

ARBONIA 



First Semester Financial Report 2017

During the first half of 2017, the Arbonia Group demonstrated solid growth on the basis of the business profile it had strengthened in the previous year thanks to two major acquisitions. All divisions invested considerable effort in achieving the goal of the restructuring and strategy process, launched in 2015: to become a leading central European building supplier. As of mid-2017, Arbonia is on track to achieve the financial objectives it has set for itself.

Dear shareholders Dear ladies and gentlemen

Over the first half of 2017, Arbonia recorded an increase in its revenue and earnings. Significant factors contributing to this positive trend were the Looser Group companies that were taken over at the end of 2016 – Prüm, Garant and Invado – plus the Koralle Group, which has been consolidated since October 2016. The results achieved during this reporting period confirm that the three-year strategic plan of measures Arbonia introduced 2015 is keeping the company on the right course.

Group revenue grew by 36 % compared to the previous year (CHF 459.0 million) to CHF 624.4 million. Organic growth – that is, growth without the contributions of the Looser and Koralle Groups – stood at –1.8 %. EBITDA increased from CHF 27.3 million in the previous year to CHF 44.6 million (CHF 45.9 million in adjusted terms). EBIT improved as compared to the previous year, rising to CHF 12.6 million or CHF 13.2 million in adjusted terms (previous year: CHF 5.7 million or CHF 4.2 million in adjusted terms). Arbonia's operating income after tax with continuing operations yielded a positive result, amounting to CHF 5.4 million, or CHF 6.2 million without special effects. During the first half of 2016, a Group loss of CHF –3.5 million had been recorded.

Market environment

During the first half of 2017, Arbonia's business activities were bolstered by the continued healthy construction industry in Germany as well as in the burgeoning Eastern European markets of Poland, Slovakia and the Czech Republic. The market segment recorded particular growth in the area of new residential buildings, and especially in Germany. With the continued immigration of well-educated EU citizens, this segment's prospects are looking healthy for the next several years to come. Due to the continued lack of capacity among building tradespeople, however, in general it will not be possible to take full advantage of the German market's potential over the year. Therefore, it will not be until later years that actual work can be carried out on many approved projects. The market for new residential buildings also demonstrated positive development in Poland, Slovakia and the Czech Republic. Furthermore, these regions of Eastern Europe saw a rise in the number of commercial construction projects, driven by investments from Western Europe. The renovations market remained stable.

Switzerland, Arbonia's domestic market, continued to demonstrate sideways development in the company's key segments during the first half of 2017. The commercial construction industry showed continued weak development. Another unchanged factor was the significant

competitive pressure being exerted on the construction industry, largely as a result of the continued strength of the Swiss franc.

General activities from Arbonia Group

During the first half of 2017, Arbonia continued to make significant strides in its efforts to establish its position on the product markets and capital market through the growth and strategic strength it had achieved in 2016. With the cancellation of the publicly held Looser-shares, and the cash settlement paid to the affected shareholders, Arbonia's takeover of the Looser Group came to a successful conclusion at the end of June 2017. Looser's coatings business was fully sold within various transactions during the reporting period. Arbonia used the proceeds to reduce its net indebtedness. This divestment the Arbonia Group's focus on the building supplies industry. The Group plans to raise its profile further through its search for new owners for the industrial service provider Conducta, announced on 3 July 2017.

The first half of 2017 saw significant advancements made in the process of merging the Looser and Arbonia door businesses. Following the takeover of Looser, Arbonia now operates as three divisions of similar sizes: Building Technology, Windows and Doors. Integrating the Looser companies has reduced the company's reliance on Switzerland, which was previously its most important market. Arbonia's biggest market is now Germany, followed by Switzerland, Poland and Slovakia / the Czech Republic. During the reporting period, Arbonia attained around 80 % of its revenue in these four key markets.

Development in the divisions

In the 2015 financial year, Arbonia set out three priority measures that were designed to help it achieve the financial and strategic goals defined for 2018, as well as achieve profitable growth in a sustainable manner. These were relocation of production footprint, focus on divisional strategies, and establishment of a lean industrial holding. The measures that were intended to be implemented over the reporting period proceeded according to plan, particularly the relocation of Swiss sites to the production plants of Group companies in Eastern Europe.

