

Net sales growth trend continues



Heating Technology and Sanitary Equipment Division
Kermi showerstalls at Ocean Village in Gibraltar.



Kitchens and Refrigeration Division
820 luxury kitchens from Miele Kitchens at the Residencia Macau in Macau.



Windows and Doors Division
EgoKieger high-performance windows at Kulm Hotel, Zermatt, 3131 m above sea level.



Steel Technology Division
Windows and doors from Forster Profile Systems at Valencia Opera House.



Surface Technology Division
STI | Hartchrom surface treatments for Airbus aircraft components.



Important Dates, Contact

Important Dates

27 January 2009
Publication of revenues for 2008 financial year

17 March 2009
Press conference on the 2008 financial year

17 March 2009
Presentation to financial analysts on the 2008 financial year

17 April 2009
Annual Shareholder Meeting 2009

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Electronic information

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

This First Semester Financial Report is also available in English and French. The original is in German.

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Dear Shareholders

Dear Ladies and Gentlemen

AFG Arbonia-Forster-Holding AG again recorded double-digit growth in the first half of 2008. The rise in procurement and energy costs, however, combined with the downward pressure on prices put a brake on the growth in earnings. The effects of the events on global financial markets are felt to different degrees on individual markets. We nevertheless expect profit for the 2008 financial year to be slightly above that of last year.

- Double-digit growth in net revenues once again
- Rising procurement and energy costs and increasing downward pressure on prices put a strain on earnings
- Profit for the 2008 financial year expected to be slightly above last year

AFG Arbonia-Forster-Holding AG continued to see dynamic growth during the first half of 2008. An increase in net revenues of 10.3%, to CHF 749.5 million (compared to CHF 679.7 million last year), is quite an achievement, given the more difficult environment. Most of the increase is attributable to the Heating Technology and Sanitary Equipment as well as Windows and Doors Divisions, AFG's largest and most rapidly growing businesses, who once again grew their market shares. Organic growth in Swiss francs amounted to 2.2%, and in local currencies to 3.2%.

The higher procurement and energy prices slowed down earnings growth in proportion to the increase in net sales: our EBITDA improved by 6.5%, to CHF 69.5 million (65.2 million), while our EBIT, at CHF 37.8 million (37.7 million), remained practically unchanged. This corresponds to an EBIT margin of 5.0% (5.6%). Due to higher financing costs and less favorable exchange rates than last year, net profits dropped to CHF 19.1 million (25.8 million). It should be kept in mind that the first half of the year is usually weaker than the second half, which as a rule contributes 55% of annual net sales and due to a better capacity utilisation generates earnings that are disproportionately high.

Demanding economic climate

It is clear, from the above, that the more challenging business climate was a drag on AFG's revenue growth in the first half of 2008. It is true that AFG's dependence on developments in the construction sector has been reduced in recent years, thanks to strategic and geographic diversification. With its focus on building materials, AFG achieves around 70% of its sales and earnings from this sector, and is therefore in both its domestic markets (Switzerland and Germany) proportionately exposed to market developments there.

Even if the effects of the credit crisis are not yet showing up in the construction industry statistics for our domestic markets, we have noticed that the willingness to invest of institutional and private developers is weakening. The widely rising interest rates are creating uncertainty, causing difficulties for property owners with high debt ratios. They also cause larger developers to hesitate taking on projects, resulting in the slowdown or delay of many projects. If a project does reach the stage of execution, price competition is fierce, due to an increasingly apparent overcapacity, and profit margins are minimal since prices have to be kept low to be competitive.

With innovative products and services – which are AFG's strong points – the effects of these developments can to some extent be kept in control. The excellent sales of our door specialist RWD Schlatter AG and the market offensive initiated by the Refrigeration business unit with its newly developed, energy-saving products are proof of this. It is not always possible, however, in spite of our recognised innovation capacity and ongoing structural adjustments, to absorb the entire cost increase in our sales prices. This obviously reduces profit margins. All Divisions are affected, but especially the products of the Heating Technology and Sanitary Equipment Division, Steel Technology Division and the Steel Kitchens business unit. They feel the 40–50% increase in the price of steel since the beginning of the year the most.

