Media release

AFG Arbonia-Forster-Holding AG sets a new sales record

Group becomes increasingly international – Group Management brought up to full strength – Equity ratio close to target figure of 40% – Earnings held back by weak construction activity in Germany and by historical German tax issues

Arbon, 18 March 2008. **Leading Swiss-based international building products supplier AFG Arbonia-Forster-Holding AG experienced mixed fortunes in the 2007 financial year. In the five years since the takeover by Edgar Oehler, AFG's net revenues have more than doubled to CHF 1.471 billion (previous year CHF 1.243 billion, annual growth of 18.3%), with the Group winning yet more market share in most of its territories. The weakness of construction activity in the company's second home market of Germany combined with acquisition and integration costs, plus write-downs under IFRS on intangible assets at newly acquired STI | Hartchrom, RWD Schlatter and Aqualux, meant that EBIT rose by a modest 1.7% from CHF 93.9 million to CHF 95.5 million. Because of these extra expenses, totalling approximately CHF 10 million, and because of around CHF 4 million of additional tax demands from prior-year investigations in Germany, group profit fell to CHF 55.6 million (2006: CHF 66.2 million). These exceptional items also affected the EBIT margin, though this was still relatively healthy at 6.5% (previous year 7.5%). Apart from the surge enjoyed by the Steel Technology Division thanks to its attractive range of products, the sales and earnings picture was similar in all the other segments. The company has therefore initiated measures to increase profitability in the current financial year. AFG took another step towards the strategic goal of greater internationalization outside the home markets of Switzerland and Germany: in 2007 international business accounted for 24% of the total (previous year 22%). Group Management has been brought back up to full strength with the appointment of Hansgeorg Derks as head of the Kitchens and Refrigeration Division, and of Thomas Reifler as head of the new Surface Technology Division. The Board of Directors will propose to the Annual General Meeting of**

18 April that the company pay an unchanged dividend of CHF 10 per bearer share and CHF 2 per registered share.

"I am disappointed with AFG's earnings performance in 2007" is the frank admission by Dr. Edgar Oehler, Chairman of the Board of Directors and CEO of AFG. "We have not managed to turn our very healthy sales into matching progress on earnings and profits." The main reasons for this were the higher costs associated with the rigorously implemented strategy of internationalizing the Group, weak construction activity especially in the key market of Germany, acquisition and integration costs totalling about CHF 10 million, and additional tax demands arising from prior-year investigations in Germany amounting to CHF 4 million.

Group expands its range

By acquiring UK firm Aqualux, which has a strategic partnership with a Chinese company, and leading door manufacturer RWD Schlatter, AFG has greatly strengthened its Heating Technology and Sanitary Equipment Division and its Windows and Doors Division, making them both significantly more competitive. The purchase of STI | Hartchrom has also brought clarity to the future position of the surface technology business: STI | Hartchrom now forms the Surface Technology Division, which is a logical and sustainable addition to AFG's portfolio. Thanks to these developments, the company believes that AFG further improved its stature, solidity and reliability in 2007. Last year's weaknesses in the switch to SAP and imbalances in the ranges offered by individual divisions have now been corrected. By increasing its equity ratio to 38.2%, AFG also strengthened its financial position and edged even closer to the target ratio of 40%, despite continuing to invest heavily in expanding the Group.

Heating Technology and Sanitary Division becomes even more competitive

The performances of the individual divisions reflect years of continuous innovative development of new products and processes, as well as a carefully targeted acquisitions policy. Despite the difficult conditions in the home market of Germany and other sales markets, the Heating Technology and Sanitary Equipment Division, for example, posted revenues of CHF 620.3 million, which is 6% higher than the previous year's figure. EBIT was CHF 59.6 million, slightly below the previous year, with the EBIT margin also falling slightly to 9.6%. This is partly because the cost of raw materials, energy and labour all rose on a broad front – the first time this has happened for a long while – and these increases could not all be passed on in the form of higher sales prices. It should also be noted that the results do not really reflect the strength of the division's market position and the more attractive product range it has offered since the acquisition of Aqualux.

Prices continue to fall in the kitchens business

The Kitchens and Refrigeration Division increased sales by 4.8% to CHF 295.5 million in a still highly competitive environment, managing to capture additional market share in the process. The refrigeration business contributed significantly to this result with a 4% increase in net revenues. However, operating earnings (EBIT) were down slightly on the previous year at CHF 3.9 million, leaving an EBIT margin of 1.3%. The kitchens business benefited from relatively high demand in both the new-build and renovations markets. However, the division felt the effect of significant competitive pressure especially from German kitchen manufacturers in Switzerland. Prices fell dramatically as a result, prompting AFG to take a series of rationalization measures and to avoid unprofitable contracts in order to keep its kitchens business at a sufficiently profitable level. From the middle of 2008, this division will be managed by Hansgeorg Derks, who has proved his credentials as a successful manager in the international kitchens industry.

First moves towards internationalization of the Windows and Doors Division

With its 1,020 employees, the Windows and Doors Division increased its net revenues by 28% to CHF 298.1 million. EBIT for 2007 is reported with CHF 25.4 million (CHF 21.6 million). The EBIT margin was 8.5% (9.3%). With the acquisition of RWD Schlatter AG on 1 January 2007, the division was able to substantially increase its already impressive market position and gain market share in all sales regions. AFG is currently the leading group in the Swiss windows and doors market.