During the first half of 2017, the **Building Technology Division** generated CHF 259.1 million in revenue, 11.5 % above the previous year's figure – and with all three of the business units contributing to this growth. When adjusted for acquisition and currency effects, revenue increased by 2.2 % compared to the previous year (CHF 232.4 million). Adjusted for special effects, EBITDA rose from CHF 24.9 million in the previous year to CHF

25.3 million. The division reported an EBIT of CHF 16.1 million when adjusted for special effects (previous year: CHF 16.0 million). Significant increases in some material costs, affecting steel, steel piping and aluminium, had a negative impact on the margins in the division's results. This made it necessary to introduce certain countermeasures, some of whose effects will not be felt until the second half of 2017.

The healthy state of Germany's residential construction industry – something especially evident in the development of new construction projects – did have a positive effect on business. The renovations business, however, remained stable. With specialist tradespeople unable to offer sufficient capacity volumes, development felt a generally negative effect. Switzerland continued to experience challenging market trends as a result of sustained import pressure and a declining commercial construction market. The market situation in Russia and Italy also proved difficult.

During the first half of 2017, the Heating Technology Business Unit successfully completed the relocation of its special radiator production to the Czech Republic. Lead times, which – as anticipated – experienced a slight temporary increase as a result of the relocation, have returned to normal levels. The investment programme of CHF 25 million that had been designed for increasing capacity and productivity in radiator production at the Plattling (D) site continued as planned, and should be completed next year.

In the Sanitary Equipment Business Unit, the process of concentrating production activities – triggered as part of the Koralle acquisition – is running on schedule, and is set to reach its completion at the end of the year. This will improve efficiency and lower costs. The new production and warehousing hall will be completed in autumn 2017 as planned. The process of integrating the Koralle Group into the division is continuing on schedule.

The Air-Conditioning & Ventilation Technology Business Unit enjoyed positive developments across virtually its entire product range. The new range of residential ventilation products from Sabiana is also expected to generate additional growth over the coming months. The process of integrating Sabiatherm, previously an exclusive distribution partner in France, has come to a successful conclusion. The outlook for the coming months continues to be positive.

During the first half of 2017, revenue in the **Windows Division** was 6.1 % lower compared to the previous year, at CHF 142.2 million (previous year: CHF 151.4 million). On the other hand, the order volume received was higher than in the previous year and the number of orders on the books grew accordingly. For the full year, the

division expects revenue slightly below the previous year. Without special effects, EBITDA grew to CHF –0.4 million (previous year: CHF –1.5 million) and EBIT without special effects to CHF –7.1 million (previous year: CHF –8.6 million). This division was also exposed to price increases affecting virtually every kind of material. Additionally, it is continuing to undergo an extensive process of reorganisation, involving production facility relocations and getting production lines up and running. The division believes that the second half of the year will yield considerably better results, driven by seasonal factors as well as various operational measures and the positive development in incoming order numbers.

During the reporting period, the relocation of vinyl window production from Switzerland to Slovakia achieved the expected increases in productivity, with the Swiss market being supplied with vinyl windows entirely from Pravenec (SK). In order to create more added value and improve production conditions at the Slovakia site, the fully automated insulating glass line that is integrated into the production plant, the glass storage warehouse with automatic feeding to the cutting system, and the glass sorting system will be put into operation in towards the end of 2017 as planned. The complex process of relocating wood / aluminium window production from Altstätten (CH) to the Wertbau company in Eastern Germany is set to take place in the second half of 2017.

The new wood / aluminium window, developed by Ego-Kiefer and Wertbau in the form of a modular construction system, is now ready to order and is already receiving a positive response.

Through its reorganisation, the division is aiming to become a European market leader in the field of windows. It is working on securing a leading position in Switzerland, tapping into the German market more extensively by adopting a new sales structure, and strengthening its market position in Poland and Slovakia. The construction of three dedicated, state-of-the-art plants in Eastern Europe will give the division a competitive advantage that it will be able to sustain over the long term.

