First Semester Financial Report 2007

AFG achieves solid development with sustained high pace of growth:

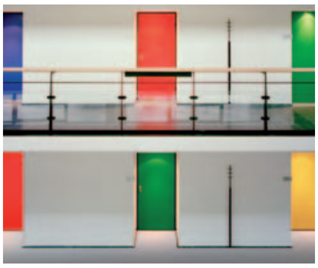
+ 22.8 %
Net sales

+ 14.2 %
EBIT

+ 54.7 %
Equity

Heating Technology and Sanitary Equipment Division
Radiator with thermostat button

Kitchens and Refrigeration Division
Chromium steel with classic black



Windows and Doors Division
Fire doors and sound-proof doors

Steel Technology Division
Forster "thermfix vario" system, fire-proof facade

Surface Technology Division
Calender roller for the paper industry

AFG
Arbonia-Forster-Holding AG

Important Dates, Contact

Important Dates

29 January 2008
Publication of key figures for 2007 financial year

18 March 2008
Press conference on the 2007 financial year

18 March 2008
Presentation to financial analysts on the 2007 financial year

18 April 2008
Annual General Meeting 2008

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

Dear Shareholders
Dear Ladies and Gentlemen

As with previous comparative periods, the first six months of 2007 were characterised by further dynamic growth for AFG Arbonia-Forster-Holding AG. Shareholders rewarded this positive growth, which has lasted for four years now, by providing the company with a capital increase of CHF 108 million in April 2007 in order to finance recent and future growth.

AFG added a business segment of strategic importance to its portfolio by acquiring STI Surface Technologies International Holding AG (Hartchrom AG) on 9 January 2007. The takeover of RWD Schlatter AG on 20 February 2007 enables the Windows and Doors division to strengthen and broaden its range of EgoKiefer doors in one go so that the division, besides its many years as market leader in EgoKiefer windows, can now also become a market leader in the production of doors. STI|Hartchrom and RWD Schlatter were both included retrospectively in AFG's reporting entity as of 1 January 2007.

These acquisitions have changed the company profile in so far as the Steel Technology and Surface Technology divisions – two high-tech areas – now complement the traditional construction supply divisions Heating Technology and Sanitary Equipment, Kitchens und Refrigeration as well as Windows and Doors. The latter still achieve around 80% of Group sales though and therefore continue to represent the vast majority of AFG's overall product and service portfolio. However, AFG managed on the whole to reduce its dependency on the ups and downs of the construction sector and synergies regarding knowledge of materials and processes by strengthening its technology business.

With regard to its performance in the first half of 2007, AFG benefited in most of its key sales markets from the largely positive development in the construction industry. Net sales increased by 22.8% to CHF 679.66 million compared to last year (CHF 553.57 million), up 9.3% when adjusted for acquisitions. 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.

The growth in earnings largely kept pace with this growth in sales despite significantly higher material and energy costs in part. EBITDA increased by 16.6% to CHF 65.21 million (CHF 55.93 million) and achieved 9.6% (10.1%) of net sales. On the other hand, the amortisations stipulated by IFRS on the intangible fixed assets of the companies acquired, STI|Hartchrom and RWD Schlatter, slowed the Group's EBIT growth. Nevertheless, this still increased by some 14.2% to CHF 37.73 million (CHF 33.05 million). The EBIT margin measured by net sales equalled 5.6% (6.0%).

All divisions again performed better in the first six months of the current fiscal year compared to the same period last year, with some significant improvements in part. 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 again in the eastern European markets.

AFG's capacity to innovate once again gave the divisions a fillip. In an increasingly competitive environment, this is also a prerequisite for growth above the market average. AFG managed to repeat this in all divisions in the first six months, albeit to varying degrees.
What is noticeable in the first six months of 2007 is 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. This is also 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 passed on to customers in their entirety as a rule. The challenges facing procurement and cost management were and still are considerable.
There were also delays in implementing SAP across the country in the first semester, which aggravated matters and drove up costs. These are due to problems involving external SAP partners and suppliers. The highest costs were accrued subsequently in the Kitchens and Refrigeration division (not part of the budget).
The takeover of STI Surface Technologies International Holding AG and RWD Schlatter AG is also reflected clearly in the balance sheet. Total assets, intangible assets, goodwill and amortisations increased as did short-term liabilities and net debt. On the other hand, the successful increase in capital in particular led to a substantial increase in equity to CHF 500.1 million, with the shareholder equity ratio up from 31.6% as of 30 June 2006 to 37.1% as of 30 June 2007.

