's EBIT growth. Nevertheless, this increased an impressive 14.2% to CHF 37.73 million (CHF 33.05 million). The EBIT margin measured by net sales thereby reached 5.6% (6.0%). Shareholders' equity increased by more than half to CHF 500.1 million (+54.7%) compared to the end of the reporting period 30.06.06 due to the increase in capital and the acquisitions made.**

"In an ever-challenging environment, we have again achieved high growth continuity and have therefore strengthened our position further in all the markets in which we operate", is how Edgar Oehler, Chairman of the Board of Directors and CEO at AFG Arbonia-Forster-Holding AG, sums up the positive half-year report. Its second domestic market, Germany, suffered though in part from the downturn in German house building. However, this weakening of the market managed to be offset largely by healthy business activity in the construction industry in Switzerland and above-average activity in the eastern European markets. Conversely, the strong euro has had a positive effect on revenues as AFG invoices around 42% of its products and services in euro. However, rises in the cost of materials, energy and salaries have largely neutralised the currency effect on sales.

Rising prices and costly SAP implementation

The significant rise in the cost of materials, in particular steel, energy and salaries, identified again for the first time in several years in all markets and sectors is one of the noticeable trends in the first six months of 2007. This is greatly influenced by the weak Swiss franc and the record exchange rate of the euro. The cost of materials experienced a double-digit increase in part, and these mark-ups could not be fully integrated in the final sales prices as a rule.

There were delays in implementing SAP in the first semester, which aggravated matters and drove up costs. These are due to problems with external SAP partners and suppliers. The Kitchens and Refrigeration division was the one that was most affected by these problems.

Five divisions enjoy dynamic growth

As the largest division in the Group, the **Heating Technology and Sanitary Equipment division** again managed to record impressive increases in sales and earnings. The net sales of the division came to CHF 289.50 million in the first six months of 2007 (CHF 266.27 million), with growth of 8.7% that was purely organic. Despite greater competitive pressure and pricing pressure, EBIT increased by 6.3% to CHF 23.16 million (CHF 21.78 million). The EBIT margin of 8.0% (8.2%) was able to keep pace with the growth in sales.

The **Kitchens and Refrigeration division** achieved an impressive result in terms of sales, with net sales up 9.0% to CHF 134.64 million (CHF 123.53 million). However, a number of cumulative factors, in particular the ruinous price war in the construction business, which is influenced more and more by low-price foreign suppliers, as well as the high additional costs for SAP implementation, resulted in this increase in revenue not being reflected accordingly in the operating results. Despite immediate corrective measures including considerable savings in human resources in part, the division posted slightly negative EBIT of CHF -0.48 million and an EBIT margin of -0.4% (previous year: 0.3%) for the first six months of 2007. We should already see the first positive effects on the division's earnings situation in the second half of 2007 owing to the measures taken as well as the reassuringly high orders on hand.

The **Windows and Doors division** once again proved to be the mainstay of the AFG Group and was able to gain a greater share of the market once more. With RWD Schlatter AG, which was acquired retrospectively on 1 January 2007, consolidated, it achieved a strong increase in revenue of 36.0% to CHF 123.45 million (CHF 90.75 million) compared to last year. Adjusted for acquisitions, growth amounted to 8.2%. EBIT rose by 24.4% to CHF 6.39 million (CHF 5.14 million). However, necessitated by amortisation of the intangible assets acquired during the takeover of RWD Schlatter, the EBIT margin fell slightly to 5.2% (5.7%).

The positive trend in both sales and earnings that the **Steel Technology division** has enjoyed continued unabated in the first six months of 2007. With an increase in revenue of 12.5% to CHF 89.28 million (CHF 79.33 million), the division continues to enjoy dynamic growth. With EBIT up 20.2%

to CHF 9.80 million (CHF 8.15 million), the division attained a new record level. The same goes for the EBIT margin of 11.0% (10.3%). The positive sales and earnings trend can be attributed in particular to the launch of innovative products and product innovations in the automotive sector. In addition, the division managed to largely integrate the higher cost of materials, which is due above all to higher steel prices, into the final sales prices.

STI Surface Technologies International Holding AG, which was acquired retrospectively on 1 January 2007, forms the new **Surface Technology division**. It benefited from the sustained boom in mechanical engineering and plant engineering and construction, getting off to a flying start as the Group's fifth division. The increase in revenue, which was achieved solely via organic growth, came to 15.7%, with sales rising to CHF 49.18 million (CHF 42.50 million). Although the amortisation of intangible assets acquired also encumbers the income statement in this instance, the Surface Technology division managed to achieve EBIT of 7.8% measured by net sales. In the first six months of STI | Hartchrom being part of AFG, it was already clearly higher than the Group's average operating profit as expected.