During the first half of 2017, business in the **Doors Division** was influenced by the operational and financial integration of the Looser companies. This half of 2017 saw the division increase its revenue from CHF 75.1 million in the previous year to CHF 193.8 million. When adjusted for currency and acquisition effects, however, this resulted in a decline of 5.9 %. EBITDA improved over the previous year (CHF 2.7 million) due to acquisitions, reaching CHF 20.1 million, while EBIT grew from CHF 1.2 million to CHF 8.6 million.

The Looser takeover at the end of 2016 subjected the Doors Division to a strategically significant period of up-

heaval, propelling its status from a niche Swiss provider of special doors to the number-two provider of interior doors in Europe. The transaction was accompanied by not only a significant surge in growth, but also some excellent additions to the product range, plus geographical expansion and new opportunities for market development. Now, the doors business and its Prüm, Garant, Invado and RWD Schlatter brands represent a leading manufacturer of doors and a full-service provider of interior doors, with a strong position on the German, Swiss and Polish markets as well as potential to grow within other central European countries.

Overall, the new doors group is able to look back on a successful first half of the year. Invado and RWD Schlatter in particular enjoyed a high level of incoming orders, although Prüm and Garant saw positive business developments too. The second quarter of 2017 saw the development of a strategy for the future, with the goal of establishing as effective a position as possible for the new amalgamated business. The strategy focuses on the following four main areas:

- Positioning as a full-range provider. The intention is to continually increase the range of standard doors and functional doors available. The product portfolio will be available to all the sales companies throughout the Arbonia doors business.
- Enhancing the sales channels. In the future, the intention is to ensure that both the specialist trade and the property business have their needs met as effectively as possible within the core markets of Germany, Switzerland and Poland.
- Investments in production plants for the purpose of expanding capacity and ensuring competitiveness. Extensive investments are planned, particularly where the Prüm, Garant and Invado production plants are concerned. At the same time, it is our intention to ensure that delivery performance is continuously improved by expanding our warehousing capacity and reducing lead times.
- We also intend to exploit synergies in the areas of purchasing, development and range expansion, with the interests of the entire doors business in mind.

Over the first half of 2017, the Profile Systems Business Unit continued its efforts to boost profitability through cost savings, and was successful in doing so. It also pushed forward with its work on streamlining its product range and developing new products to meet the needs of the market.

The **Industrial Services Division** achieved revenue of CHF 29.3 million during the first half of 2017. EBITDA amounted to CHF 6.9 million and EBIT to CHF 2.6 million.

On 3 July 2017, Arbonia publicly announced its intention to consider new owners for the Industrial Services Division.

Outlook

Thanks to the stable half-yearly figures and looking at the order situation that the divisions are expecting, we are optimistic regarding our goals for the full year 2017. We confirm our expectations that we will achieve net revenue – with the inclusion of the Condicta Group – of around CHF 1.3 billion and an EBITDA in excess of CHF 110 million. The equity ratio is expected to stand at around 50%. We are assuming that net indebtedness without acquisition effects will be less than CHF 100 million by the end of the year.

The stable half year figures are reinforcing our belief that we are on the right strategic and financial course in order to achieve our goals for 2018: net revenue of around CHF 1.4 billion and an EBITDA of around CHF 150 million. It is important to bear in mind that the potential sale of the Condicta Group may result in an EBITDA reduction of around CHF 15 to 20 million. Arbonia will continue its efforts to begin generating a sustainable positive free cash flow from 2019 at the latest, and at the same time to return to a position in which it is able to pay out a dividend once again.