Developments in the divisions

Heating Technology and Sanitary Equipment: sustained strong growth The largest division in the Group again managed to sustain an impressive pace of growth. In the process, it benefited from a positive international market environment, with Switzerland and the eastern European markets in particular proving to be the actual growth drivers, whilst growth in the German market remained below average as mentioned. On the cost side, the higher cost of materials, particularly for steel, but also the energy costs affecting this division as well as increased marketing efforts influenced the result.
Net sales for the Heating Technology and Sanitary Equipment division came to CHF 289.50 million in the first six months of 2007 (CHF 266.27 million), which represents impressive purely organic growth of 8.7%. Despite greater competitive pressure and pricing pressure, EBIT remained largely stable at CHF 23.16 million (CHF 21.78 million) with an EBIT margin of 8.0% (8.2%).

Kitchens and Refrigeration: ruinous price war 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, among them the extremely high additional costs for SAP implementation, led to this increase in revenue, which is also

associated with clear gains in market share, but which is not being reflected accordingly in the division's operating results, with slightly negative EBIT of CHF –0.48 million and an EBIT margin of –0.4% (0.3%).
This unsatisfactory development can also be attributed to a ruinous price war in Switzerland, above all in the construction business, which is also influenced more and more by low-price foreign suppliers. Forster Refrigeration, which just missed the earnings targets despite higher sales than last year, is likewise affected by this, with the Kitchens business also affected to a different degree. Whilst Piatti achieved not only a sales record with its brand kitchens and was able to significantly increase the average return per kitchen despite heavily squeezed margins, Forster Kitchens was unable to achieve increased sales at profitable prices as well. A similar picture emerged with Miele Kitchens, where sales were likewise significantly higher than the previous year; however, despite considerable savings in human resources, EBIT was unsatisfactory due to a double-digit rise in the cost of materials.
The balance was redressed by revamping the existing product range, developing new, innovative kitchen concepts and other cost reduction programmes. We already anticipate initial signs of improvement over the next six months in this division, which has been somewhat sluggish in the first half of the year, on the strength of the current orders on hand as well as the initial effects of the organisational measures taken, not least the completion of SAP implementation and the new kitchen planning software.

Windows and Doors division: strong growth continues The Windows and Doors division has once again proved to be the mainstay of the AFG Group. The division is proof that a very traditional business can also be developed in a dynamic way with innovative products. Thanks to trendy products, the windows business managed to generate above-average organic growth of 8.2% and gain a greater share of the market once again. The doors business, comprising the previous corresponding activities of the division as well as the newly acquired RWD Schlatter AG, also posted returns clearly above budget. However, the higher cost of materials and depreciation on intangible assets obtained through the acquisition of RWD Schlatter ultimately led to EBIT growth that was slightly below average.
However, on a consolidated basis the Windows and Doors division registered a clear increase in revenue of 36.0% on the whole to CHF 123.45 million (CHF 90.75 million). Adjusted for acquisitions, growth amounted to 8.2%. EBIT increased by 24.4% to CHF 6.39 million (CHF 5.14 million). This resulted in a largely stable EBIT margin of 5.2% (5.7%).

Steel Technology division: on the road to success The positive trend in both sales and earnings that the Steel Technology division has enjoyed for (two) years 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 a record operating profit of CHF 9.80 million (CHF 8.15 million), resulting in an excellent EBIT margin of 11.0% (10.3%).
The successful launch of innovative products such as the new "Forster unico" profile system or the product innovations in the automotive area have contributed greatly to this above-average

sales and earnings trend. The financial position of this international division also benefited from the stronger euro in the period under review despite higher steel prices. The positive earnings trend can be attributed in particular to the continuation of cost reduction programmes already underway last year. 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.

Surface Technology division: newest AFG division makes convincing start The new Surface Technology division formed by the recently acquired STI Surface Technologies International Holding AG got off to an excellent start as the Group's fifth division. It benefited from the sustained boom in mechanical engineering and plant engineering and construction. The Print und Marine businesses posted above-average increases in sales. The Automotive business, which is currently being expanded, even exceeded the high sales expectations.
The increase in revenue, which was achieved solely via organic growth, came to 15.7%, with sales up to CHF 49.18 million (CHF 42.50 million). Despite the amortisation of intangible assets acquired and necessitated by the acquisition of STI I Hartchrom, which encumbers the income statement, the Surface Technology division achieved EBIT of 7.8% measured by net sales. In the first six months of STI I Hartchrom being part of AFG, it was already clearly above the Group's average operating profit as expected.

Corporate Services: integration of transport logistics For reasons of cost efficiency, the two transport logistics carriers, Asta AG and Spedition Gächter AG, were merged retrospectively as of 1 January 2007. However, they will continue to appear under their brand names, which are well established on the market.