As part of the integration of RWD Schlatter AG, EgoKiefer's production facility for internal doors was moved from Altstätten SG to RWD Schlatter in Roggwil TG. The space that this relocation freed up at EgoKiefer's headquarters in Altstätten was used for the urgent expansion of production capacities for wood and wood/aluminium windows.

With the acquisition in January 2008 of Slovakia's leading window manufacture, Slovaktual s.r.o., the Windows and Doors Division became the fifth and final division of AFG to start internationalizing its business. By purchasing Slovaktual, which also exports to various East and West European markets, the division becomes one of Europe's biggest window makers.

Steel Technology sees revenues and earnings rise sharply again

The Steel Technology Division, with its high level of innovation, has made excellent progress for a number of years now. With the economic environment remaining benign, it performed very well again in 2007 in terms of both revenues and earnings. The continuing improvement in the product portfolio and a concentration on high-value systems and customer solutions resulted in an 11% rise in revenues to CHF 173.4 million, and a 14% increase in EBIT to CHF 17.5 million.

Higher personnel, raw materials and energy costs were offset in full by rigorously implemented cost reduction measures. Thanks to its solid market position, the division was also able to integrate increases in the price of steel into its sales prices after only a slight delay. This all led to an impressive EBIT margin of 10.1%.

New Surface Technology Division enhances AFG's range

The STI | Hartchrom Group, which was purchased by AFG during the year under review, increased its net revenues in 2007 by 6.1% to CHF 95.2 million. STI now forms the new Surface Technology Division within AFG under the leadership of Thomas Reifler, who was appointed to Group Management with effect from 1 April 2008. Its operating earnings (EBIT) of CHF 4.3 million and EBIT margin of 4.5% were affected by exceptional expenses and by amortization relating to purchase price allocation. These costs totalled CHF 3.4 million.

The division is still burdened by the consequences, already communicated, of the acquisition of Gebr. Schoch GmbH of Stuttgart, Germany, though the acquisition itself still makes a lot of sense strategically. Thanks to its unique, broadly based global position in a market that is relatively immune to economic cycles, the division's earnings figures will improve continually in the years to come. STI | Hartchrom in

Steinach alone posted an EBIT margin in the high double figures during the year under review.

AFG's structural development complete for the time being

With the addition of STI | Hartchrom to AFG's portfolio, AFG has arrived at the structural position that it wants to be in for the foreseeable future. Different parts of its portfolio are influenced by different business cycles, so it is also well protected from economic downturns, especially within the construction sector. Based on its healthy order books and its performance in the first two months of the year, AFG is cautiously optimistic about business in 2008. Nevertheless, the company is putting measures in place so that it can cope with possible and likely future developments. The first of these measures is an optimization program to strengthen AFG's earnings power. This includes action to improve the use of resources, including human resources, though no major job reductions are planned. The centralization of procurement activities should also deliver measurable improvements, since AFG's purchasing bill currently comes to around CHF 700 million a year. Further key measures focus on improving price quality and increasing productivity.

Confidently into a year of consolidation

Chairman of the Board of Directors and CEO Edgar Oehler is confident: "Provided that economic conditions do not change significantly, I believe that organic revenue growth in 2008 will be about the same as in 2007, but I also expect a significant improvement in the earnings figures. In this sense, 2008 will be a year of consolidation during which organic growth will clearly outstrip external growth for the first time in a long time." This cautiously optimistic view has also prompted the Board of Directors to match last year's dividend payment. AFG's optimism is further reflected in the Group's generous new head office building, the recently opened Corporate Centre in Arbon. Around 220 employees who were previously scattered around several different locations now work at the new building. This will rise to 250 in the final phase. The premises that are no longer required in the town of Arbon and further parcel of land will gradually be converted into residential developments.

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Arbonia-Forster-Holding AG

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This press release and further information on AFG Arbonia-Forster-Holding AG can also be found on our website at www.afg.ch.

Investors' calendar:

18 April 2008	Annual General Meeting at the Seeparksaal in Arbon TG
05 August 2008	Results for the first half of 2008
27 January 2009	2008 sales figures
17 March 2009	Media briefing and analysts' conference on the 2008 results
17 April 2009	2008 Annual General Meeting

AFG Arbonia-Forster-Holding AG – Leading integrated supplier to the construction industry

AFG Arbonia-Forster-Holding AG, based in Arbon, Switzerland, is a leading integrated supplier to the construction industry. The company is listed on the SWX Swiss Exchange and operates through five Divisions: Heating Technology and Sanitary Equipment, Kitchens and Refrigeration, Windows and Doors, Steel Technology and Surface Technology. Its production sites are in Switzerland, Germany, France, the USA, the Czech Republic, the UK, China and Slovakia. AFG has about 50 production and distribution companies around the world as well as several representative offices and partners. It is active in more than 70 countries in total. With its suite of brands - Arbonia, Kermi, Prolux, Asco Swiss, Aqualux, Forster Küchen, Forster Kühlen, Piatti, Miele Die Küche, EgoKiefer, RWD Schlatter, Slovaktual, Forster Präzisionsstahlrohre, Forster Profilsysteme and STI | Hartchrom - AFG Arbonia-Forster-Holding AG has built up strong positions in its home markets of Germany and Switzerland. It is also engaged in intensive efforts to build new markets, primarily in Eastern Europe, Russia, and the Middle and Far East.