Developments in the Divisions

Heating Technology and Sanitary Equipment Division – Further gains in market share Although the Heating Technology and Sanitary Equipment Division is heavily dependent on the developments in the construction sector, the acquisition of Aqualux last year gave it a significant foothold in the British sanitary market, so that it managed to increase its net sales once again this semester, by 10.5%, to CHF 320.0 million (289.5 million). It also grew its market share, in spite of the slowdown in demand. As the largest Division, generating 42.6% of Group sales, it suffered from the less than inspiring market conditions in Germany and an actual drop in demand in Great Britain. The effects of the credit crisis have created uncertainty among the English, who traditionally invest in real estate. They have also had a negative impact on the general demand for durable goods by individual consumers.

Sales in Central and Eastern Europe, especially in the CIS countries with their pent-up demand in residential construction, met our expectations for these markets. In absolute figures, these gains are still moderate but they are growing steadily. With an EBIT of CHF 21.2 million, this Division's earnings are lower than last year (23.2 million), but its EBIT margin of 6.6% is still satisfactory.

Kitchens and Refrigeration Division – Mixed developments The performance of the Kitchens and Refrigeration Division was disappointing during the first six months of the year. Net sales fell slightly, from CHF 134.6 million to CHF 130.6 million (–3%). This is in the first place due to conversion problems during the implementation of SAP at Forster Kitchens and to the detrimental rise in the price of steel, which particularly affects Forster Steel Kitchens. In spite of the ongoing pleasing performance of Bruno Piatti AG, the company fell short of achieving its full potential in certain regions due to staffing problems. Once again Miele Kitchens made significant gains internationally and lost part of its growth in its domestic market of Germany. Miele also benefited from one-time earnings of approximately CHF 3.8 million.

The Refrigeration business unit also continues to deliver a satisfactory performance. It has started to convert its entire product range to innovative, energy-saving models, which due to their financial and environmental benefits are somewhat less exposed to the intense downward pressure on prices. We are looking forward to durable growth in the Refrigeration business unit thanks to this realignment of the product range.

The one-time earnings at Miele Kitchens combined with tight cost control made it possible to increase the EBITDA to CHF 6.1 million (4.5 million) and the EBIT to CHF 0.8 million (–0.5 million). The need for action is clear in spite of the slight improvement. With the appointment, on 1 June 2008, of Hansgeorg Derks, who is extremely familiar with the kitchen business globally, as Head of the Kitchens and Refrigeration Division, we intend to turn things around for the long term in the next 12 months. We are confident that this can be done. With the appointment of Hansgeorg Derks, the Executive Management Group of AFG is now complete.

Windows and Doors Division – Slovaktual and RWD Schlatter as driving force The Windows and Doors Division recorded a net sales increase of 31.3%, to CHF 162.1 million (123.5 million), mainly attributable to the acquisition of Slovaktual sro in Pravenec, Slovakia. Net of the acquisition, the Division improved its performance by 8.0%. As a result of the acquisition, the share of the Division in Group sales increased to 21.6% (from 18.0%), raising it to the position of second largest division after Heating Technology and Sanitary Equipment. In spite of fierce competition, especially in the windows sector, the Division was able to improve its EBIT by 40.4% over last year, to CHF 9.0 million (6.4 million). This resulted in a further improvement of the EBIT margin from 5.2% to 5.5%.

The positive change in the Division could have been even better without the negative impact of the slowdown in the completion of certain projects. This meant that certain projects were not completed on schedule and invoicing had to be delayed.

The Doors business unit was able to keep price concessions within strict limits in an environment with challenging customer relations, while the Windows business unit did not always manage to escape the pricing pressure of the customers, due to severe competition. The improvement in the figures of this Division is therefore all the more pleasing.