Balance sheet and cash flow statement as per 30 June 2007 Total assets have increased since the beginning of the year by 27.2% to CHF 1,346.7 million owing to the takeovers of STI I Hartchrom and RWD Schlatter. The disproportionate increase in receivables and other assets and inventories is due to seasonal fluctuations, rising commodity prices and the stronger euro. Both acquisitions have led to an increase in intangible assets and goodwill. Goodwill increased as per 30 June 2007 by CHF 44.5 million to CHF 85.8 million compared with 31 December 2006. The bulk of this increase comes from the takeover of STI I Hartchrom (CHF 36.2 million). The additional amortisations that resulted from the increase in intangible fixed assets because of the Purchase Price Allocations of the two companies acquired have encumbered the income statement with CHF 2.4 million for the first six months of 2007.
In terms of liabilities and shareholders' equity, the biggest changes are to be seen in short-term borrowings, financial debt and shareholders' equity. Short-term borrowings come from the takeover of STI I Hartchrom. The partial financing of the Corporate Center is primarily responsible for the increase in long-term financial debt. Shareholders' equity increased to CHF 500.1 million thanks to the increase in capital at the beginning of May 2007 (CHF 376.5 million as per 31 December 2006). The shareholder equity ratio therefore comes to 37.1% as per 30 June 2007 compared with 35.6% at the end of last year. This represents a clear-cut increase compared to the same period last year (31.6% as per 30.06.2006).

The consolidated cash flow statement for the first six months of 2007 reflects the changes brought about by the acquisitions and the increase in capital. The net cash used in/generated from operating activities is slightly negative at CHF –7.0 million (CHF +6.4 million as per 30 June 2006). This can be attributed above all to higher commodity prices and the strong euro. Net debt increased to CHF 328.8 million as per 30 June 2007 (CHF 271.6 million as per 30 June 2006). The key changes here also concern the two acquisitions at the start of the year and the increase in capital.
Investments have increased significantly with CHF 41.2 million compared to last year (CHF 17.6 million). Besides the additional investments in STI I Hartchrom and RWD Schlatter, construction of the new Corporate Center carries most weight. We still anticipate investments of around CHF 100 million for 2007 as a whole.

Outlook We do not expect any dramatic changes to the business climate relevant to AFG in the second half of 2007. However, we do expect material and energy costs to continue to rise and heightened competition, which will continue to put pressure on prices. This situation calls for management to continue to optimise and rationalise planning, development and production on a permanent basis, strict cost management and at the same time for sales efforts to be increased in order to be able to benefit from economies of scale by making optimum use of production plants.
Every manufacturer is forced to continually optimise its processes in the broadest sense if they wish to remain successful in business. However, companies only differentiate themselves from the competition in part at this level. You create a strong position in the market for yourself through genuine innovations and creative marketing. This calls for considerable investments at first, although it does pay off, as demonstrated by the examples of "Forster unico" or the XL® windows from EgoKiefer, which have already gained a noticeable competitive advantage. It is no accident that these two divisions stand out due to growth that continues to be above average and good to very good earnings. The Kitchens and Refrigeration division will also not be able to avoid this process of optimisation and innovation. However, we are prepared to tread this path, even if it takes a little longer than expected.
On the strength of the development in the first six months of 2007 and the favourable market conditions that are expected to continue, the individual divisions as well as AFG Arbonia-Forster-Holding AG as a whole anticipate that the second half of 2007 will by and large meet expectations and that the full year will therefore be a good one. We are confident of achieving the professed goals of consolidated total sales of over CHF 1.4 billion and an operating profit of over CHF 100 million. Without any major changes, we also expect a shareholder equity ratio of over 40% by the end of the current year and with it one of the balance sheet benchmarks defined earlier on.
The second half of 2007 will be characterised by several events of great importance for AFG's development. AFG will work hard on strengthening activities outside the two domestic markets of Switzerland and Germany. The ratio of sales activities between the two domestic markets and all other markets should, as already mentioned, be 50/50 in the medium term. Our aim is therefore to make use not only of the above-average growth prospects particu-

larly in eastern European and Asian markets, but also to reinforce risk management on a broader geographical scale.

AFG has no plans for other larger acquisitions in the short term. However, we will also take advantage of any opportunities that present themselves in future to round off our existing portfolio of products and services. To secure the flexibility to finance further acquisitive and organic growth, AFG intends to take up a syndicate loan in the second half of 2007.

AFG Arbonia-Forster-Holding AG and therefore also Corporate Management will finally move into the new headquarters in November this year. The AFG Corporate Center is currently being built in Arbon. All central Group functions, which are currently spread over several locations, will be combined in this new AFG Corporate Center. The new Corporate Center is more than just a headquarters for AFG. It reflects the Group's growth over recent years and is also a symbol of our belief in a successful future.

The future has a past – previous successes, but also future ones, would not be possible without the dedication and commitment of our 5,800 employees around the world. I would like to thank you all at this point for your commitment and loyalty. I would also like to thank you, the shareholders, who encourage us time and again with your loyalty and trust.