Arbon, August 2017



Alexander von Witzleben
Chairman of the Board of
Directors and CEO



Felix Bodmer
CFO

Consolidated Income Statement
(condensed)

	For the six months ended 30/06			
	2017		2016	
	in TCHF	in %	in TCHF	in %
Continuing operations				
Net revenues	624 353	100.0	459 028	100.0
Other operating income and capitalised own services	8 487	1.4	6 909	1.5
Changes in inventories of semi-finished and finished goods	21 755	3.5	19 542	4.3
Cost of material and goods	-295 216	-47.3	-217 669	-47.4
Personnel expenses	-219 107	-35.1	-172 581	-37.6
Other operating expenses	-95 636	-15.3	-67 886	-14.8
EBITDA	44 636	7.1	27 343	6.0
Depreciation, amortisation and impairments	-21 541	-3.5	-18 785	-4.1
Amortisation of intangible assets from acquisitions	-10 477	-1.7	-2 869	-0.6
EBIT	12 618	2.0	5 689	1.2
Net financial result	-4 840	-0.8	-7 537	-1.6
Group result before income tax	7 778	1.2	-1 848	-0.4
Income tax expense	-2 392	-0.4	-1 692	-0.4
Group result from continuing operations	5 386	0.9	-3 540	-0.8
Group result from discontinued operations after taxes	-3 521	-0.6		
Group result	1 865	0.3	-3 540	-0.8
Attributable to:				
Shareholders of Arbonia AG	1 872		-3 540	
Non-controlling interests	-7			
Earnings per share from continuing operations in CHF	0.08		-0.08	
Earnings per share from discontinued operations in CHF	-0.05			
Earnings per share in CHF	0.03		-0.08	
Basic and diluted earnings are identical				

EBITDA = Earnings before financial results, tax, depreciation and amortisation

EBIT = Earnings before financial results and tax

The notes on pages 11 to 18 form an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of
 Comprehensive Income (condensed)

	For the six months ended 30/06	
	2017	2016
	in TCHF	in TCHF
Group result	1 865	-3 540
Other comprehensive income		
<i>Items that will not be reclassified to income statement</i>		
Remeasurements of employee benefit obligations	8 724	-4 058
Total items that will not be reclassified to income statement	8 724	-4 058
<i>Items that may be reclassified subsequently to income statement</i>		
Currency translation differences	14 691	-897
Total items that may be reclassified subsequently to income statement	14 691	-897
Other comprehensive income after taxes	23 415	-4 955
Total comprehensive income	25 280	-8 495
Attributable to:		
Shareholders of Arbonia AG	25 142	-8 495
Non-controlling interests	138	
Total comprehensive income from continuing operations	28 801	-8 495
Total comprehensive income from discontinued operations	-3 521	

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**Consolidated Balance Sheet
(condensed)**

	30/06/2017		31/12/2016		30/06/2016	
	in TCHF	in %	in TCHF	in %	in TCHF	in %
Assets						
Cash and cash equivalents	142 942		111 754		72 041	
Securities	2 640		2 360		2 420	
Receivables and other assets	188 621		139 364		145 469	
Inventories	207 863		173 033		173 548	
Deferred expenses	6 923		4 856		4 287	
Financial assets			1 200		1 200	
Assets held for sale			156 643		20 118	
Current assets	548 989	35.7	589 210	38.7	419 083	49.1
Property, plant, equipment and investment property	513 086		469 371		320 730	
Intangible assets and goodwill	444 020		441 129		95 846	
Deferred income tax assets	8 938		8 949		10 483	
Capitalised pension surplus	13 745		5 933			
Financial assets	10 100		8 126		6 672	
Non-current assets	989 889	64.3	933 508	61.3	433 731	50.9
Total assets	1 538 878	100.0	1 522 718	100.0	852 814	100.0
Liabilities and shareholders' equity						
Liabilities	198 002		158 136		170 631	
Financial debt	288 859		324 332		118 425	
Accruals and deferred income	85 560		65 053		59 978	
Provisions	23 030		23 371		22 364	
Liabilities associated with assets held for sale			30 145			
Current liabilities	595 451	38.7	601 037	39.5	371 398	43.5
Financial debt	31 547		32 434		24 851	
Other liabilities	12 705		12 217		13 247	
Provisions	10 960		11 067		14 694	
Deferred income tax liabilities	74 366		74 595		16 765	
Employee benefit obligations	59 899		62 618		61 485	
Non-current liabilities	189 477	12.3	192 931	12.7	131 042	15.4
Total liabilities	784 928	51.0	793 968	52.1	502 440	58.9
Shareholders' equity attributable to equity holders of Arbonia AG	753 950	49.0	718 617	47.2	350 374	41.1
Total shareholders' equity	753 950	49.0	728 751	47.9	350 374	41.1
Total liabilities and shareholders' equity	1 538 878	100.0	1 522 718	100.0	852 814	100.0

The notes on pages 11 to 18 form an integral part of these condensed interim consolidated financial statements.