Steel Technology Division – Renewed and increased improvement of the margins The Steel Technology Division is planning to replace one of its welding assembly lines in the second half of 2008, at a cost of CHF 15.0 million. Therefore, the increased production in the first half of the year led to larger inventories, which will be reduced during the second half as production of the assembly line is planned to be stopped for several weeks. Revenues for the period increased by 0.7% to CHF 89.9 million (89.3 million). Fortunately, the Division also managed to, once again, increase its EBIT, to CHF 10.2 million (9.8 million). This results in a remarkably high EBIT margin of 11.3% (11.0%).

Surface Technology Division – Significant increase in earnings With the exception of the printing business of Hartchrom AG, which is globally in a special position in the market for coated printing cylinders and one of the main profit centers of AFG Surface Technology, the Division performed to expectation. A sluggish demand in the printing cylinder business, due to spending uncertainty in the international printing industry, negatively impacted sales. They remained at CHF 49.2 million, the same as last year. The Division did, however, succeed in increasing its EBIT from CHF 3.8 million to CHF 4.2 million, thanks to stringent cost controls, resulting in an EBIT margin increase from 7.8% to 8.6%. Drupa, the largest printing industry tradeshow, took place two months ago and was more successful than the exhibitors anticipated. The Surface Technology Division expects that it will also have positive effects on its own performance.

Corporate Services – Positive synergies The increase in sales of this service and logistics unit, from CHF 14.6 million to CHF 15.6 million, reflects slightly improved transportation earnings as well as higher tolls. Last year's decision to combine both logistics companies Asta AG and Spedition Gächter AG has had a positive impact on their performance. The expected synergies from merging various administrative offices at the new Corporate Center in Arbon will only be felt in the medium term.

Balance sheet and cash flow statement as per 30 June 2008 The increase of 10.0%, to CHF 1,505.1 million, of total assets, compared to that of 31 December 2007, is mainly attributable to the acquisition of Slovaktual and the usual seasonal effects. Predominantly weaker foreign currencies had a slightly limiting effect on balance sheet growth. The increase in intangible assets and goodwill is a consequence of the above mentioned takeover of

Slovaktual. The additional amortisations resulting from the increase in intangible assets due to purchase price allocations (PPA) related to the acquisitions of both Aqualux and Slovaktual encumbered the income statement for the first semester of 2008 by CHF 1.3 million.

The acquisition of Slovaktual, the ongoing spending on tangible assets and the usual seasonal factors caused also a significant increase on the liability side of the balance sheet. Net indebtedness rose to CHF 491.4 million (CHF 363.3 million as per 31 December 2007). As a result the equity ratio has dropped to 34.9% (38.0% as per 31 December 2007). However, this is only a slight decrease, compared to the same time last year, when it stood at 36.9%. The consolidated cash flow statement as per 30 June 2008, shows a slightly negative cash flow from operating activities of CHF –16.0 million (–7.0 million last year). The difference from last year is mainly attributable to lower Group profits. The significant changes occurred, however, in the cash flow from investing activities. Besides the acquisition of Slovaktual, larger investments than last year in tangible assets are the main reason. They were financed, as mentioned earlier, by an increase in long-term financial debts.

Investing on capital expenditures (excluding acquisitions) again clearly increased, reaching CHF 48.9 million, compared to CHF 41.2 million last year. The completion of the Corporate Center in Arbon, the costs of expanding plant 2 of the Surface Technology Division in Steinach (including the purchase of land), and constructing the new welding assembly line for Forster Precision Steel Tubes in Arbon were the driving projects for the increase. Including the purchase of land and the construction of the STI production plant in China, AFG expects to invest a total of approximately CHF 130 million for all of 2008.

Outlook The present developments on capital markets, the likely increases in interest rates, the speculation-driven rise in the price of oil and the downward revised growth forecasts of the financial and research institutes constitute a challenge for every company.

AFG Arbonia-Forster-Holding AG is like so many industrial corporations an indirect victim of the mismanagement in the financial sector. The huge irresponsible speculations in the financial sector with their effects on the availability and cost of capital also cause problems for the real estate industry. They affect the willingness to spend, especially in the area of residential construction and renovation, which in turn reduces spending on building materials. We are nevertheless confident that, because of our clear strategic direction, our strong market positions and our innovative products, we will be able to reach our goal of a double-digit sales increase for the entire year.