Arbon, 7 August 2007

AFG Arbonia-Forster-Holding AG
Chairman of the Board of Directors and CEO

Dr. Edgar Oehler

Consolidated Income Statement (condensed)

	For the six months ended 30/06/2007		For the six months ended 30/06/2006	
	in TCHF	%	in TCHF	%
Net revenues	**679 659**	**100.0**	**553 565**	**100.0**
Other operating income and capitalised own services	12 218	1.8	8 628	1.6
Changes in inventories of semi-finished and finished goods	33 733	5.0	21 823	3.9
Net operating performance	**725 610**	**106.8**	**584 016**	**105.5**
Cost of material and goods	–326 213	–48.1	–260 708	–47.1
Personnel expenses	–238 886	–35.1	–190 895	–34.5
Other operating expenses	–95 297	–14.0	–76 486	–13.8
EBITDA	**65 214**	**9.6**	**55 927**	**10.1**
Depreciation and amortisation	–27 485	–4.0	–22 880	–4.1
EBIT	**37 729**	**5.6**	**33 047**	**6.0**
Net financial result	–5 576	–0.9	–4 671	–0.9
Group profit before income tax	**32 153**	**4.7**	**28 376**	**5.1**
Income tax expense	–6 390	–0.9	–6 163	–1.1
Group profit for the period	**25 763**	**3.8**	**22 213**	**4.0**
Attributable to:				
Shareholders of AFG Arbonia-Forster-Holding AG	25 747		22 213	
Minority interest	16			
Earnings per share for profit attributable to the shareholders during the period:				
Earnings per bearer share in CHF	13.99		12.67	
Earnings per registered share in CHF	2.80		2.53	

Basic and diluted earnings are identical.

EBITDA Earnings before interest, tax, depreciation and amortisation
EBIT Earnings before interest and tax

in TCHF means in thousands of CHF

Consolidated Balance Sheet (condensed)

	30/06/2007		31/12/2006		30/06/2006	
	in TCHF	%	in TCHF	%	in TCHF	%
Assets						
Cash and cash equivalents	67 677		121 857		79 438	
Securities	4 280		4 709		5 670	
Receivables and other assets	234 426		183 830		188 050	
Deferred expenses	12 210		8 699		10 151	
Inventories	257 025		179 503		198 362	
Current assets	**575 618**	**42.7**	**498 598**	**47.1**	**481 671**	**47.1**
Deferred income tax assets	6 831		3 671		10 182	
Financial assets	28 425		28 338		24 317	
Property, plant, equipment and investment property	568 245		447 759		432 571	
Intangible assets and goodwill	167 558		80 416		73 019	
Non-current assets	**771 059**	**57.3**	**560 184**	**52.9**	**540 089**	**52.9**
Total assets	**1 346 677**	**100.0**	**1 058 782**	**100.0**	**1 021 760**	**100.0**
Liabilities and shareholders' equity						
Borrowings	25 588		21		6 193	
Liabilities	165 301		131 955		124 257	
Accruals and deferred income	87 805		57 026		70 348	
Provisions	17 193		13 271		12 461	
Current liabilities	**295 887**	**22.0**	**202 273**	**19.1**	**213 259**	**20.9**
Financial debt	379 623		353 747		351 778	
Provisions	47 767		30 264		29 076	
Deferred income tax liabilities	62 221		44 293		54 816	
Employee benefit obligations	61 112		51 685		49 647	
Non-current liabilities	**550 723**	**40.9**	**479 989**	**45.3**	**485 317**	**47.5**
Total liabilities	**846 610**	**62.9**	**682 262**	**64.4**	**698 576**	**68.4**
Shareholders' equity attributable to equity holders of AFG Arbonia-Forster-Holding AG	**499 380**	**37.1**	**376 520**	**35.6**	**323 184**	**31.6**
Total shareholders' equity	**500 067**	**37.1**	**376 520**	**35.6**	**323 184**	**31.6**
Total liabilities and shareholders' equity	**1 346 677**	**100.0**	**1 058 782**	**100.0**	**1 021 760**	**100.0**