Sound balance sheet structures

The takeovers of STI | Hartchrom and RWD Schlatter AG in the first quarter of this year led to significant changes in both assets and liabilities and to an increase in total assets by 27.2% to CHF 1,346.7 million. A doubling in the value of goodwill to CHF 85.8 million (CHF 41.3 million as per 31.12.2006) is likewise a result of these acquisitions. Shareholders' equity at AFG increased to CHF 500.1 million thanks to an increase in capital at the beginning of May 2007 (CHF 376.5 million as per 31.12.2006). The shareholder equity ratio therefore represents a much better 37.1% as per 30.06.2007 (31.6% as per 30.06.2006).

Confident outlook

On the strength of the favourable market conditions that are expected to continue, AFG Arbonia-Forster-Holding AG anticipates achieving consolidated total sales of over CHF 1.4 billion this year as forecast and an operating profit of over CHF 100 million despite greater competitive pressure. We expect the shareholder equity ratio to be above 40% by the end of 2007 and therefore expect to achieve one of the balance sheet benchmarks defined earlier.

According to Edgar Oehler, the company has no plans for larger acquisitions in the short term: "We will however also take advantage of any opportunities that present themselves in future in order to round off our existing portfolio of products and services. In addition, we are working hard on strengthening our activities outside the two domestic markets of Switzerland and Germany in order to achieve a 50:50 split in the medium term between the two domestic markets and all other markets." To secure the flexibility to finance further acquisitive and organic growth, AFG also intends to take up a syndicate loan in the second half of 2007.

AFG Arbonia-Forster-Holding AG will finally move into its new headquarters in November this year. The AFG Corporate Center is currently being built in Arbon (Canton Thurgau). "It reflects our belief in AFG's successful future", says Edgar Oehler.

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This press release, the First Semester Financial Report 2007 and other information about AFG Arbonia-Forster-Holding AG can be found on our Website at www.afg.ch.

AFG
Arbonia-Forster-Holding AG

Key figures of AFG Arbonia-Forster-Group

in thousands of CHF	1. Semster 2007	%	1. Semester 2006	%	Variance 06/07	%
Income statement						
Net revenues	679'659	100.0	553'565	100.0	126'094	22.8
EBITDA	65'214	9.6	55'927	10.1	9'287	16.6
EBIT	37'729	5.6	33'047	6.0	4'682	14.2
Group profit	25'763	3.8	22'213	4.0	3'550	16.0
Balance sheet						
Current assets	575'618	42.7	481'671	47.1	93'947	19.5
Non-current assets	771'059	57.3	540'089	52.9	230'970	42.8
Total assets (balance sheet total)	1'346'677	100.0	1'021'760	100.0	324'917	31.8
Current liabilities	295'887	22.0	213'259	20.9	82'628	38.7
Non-current liabilities	550'723	40.9	485'317	47.5	65'406	13.5
Shareholders' equity	500'067	37.1	323'184	31.6	176'883	54.7
Net indebtedness	328'816		271'644		57'172	21.0
Cash flow statement						
Net cash used in operating activities	-6'957		6'440			
Net cash used in investing activities	-126'356		-15'998			
Net cash generated from financing activities	78'792		-15'403			
Average number of employees	5'583		4'664			
Segment information						
Net revenues						
Division Heating & Sanitary	289'496	42.2	266'265	47.6		
Division Kitchens & Refrigeration	134'639	19.6	123'525	22.1		
Division Windows & Doors	123'451	18.0	90'748	16.2		
Division Steel Technology	89'278	13.0	79'334	14.2		
Divsion Surface Technology	49'179	7.2				
		100.0		100.0		
EBIT						
Division Heating & Sanitary	23'157	54.2	21'776	61.4		
in % of net revenues	*8.0*		*8.2*			
Division Kitchens & Refrigeration	-475	-1.1	432	1.1		
in % of net revenues	*-0.4*		*0.3*			
Division Windows & Doors	6'388	15.0	5'137	14.4		
in % of net revenues	*5.2*		*5.7*			
Division Steel Technology	9'799	23.0	8'153	23.1		
in % of net revenues	*11.0*		*10.3*			
Divison Surface Technology	3'828	8.9				
in % of net revenues	*7.8*					
		100.0		100.0		
Earnings per share						
Earnings per bearer share in CHF	13.99		12.67		1.32	10.4
Earnings per registered share in CHF	2.80		2.53		0.27	10.7