The current order situation backs up this expectation. The market readiness of innovative products, such as those of the Refrigeration business unit, will also give sales a boost.

Furthermore, during the traditionally stronger second semester, the cost-cutting measures of the first six months will begin to have an impact. We project therefore a slight growth in profit compared to last year, provided foreign exchange rates remain somewhat stable. The Board of Directors is convinced that, with the current and consistently implemented business model of a corporation based on five clearly positioned Divisions, the goal of a sales increase of 5–10% and a more than proportional earnings growth can be sustainably achieved. It stands by its long-term industrial strategy, focused on the creation of sustainable added value.

As already mentioned during the presentation of the 2007 Annual Report, the current financial year is dedicated to the consolidation of AFG. Its focus is on the final organisational and managerial integration of the latest acquisitions and on looking for ways to save costs by tightening the organisation and creating cost and purchasing synergies in the double-digit millions. To make this happen, we have among other measures created the position of and hired a Chief Procurement Officer (CPO), in charge of strategic procurement for the entire Group.

As part of the continuing globalisation, the Board of Directors has decided to start up an Asia/Pacific Sales Region in mid-October 2008, to develop and coordinate the activities of all the divisions in the Asia/Pacific region from AFG's new regional headquarter in Changzhou (Shanghai area). The new Sales Region will be led by Felix Aepli, a member of the extended Executive Management Group. He will take up his responsibilities on 15 October 2008.

The Board of Directors is confident that our high qualitative and quantitative goals can be achieved even in an increasingly challenging environment. We thank you, the shareholders, for your trust and all our employees for their ongoing intense commitment and efforts. We are also grateful to our customers for their loyalty to AFG and its Divisions.

Arbon, 5 August 2008

Sincerely,

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 30/06/2008		For the six months ended 30/06/2007	
	in TCHF	%	in TCHF	%
Net revenues	749 467	100.0	679 659	100.0
Other operating income and capitalised own services	12 742	1.7	12 218	1.8
Changes in inventories of semi-finished and finished goods	24 508	3.3	33 733	5.0
Net operating performance	786 717	105.0	725 610	106.8
Cost of material and goods	-363 265	-48.5	-326 213	-48.1
Personnel expenses	-249 079	-33.2	-238 886	-35.1
Other operating expenses	-104 918	-14.0	-95 297	-14.0
EBITDA	69 455	9.3	65 214	9.6
Depreciation and amortisation	-31 679	-4.3	-27 485	-4.0
EBIT	37 776	5.0	37 729	5.6
Net financial result	-12 299	-1.6	-5 576	-0.9
Group profit before income tax	25 477	3.4	32 153	4.7
Income tax expense	-6 408	-0.9	-6 390	-0.9
Group profit for the period	19 069	2.5	25 763	3.8
Attributable to:				
Shareholders of AFG Arbonia-Forster-Holding AG	19 058		25 747	
Minority interest	11		16	
Earnings per share for profit attributable to the shareholders during the period:				
Earnings per bearer share in CHF	9.67		13.99	
Earnings per registered share in CHF	1.93		2.80	

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

The notes on pages 13 to 17 are an integral part of the abridged semi-annual consolidated financial statements.

Consolidated Balance Sheet (condensed)