Consolidated Cash Flow Statement (condensed)

in TCHF	For the six months ended 30/06/2007	For the six months ended 30/06/2006
Group profit for the period	**25 763**	**22 213**
Depreciation and amortisation	27 485	22 880
Profit on disposal of non-current assets	–189	–166
Changes in non-cash transactions	–2 632	–2 462
Changes in net working capital (excluding cash and cash equivalents)	–57 384	–36 025
Net cash used in/generated from operating activities	**–6 957**	**6 440**
To investment activities		
Issuance of financial assets	–36	
Purchases of property, plant and equipment	–38 042	–15 524
Purchases of intangible assets	–246	–213
Acquisition of subsidiaries (net of cash acquired)	–89 702	–1 527
From divestment activities		
Repayment of financial assets	256	61
Proceeds from sale of property, plant and equipment	1 414	1 205
Net cash used in investing activities	**–126 356**	**–15 998**
From financing activities		
Proceeds from financial debt	19 000	
Net proceeds from issuance of share capital	105 489	
Proceeds from sale of treasury shares and options	8 385	3 106
To financing activities		
Short-term borrowing, repayment of loans and finance lease liabilities	–35 238	–520
Dividends paid to shareholders	–17 874	–12 600
Purchase of treasury shares	–970	–5 389
Net cash used in/generated from financing activities	**78 792**	**–15 403**
Effects of translation differences on cash and cash equivalents	341	–17
Net decrease in cash and cash equivalents	**–54 180**	**–24 978**
Reconciliation of change in cash and cash equivalents		
Cash and cash equivalents as of 01/01	121 857	104 416
Cash and cash equivalents as of 30/06	67 677	79 438
Change in cash and cash equivalents	**–54 180**	**–24 978**
Supplementary information for operating activities:		
Interest paid	8 641	7 268
Interest received	732	525
Income tax paid	13 414	10 125

Consolidated Statement of Changes in Equity (condensed)

in TCHF	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Attrib-utable to equity holders AFG	Minority interest	Total share-holders' equity
Balance at 31/12/2005	**7 560**	**38 579**	**–6 845**	**–10 062**	**287 429**	**316 661**		**316 661**
Cash flow hedges				–942		–942		–942
Currency translation differences				135		135		135
Net (expense)/income recognised directly in equity				–807		–807		–807
Group profit for the period					22 213	22 213		22 213
Total recognised (expense)/income				**–807**	**22 213**	**21 406**		**21 406**
Dividend relating to 2005					–12 600	–12 600		–12 600
Treasury shares purchased/sold			–2 283			–2 283		–2 283
Balance at 30/06/2006	**7 560**	**38 579**	**–9 128**	**–10 869**	**297 042**	**323 184**		**323 184**
Balance at 31/12/2006	**7 560**	**38 579**	**–12 302**	**–5 105**	**347 788**	**376 520**		**376 520**
Cash flow hedges				2 131		2 131		2 131
Currency translation differences				–48		–48		–48
Net (expense)/income recognised directly in equity				2 083		2 083		2 083
Group profit for the period					25 747	25 747	16	25 763
Total recognised (expense)/income				**2 083**	**25 747**	**27 830**	**16**	**27 846**
Acquisition of subsidiaries							671	671
Issuance of share capital (net)	945	104 544				105 489		105 489
Dividend relating to 2006					–17 874	–17 874		–17 874
Treasury shares and options purchased/sold			4 750		2 665	7 415		7 415
Balance at 30/06/2007	**8 505**	**143 123**	**–7 552**	**–3 022**	**358 326**	**499 380**	**687**	**500 067**

Selected Explanatory Notes to the Interim Consolidated Financial Statements

1 General information __ AFG Arbonia-Forster-Group (AFG) has leading positions in the European construction supply industry and in selected technology markets. AFG is divided into five main divisions, namely Heating Technology and Sanitary Equipment, Kitchens and Refrigeration, Windows and Doors, Steel Technology and Surface Technology. Manufacturing plants are located in Switzerland, Germany, the Czech Republic, France and the United States. AFG owns major brands such as Arbonia, Kermi, Prolux, ASCO Swiss, Forster, Piatti, Miele Kitchens, EgoKiefer, RWD Schlatter and Hartchrom and possesses a strong position in its home markets in Switzerland and Germany. International activities especially in Eastern Europe, Russia and the Middle and Far East are rapidly gaining importance for the Group. With around 30 distribution companies, agencies and partners of its own, AFG is represented in over 80 countries worldwide.

The ultimate parent company, AFG Arbonia-Forster-Holding AG is a corporation organised under Swiss law incorporated and domiciled at Romanshornerstrasse 4, CH-9320 Arbon (Canton Thurgau). AFG Arbonia-Forster-Holding AG is listed on the SWX Swiss Exchange in Zurich under the valor number 1213250 / ISIN CH0012132509.

2 General principles and basis of preparation __ The unaudited interim consolidated financial statements for the six months ended 30 June 2007 have been prepared in accordance with the International Financial Reporting Standard (IFRS) IAS 34 "Interim Financial Reporting". The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the consolidated financial statements as of 31 December 2006.

The preparation of interim financial statements requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Consequently actual results might deviate from such estimates.

The same significant accounting estimates and assumptions were applied for these interim financial statements as for the preparation of the consolidated financial statements as of 31 December 2006.