	30/06/2008		31/12/2007		30/06/2007	
in TCHF		%	restated ¹	%	restated ¹	%
Assets						
Cash and cash equivalents	41 068		70 762		67 677	
Securities	2 723		4 007		4 280	
Receivables and other assets	263 309		199 041		234 426	
Deferred expenses	14 142		12 527		12 210	
Inventories	276 926		244 211		257 025	
Financial assets	60		62			
Non-current assets held for sale	445		445			
Current assets	598 673	39.8	531 055	38.8	575 618	42.9
Deferred income tax assets	5 612		5 725		6 831	
Financial assets	1 766		1 883		2 406	
Capitalised pension surplus	25 856		25 739		20 433	
Property, plant, equipment and investment property	628 210		593 876		568 245	
Intangible assets and goodwill	244 989		210 358		167 558	
Non-current assets	906 433	60.2	837 581	61.2	765 473	57.1
Total assets	1 505 106	100.0	1 368 636	100.0	1 341 091	100.0
Liabilities and shareholders' equity						
Borrowings	11 831		4 773		25 588	
Liabilities	180 438		162 870		163 495	
Financial debt	12 217		10 345		1 806	
Accruals and deferred income	87 680		61 711		87 805	
Provisions	15 455		15 980		17 193	
Current liabilities	307 621	20.4	255 679	18.7	295 887	22.1
Financial debt	511 579		423 401		379 623	
Other liabilities	19 116		22 329			
Provisions	20 635		24 496		47 767	
Deferred income tax liabilities	62 908		59 813		61 177	
Employee benefit obligations	57 714		61 747		61 112	
Non-current liabilities	671 952	44.7	591 786	43.2	549 679	41.0
Total liabilities	979 573	65.1	847 465	61.9	845 566	63.1
Shareholders' equity attributable to equity holders of AFG Arbonia-Forster-Holding AG	524 827	34.9	520 476	38.0	494 838	36.9
Total shareholders' equity	525 533	34.9	521 171	38.1	495 525	36.9
Total liabilities and shareholders' equity	1 505 106	100.0	1 368 636	100.0	1 341 091	100.0

¹ Prior year figures have been restated in accordance with IFRIC 14 (see note 2).

The notes on pages 13 to 17 are an integral part of the abridged semi-annual consolidated financial statements.

Consolidated Cash Flow Statement (condensed)

	For the six months ended 30/06/2008	For the six months ended 30/06/2007
in TCHF		
Group profit for the period	19 069	25 763
Depreciation and amortisation	31 679	27 485
Profit on disposal of non-current assets	-52	-189
Changes in non-cash transactions	-5 988	-2 632
Changes in working capital (excluding cash and cash equivalents)	-60 755	-57 384
Net cash used in operating activities	-16 047	-6 957
To investment activities		
Issuance of financial assets	-176	-36
Purchases of property, plant and equipment	-47 234	-38 042
Purchases of intangible assets	-450	-246
Acquisition of subsidiaries (net of cash acquired)	-46 030	-89 702
From divestment activities		
Repayment of financial assets	112	256
Proceeds from sale of property, plant and equipment	861	1 414
Net cash used in investing activities	-92 917	-126 356
From financing activities		
Proceeds from borrowings and financial debt	120 407	19 000
Net proceeds from issuance of share capital		105 489
Proceeds from sale of treasury shares and options		8 385
To financing activities		
Short-term borrowing, repayment of loans and finance lease liabilities	-21 173	-35 238
Dividends paid to shareholders	-19 710	-17 874
Purchase of treasury shares	-322	-970
Net cash generated from financing activities	79 202	78 792
Effects of translation differences on cash and cash equivalents	68	341
Net decrease in cash and cash equivalents	-29 694	-54 180
Reconciliation of change in cash and cash equivalents		
Cash and cash equivalents as of 01/01	70 762	121 857
Cash and cash equivalents as of 30/06	41 068	67 677
Change in cash and cash equivalents	-29 694	-54 180
Supplementary information for operating activities:		
Interest paid	9 950	8 641
Interest received	377	732
Income tax paid	20 204	13 414

The notes on pages 13 to 17 are an integral part of the abridged semi-annual consolidated financial statements.

Consolidated Statement of Changes in Equity (condensed)

	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Attribut- able to equity holders AFG	Minority interest	Total share- holders' equity
in TCHF								
Balance at 31/12/2006	7 560	38 579	-12 302	-5 105	347 788	376 520		376 520
Initial application of IFRIC 14					-4 542	-4 542		-4 542
Balance at 01/01/2007	7 560	38 579	-12 302	-5 105	343 246	371 978		371 978
Fair value adjustments on financial instruments				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	353 784	494 838	687	495 525
Balance at 31/12/2007	8 505	142 397	-19 948	3 463	390 601	525 018	695	525 713
Initial application of IFRIC 14					-4 542	-4 542		-4 542
Balance at 01/01/2008	8 505	142 397	-19 948	3 463	386 059	520 476	695	521 171
Fair value adjustments on financial instruments				2 707		2 707		2 707
Currency translation differences				2 426		2 426		2 426
Net (expense)/income recognised directly in equity				5 133		5 133		5 133
Group profit for the period					19 058	19 058	11	19 069
Total recognised (expense)/income				5 133	19 058	24 191	11	24 202
Dividend relating to 2007					-19 710	-19 710		-19 710
Treasury shares purchased			-322			-322		-322
Share based payments					192	192		192
Balance at 30/06/2008	8 505	142 397	-20 270	8 596	385 599	524 827	706	525 533

The notes on pages 13 to 17 are an integral part of the abridged semi-annual consolidated financial statements.

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, the UK, Slovakia and the United States. AFG owns major brands such as Arbonia, Kermi, Prolux, ASCO Swiss, Aqualux, Forster Kitchens, Forster Refrigeration, Piatti, Miele Kitchens, EgoKiefer, RWD Schlatter, Slovaktual, Forster Precision Steel Tubes, Forster Profile Systems and STI | 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 50 production and distribution companies, agencies and partners of its own, AFG is represented in over 70 countries worldwide.

The ultimate parent company, AFG Arbonia-Forster-Holding AG is a corporation organised under Swiss law, incorporated and domiciled at Amriswilerstrasse 50, 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 2008, 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 2007. 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 2007.

Amendments to significant published standards and interpretations effective in 2008 — 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 2007, except for the adoption of the following interpretations mandatory for annual periods beginning on or after 1 January 2008, which AFG has implemented:

- IFRIC 11 “IFRS 2 – Group and treasury share transactions”
- IFRIC 12 “Service concession arrangements”
- IFRIC 14 “IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction”

With the initial application of IFRIC 14, a re-assessment of the economic benefit in terms of refunds or reductions in future contributions was carried out on all defined benefit plans showing a surplus. For the Swiss pension plans, the reduction in future contributions was considered for unrestricted funds from welfare funds and financing funds as well as for employer’s contribution reserves. The latter feature, a real economic benefit for AFG and in line with previous praxis, are continued to be fully capitalised. According to the transitional provision of IFRIC 14 the initial application of the interpretation was applied retrospectively as of 1 January 2007 with the corresponding restatement of prior-year figures. As a result capitalised pension surplus was reduced as of 1 January 2007 and 30 June 2007 respectively by CHF 5.6 million, deferred income tax liabilities by CHF 1.1 million and shareholders’ equity by CHF 4.5 million. Group profit and earnings per share remained unchanged in the first semester 2007.

The adoption of all other interpretations did not significantly affect the Group results of operations or financial position.

Published standards and interpretations that are not yet effective nor adopted early — The following published but as of the balance sheet date not yet effective significant standards and interpretations have not yet been adopted by AFG:

- IFRS 1 amended “First-time adoption of International Financial Reporting Standards”
- IFRS 2 amended “Share-based payment”
- IFRS 3 amended “Business combinations”
- IFRS 8 “Operating segments”
- IAS 1 amended “Presentation of financial statements”
- IAS 23 amended “Borrowing costs”
- IAS 27 amended “Consolidated and separate financial statements”
- IAS 32 amended “Financial Instruments: presentation”
- IFRIC 13 “Customer loyalty programmes”

AFG will adopt these standards and interpretations as of the required effective dates. It is not expected that these standards and interpretations will have a significant impact on the consolidated financial statements of AFG, however IFRS 8 will require additional information to be disclosed. The Group will assess the potential impact of IFRS 3 and IAS 27 on the consolidated financial statements in due course.

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

- As of 9 January 2008, 100% of the shares of Slovaktual sro, SK-Pravenec, were acquired.