Amendments to significant published standards and interpretations effective in 2007 __ The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2006, except for the adoption of the following new or revised significant accounting standards and interpretations mandatory for annual periods beginning on or after 1 January 2007, which AFG is currently implementing: IAS 1 amended "Presentation of financial statements", IFRS 7 "Financial instruments: disclosures", IFRIC 10 "Interim financial reporting and impairment". The adoption of these amendments and interpretations did not significantly affect the Group results of operations or financial position. However IFRS 7 will lead to additional disclosures in the consolidated financial statements.

Published standards that are not yet effective nor adopted early __ The following published but as of the balance sheet date not yet effective significant standards have not yet been adopted by AFG: IFRS 8 "Operating segments" and IAS 23 amended "Borrowing costs". AFG will adopt these standards as of the required effective dates. It is not expected that these standards will have a significant impact on the consolidated financial statements of AFG, however IFRS 8 will require additional information to be disclosed.

3 Reporting entity — The following changes occurred in the Group during the reporting period:

- As of 9 January 2007, 100% of the shares of STI Surface Technologies International Holding AG, CH-Steinach (Canton St. Gallen), were acquired.
- As of 20 February 2007, 100% of the shares of RWD Schlatter AG, CH-Roggwil (Canton Thurgau), were acquired.
- As of 20 June 2007, Spedition Gächter AG, CH-Arbon (Canton Thurgau), was merged retrospectively as of 1 January 2007 with Asta AG, CH-Arbon (Canton Thurgau).
- As of 25 June 2007, AFG Middle East Fze., VAE-Ras Al Khaimah, was founded.
- As of 27 June 2007, Schmidlin ASCO Swiss AG, CH-Zwingen (Canton Baselland), was merged retrospectively as of 1 January 2007 with Heizkörper Prolux AG, CH-Arbon (Canton Thurgau).

4 Foreign currency rates — The following foreign currency rates have been applied:

Currency	Unit	30/06/2007 June closing rate	30/06/2007 Half-year average rate	30/06/2006 June closing rate	30/06/2006 Half-year average rate
EUR	1	1.6548	1.6424	1.5593	1.5612
GBP	1	2.4546	2.4353	2.2733	2.2726
USD	1	1.2245	1.2368	1.2299	1.2715
CZK	100	5.7754	5.8891	5.4870	5.4722
PLN	100	43.6300	43.0489	38.4320	40.0859

5 Segment information __ Since the acquisition of STI Group early in 2007, AFG is now organised into five main business divisions, namely Heating Technology and Sanitary Equipment, Kitchens and Refrigeration, Windows and Doors, Steel Technology and Surface Technology plus Corporate Services.

Six months ended 30/06/2007	Heating and Sanitary	Kitchens and Refriger-ation	Windows and Doors	Steel Technology	Surface Technology	Others and Elimin-ations	Total
in TCHF							
Net revenues	**289 496**	**134 639**	**123 451**	**89 278**	**49 179**	**–6 384**	**679 659**
EBITDA	**32 553**	**4 462**	**11 115**	**12 532**	**8 097**	**–3 545**	**65 214**
in % of net revenues	*11.2*	*3.3*	*9.0*	*14.0*	*16.5*		*9.6*
EBIT	**23 157**	**–475**	**6 388**	**9 799**	**3 828**	**–4 968**	**37 729**
in % of net revenues	*8.0*	*–0.4*	*5.2*	*11.0*	*7.8*		*5.6*
Average number of employees	**2 638**	**917**	**1 003**	**344**	**548**	**133**	**5 583**

Six months ended 30/06/2006	Heating and Sanitary	Kitchens and Refriger-ation	Windows and Doors	Steel Technology	Others and Elimin-ations	Total
in TCHF						
Net revenues	**266 265**	**123 525**	**90 748**	**79 334**	**–6 307**	**553 565**
EBITDA	**32 558**	**5 673**	**8 541**	**10 836**	**–1 681**	**55 927**
in % of net revenues	*12.2*	*4.6*	*9.4*	*13.7*		*10.1*
EBIT	**21 776**	**432**	**5 137**	**8 153**	**–2 451**	**33 047**
in % of net revenues	*8.2*	*0.3*	*5.7*	*10.3*		*6.0*
Average number of employees	**2 471**	**865**	**890**	**317**	**121**	**4 664**

6 Acquisitions __ The following fair value of identifiable assets and liabilities have arisen from the acquisitions in 2007 as mentioned under note 3:

Acquisition STI Group	Carrying value	Fair value adjustments	Fair value
in TCHF			
Assets			
Cash and cash equivalents	2 877		2 877
Accounts receivable	9 595		9 595
Other current assets	2 939		2 939
Deferred expenses	497		497
Inventories	3 897	–158	3 739
Deferred income tax assets	3 794	–2 083	1 711
Financial assets	292		292
Property, plant and equipment	85 339	–4 465	80 874
Intangible assets	3 005	31 153	34 158
Total assets	**112 235**	**24 447**	**136 682**
Liabilities			
Borrowings	11 632		11 632
Accounts payable	6 604		6 604
Other liabilities	4 073		4 073
Finance lease liabilities	917		917
Accruals and deferred income	3 402	316	3 718
Financial debt	43 991		43 991
Provisions	2 538	158	2 696
Deferred income tax liabilities	3 515	7 696	11 211
Employee benefit obligations	6 020	254	6 274
Total liabilities	**82 692**	**8 424**	**91 116**
Net assets	**29 543**	**16 023**	**45 566**
Minority interest	–716	45	–671
Net assets acquired	**28 827**	**16 068**	**44 895**
Goodwill			36 234
Purchase consideration			**81 129**
Cost of acquisition:			
Purchase price			62 000
Present value of deferred payments			19 129
Total cost of acquisition			**81 129**
Net cash outflow was as follows:			
Purchase price			62 000
Cash and cash equivalents in subsidiaries acquired			–2 877
Net cash outflow on acquisition			**59 123**

On 9 January 2007, AFG acquired, with controlling date of 1 January 2007, 100% of the shares in STI Surface Technologies International Holding AG with its registered seat in CH-Steinach (Canton St. Gallen), from the present AFG Board of Directors chairman and AFG majority shareholder, Edgar Oehler. The purchase price was CHF 62 million with an additional CHF 24.8 million becoming

due in 2011 if certain defined performance indicators are met. Since it seems more likely than not that these performance conditions will be met, the present value of the additional deferred payment was considered as part of the cost of acquisition. The acquired STI Group contributed, from the controlling date, CHF 49.2 million in net revenues and CHF 2.9 million in profit to the Group. AFG has this business combination involving entities under common control accounted for in accordance with IFRS 3 "Business combinations".

Acquisition RWD Schlatter AG	Carrying value	Fair value adjustments	Fair value
in TCHF			
Assets			
Cash and cash equivalents	3 110		3 110
Accounts receivable	7 361	80	7 441
Other current assets	353		353
Deferred expenses	1 671		1 671
Inventories	19 164	–2 003	17 161
Property, plant and equipment	18 332	235	18 567
Intangible assets	933	11 958	12 891
Total assets	**50 924**	**10 270**	**61 194**
Liabilities			
Borrowings	4 000		4 000
Accounts payable	2 557		2 557
Other liabilities	14 866		14 866
Finance lease liabilities	892		892
Accruals and deferred income	1 816		1 816
Financial debt	13 003		13 003
Provisions	2 053		2 053
Deferred income tax liabilities	1 170	2 001	3 171
Total liabilities	**40 357**	**2 001**	**42 358**
Net assets acquired	**10 567**	**8 269**	**18 836**
Goodwill			8 100
Purchase consideration			**26 936**
Net cash outflow was as follows:			
Purchase price			26 936
Cash and cash equivalents in subsidiary acquired			–3 110
Repayment of a shareholder loan			6 753
Net cash outflow on acquisition			**30 579**

On 20 February 2007, AFG acquired, with controlling date of 1 January 2007, 100% of the shares in RWD Schlatter AG with its registered seat in CH-Roggwil (Canton Thurgau). The purchase price was CHF 26.9 million. The acquired company contributed, from the controlling date, CHF 25.2 million in net revenues and CHF 0.3 million in profit to the Group.

The goodwill from these two acquisitions is attributable to the synergies expected to arise within the respective business divisions of AFG and the workforce.

7 Dividend distribution — On 20 April 2007, the Annual General Meeting approved a gross dividend of CHF 10.00 per bearer share and CHF 2.00 per registered share for the financial year 2006. Dividends were paid out on 25 April 2007.

8 Seasonality of operations — Due to the seasonal nature of certain divisions of the Group, higher net revenues and operating profits are usually expected in the second half of the year rather than in the first six months.

9 Share capital and treasury shares — On 20 April 2007, the Annual General Meeting of AFG Arbonia-Forster-Holding AG approved new authorised capital with a nominal value totalling CHF 1 890 063 for one or more capital increases. On 9 May 2007 the first capital increase was completed, whereby the share capital of CHF 7 560 252 was increased by CHF 945 029.40 to CHF 8 505 281.40 by issuing 157 507 bearer shares with a nominal value of CHF 4.20 and 337 500 registered shares with a nominal value of CHF 0.84. The capital surplus was, after deducting all transaction costs, allocated to share premium.
On 2 April 2007, the two bank-entered derivative contracts from 2006, on 67 100 registered AFG shares, were exercised by the counter-party. The settlement of these derivative contracts are included in the consolidated statement of changes in equity under treasury shares and retained earnings.
The balance of 107 400 registered shares has remained unchanged from 31 December 2006 and bearer shares have increased during the reporting period by 1 721 to 14 407 shares.