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

Currency	Unit	June closing rate	30/06/2008	June closing rate	30/06/2007
		Half-year average rate		Half-year average rate	
EUR	1	1.6064	1.6053	1.6548	1.6424
GBP	1	2.0306	2.0719	2.4546	2.4353
USD	1	1.0182	1.0496	1.2245	1.2368
CZK	100	6.7199	6.3875	5.7754	5.8891
PLN	100	47.9672	46.0864	43.6300	43.0489
SKK	100	5.3195	4.9981		

5 Segment information — AFG is 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 30/06/2008	Heating and Sanitary	Kitchens and Refrigeration	Windows and Doors	Steel Technology	Surface Technology	Others and Eliminations	Total
in TCHF							
Net revenues	319 988	130 599	162 134	89 866	49 150	-2 270	749 467
EBITDA	31 170	6 144	14 981	13 319	8 607	-4 766	69 455
<i>in % of net revenues</i>	9.7	4.7	9.2	14.8	17.5		9.3
EBIT	21 161	767	8 968	10 190	4 205	-7 515	37 776
<i>in % of net revenues</i>	6.6	0.6	5.5	11.3	8.6		5.0
Average number of employees	2 786	920	1 329	358	585	156	6 134
Six months ended 30/06/2007	Heating and Sanitary	Kitchens and Refrigeration	Windows and Doors	Steel Technology	Surface Technology	Others and Eliminations	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
<i>in % of net revenues</i>	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
<i>in % of net revenues</i>	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

6 Acquisitions — The following fair value of identifiable assets and liabilities have arisen from the acquisition in 2008 as mentioned under note 3:

Acquisition Slovaktual sro	Carrying value	Fair value adjustments	Fair value
in TCHF			
Assets			
Cash and cash equivalents	1 748		1 748
Accounts receivable	4 887	-172	4 715
Other current assets	30		30
Deferred expenses	75		75
Inventories	2 540	-87	2 453
Property, plant and equipment	14 275	687	14 962
Intangible assets	90	18 452	18 542
Total assets	23 645	18 880	42 525
Liabilities			
Borrowings	3 239		3 239
Accounts payable	5 390		5 390
Other liabilities	2 086		2 086
Accruals and deferred income	472		472
Provisions		60	60
Deferred income tax liabilities	243	3 333	3 576
Total liabilities	11 430	3 393	14 823
Net assets acquired	12 215	15 487	27 702
Goodwill			20 076
Purchase consideration			47 778
Net cash outflow was as follows:			
Purchase price			47 778
Cash and cash equivalents in subsidiary acquired			-1 748
Net cash outflow on acquisition			46 030

With controlling date of 9 January 2008, AFG acquired 100% of the shares in the Slovakian window manufacturer Slovaktual sro with its registered seat in SK-Pravenec. The purchase price was CHF 47.8 million. The acquired company contributed, from the controlling date, CHF 28.7 million in net revenues and CHF 3.1 million in profit to the Group. Had the acquisition taken place on 1 January 2008, net revenues for the reporting period would have been CHF 28.8 million while profit would have remained unchanged.

The goodwill from this acquisition is attributable to the synergies expected to arise within the division Windows and Doors of AFG and the workforce.

7 Dividend distribution — On 18 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 2007. Dividends were paid out on 23 April 2008.

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 semester.

9 Employee benefit obligations — During the second quarter of 2008, the curtailment of a defined benefit plan of a German subsidiary within the division Kitchens and Refrigeration has resulted in a gain amounting to CHF 3.8 million. The amount is recognised in the income statement under personnel expenses.

10 Financial debt — In order to finance the purchase price for Slovaktual sro, the new Corporate Center and the expansion of plant 2 in CH-Steinach (Canton St. Gallen) as well as the seasonal driven increased working capital needs, facility loans in CHF and EUR with varying maturities and interest rates between 2.9% and 5.4% totalling CHF 116.5 million have been drawn from the syndicated loan during the first semester 2008. Repayments from the syndicated loan amounted to CHF 19 million.

11 Treasury shares — The balance of 129 100 registered shares has remained unchanged from 31 December 2007 and bearer shares have increased during the reporting period by 1 099 to 28 292 shares.

12 Capital commitments — As of 30 June 2008, capital commitments for the purchase of property, plant and equipment amounted to CHF 36.5 million (30 June 2007: CHF 30 million) and for intangible assets CHF 0.7 million (30 June 2007: CHF 1.1 million).

13 Contingencies — No significant changes have occurred from those disclosed in the consolidated financial statements as of 31 December 2007.

14 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 2008 interim consolidated financial statements.

Key figures and information for investors

Stock market key figures
Stock market prices in CHF
Bearer highest during reporting period
Bearer lowest during reporting period
Bearer 30/06
Market capitalisation bearer shares in CHF million ^{1), 3)}
Capitalisation bearer and registered shares in CHF million ^{2), 3)}

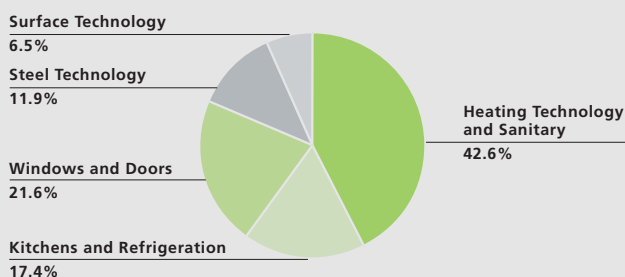
30/06/2008	30/06/2007	30/06/2006	30/06/2005
388	666	460	360
270	479	346	180
270	638	388	352
383	904	489	444
547	1292	698	634

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

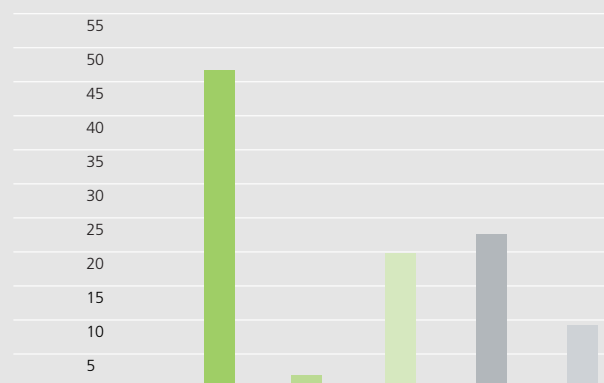
³⁾ Capitalisation as of 30/06/2008 and 30/06/2007 includes capital increase completed on 09/05/2007

in % **Net revenues first half year 2008 ¹⁾**



¹⁾ Consolidated segments – without Corporate Services

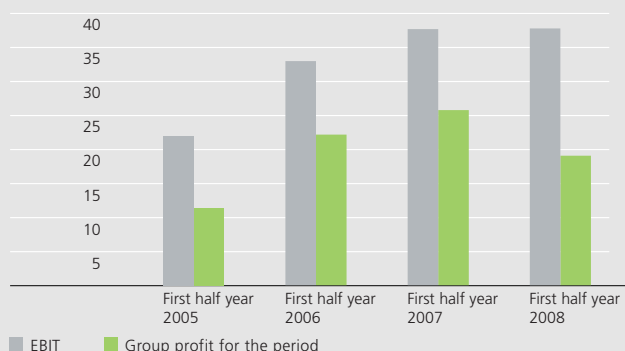
in % **EBIT first half year 2008 ¹⁾**



¹⁾ Consolidated segments – without Corporate Services

■ Heating Technology and Sanitary 46.7% ■ Steel Technology 22.5%
 ■ Kitchens and Refrigeration 1.8% ■ Surface Technology 9.2%
 ■ Windows and Doors 19.8%

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



■ EBIT ■ Group profit for the period



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**Heating Technology
and Sanitary Equipment Division**



Kitchens and Refrigeration Division



Windows and Doors Division



Steel Technology Division



Surface Technology Division



Logistics