10 Capital commitments — As of 30 June 2007, capital commitments for the purchase of property, plant and equipment amounted to CHF 30 million (30 June 2006: CHF 12.5 million) and for intangible assets to CHF 1.1 million (30 June 2006: CHF 3.0 million).

11 Contingencies — In 2007, AFG entered into an agreement, giving AFG the right and the obligation to acquire the business of a provider of façade systems unless a third party assumes AFG's rights and obligations under the agreement or the seller sells the business to a different purchaser. However, should AFG not be in a position to pass on the agreement to a third party or if the seller does not sell the business to a different buyer, AFG will be obliged under the agreement to purchase the business for a purchase price of CHF 5.0 million by 31 July 2007. Currently negotiations are under way to extend this grace period.
Otherwise no other significant changes have occurred from those disclosed in the consolidated financial statements as of 31 December 2006.

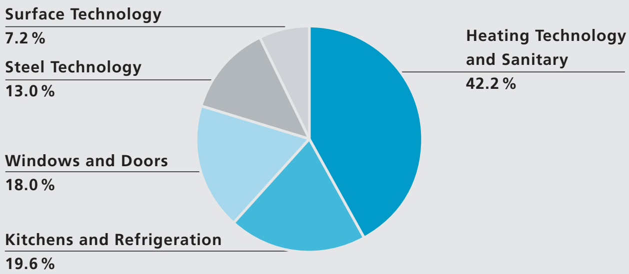
12 Events after the balance sheet date — No events occurred between the balance sheet date and the date of this report which could have a significant influence on the 2007 interim consolidated financial statements.

Key figures and information for investors

Stock market key figures	30/06/2007	30/06/2006	30/06/2005
Stock market prices in CHF			
Bearer highest during reporting period	666	460	360
Bearer lowest during reporting period	479	346	180
Bearer 30/06	638	388	352
Market capitalisation bearer shares in CHF million [1), 3)]	904	489	444
Capitalisation bearer and registered shares in CHF million [2), 3)]	1 292	698	634

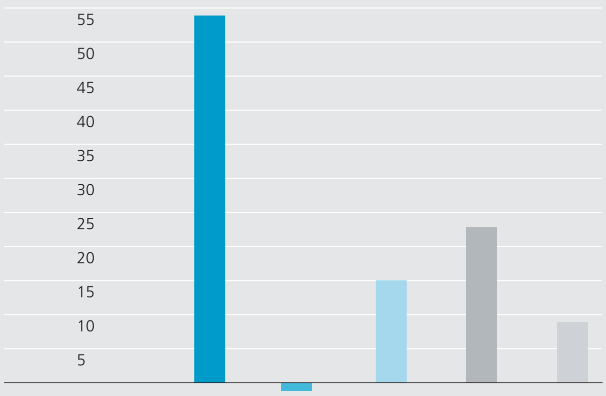
[1)] Last paid price for bearer shares in the particular period
[2)] Registered shares, which are not quoted at the SWX, are included for calculation at a ratio of 1:5
[3)] Capitalisation as of 30/06/2007 includes capital increase completed on 09/05/2007

in % **Net revenues First half year 2007 [1)]**



[1)] Consolidated segments – without Corporate Services

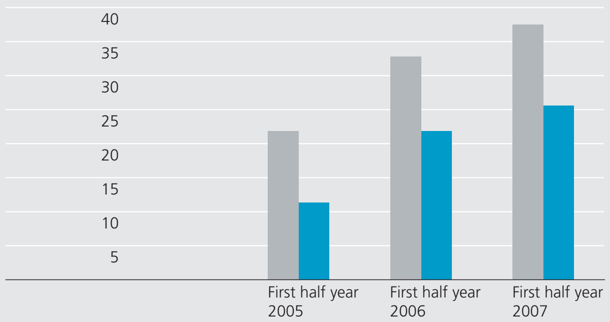
in % **EBIT First half year 2007[1]**



[1)] Consolidated segments – without Corporate Services

Heating Technology and Sanitary 54.3%
Kitchens and Refrigeration –1.2%
Windows and Doors 15.0%
Steel Technology 23.0%
Surface Technology 8.9%

in CHF million **EBIT and Group profit for the period**



EBIT
Profit for the period

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forster
Kitchens and Refrigeration

Miele KITCHENS

Piatti
Kitchens

Division Kitchens and Refrigeration

EgoKiefer
Windows and Doors

RWD Schlatter
Doors

Division Windows and Doors

forster
Steel Technology

Division Steel Technology

STI Holding AG
The precision group
Surface Technology

Division Surface Technology

ASTA
Logistics

Logistics