Consolidated Cash Flow Statement (condensed)

	For the six months ended 30/06	
	2017	2016
	in TCHF	in TCHF
Group result	1 865	-3 540
Depreciation, amortisation and impairments	32 018	21 654
Profit/loss on disposal of non-current assets and subsidiaries	-1 255	-60
Changes in non-cash transactions	6 051	2 980
Changes in net working capital (excluding cash and cash equivalents)	-29 579	-25 177
Cash flows from operating activities – net	9 100	-4 143
To investment activities		
Purchases of property, plant and equipment and investment property	-47 472	-19 887
Purchases of intangible assets	-774	-270
Acquisition of subsidiaries (net of cash acquired)	-2 081	-4 649
Issuance of financial assets	-2 287	-4 437
From divestment activities		
Proceeds from sale of property, plant and equipment and investment property	457	65
Proceeds from sale of intangible assets	41	
Proceeds from sale of subsidiaries/businesses (net of cash disposed)	98 240	
Repayment of financial assets	2	30
Cash flows from investing activities – net	46 126	-29 148
From financing activities		
Proceeds from financial debts	33 732	111 024
Sale of treasury shares	2 000	1 590
To financing activities		
Repayment of financial debts and finance lease liabilities	-74 212	-207 186
Purchase of non-controlling interests	-2 160	
Purchase of treasury shares	-1 603	-1 612
Cash flows from financing activities – net	-42 243	-96 184
Effects of translation differences on cash and cash equivalents	639	76
Change in cash and cash equivalents	13 622	-129 399
Reconciliation of change in cash and cash equivalents		
Cash and cash equivalents as of 01/01 continuing operations	111 754	201 440
Cash and cash equivalents as of 01/01 discontinued operations	17 566	
Cash and cash equivalents as of 30/06 continuing operations	142 942	72 041
Change in cash and cash equivalents	13 622	-129 399
Supplementary information for operating activities:		
Interest paid	3 765	7 445
Interest received	755	734
Income tax paid	5 577	4 138

The notes on pages 11 to 18 form an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Changes in Equity (condensed)

	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Attribu- table to equity holders Arbonia	Non- controlling interests	Total share- holders' equity
	in TCHF	in TCHF	in TCHF	in TCHF	in TCHF	in TCHF	in TCHF	in TCHF
Balance at 31/12/2015	187 140	262 022	-7 553	-84 288	-5 504	351 817		351 817
Group result					-3 540	-3 540		-3 540
Other comprehensive income after taxes				-897	-4 058	-4 955		-4 955
Total comprehensive income				-897	-7 598	-8 495		-8 495
Issuance of share capital (net)	3 842	6 543				10 385		10 385
Changes in treasury shares			-3 772		-787	-4 559		-4 559
Share based payments			1 648		-422	1 226		1 226
Total transactions with owners	3 842	6 543	-2 124		-1 209	7 052		7 052
Balance at 30/06/2016	190 982	268 565	-9 677	-85 185	-14 311	350 374		350 374
Balance at 31/12/2016	287 640	518 043	-8 576	-86 979	8 489	718 617	10 134	728 751
Group result					1 872	1 872	-7	1 865
Other comprehensive income after taxes				14 546	8 724	23 270	145	23 415
Total comprehensive income				14 546	10 596	25 142	138	25 280
Issuance of share capital (net)	4 147	5 244				9 391		9 391
Changes in treasury shares			-1 336		1 461	125		125
Share based payments			1 752		-63	1 689		1 689
Purchase of non-controlling interests				145	-1 159	-1 014	-10 272	-11 286
Total transactions with owners	4 147	5 244	416	145	239	10 191	-10 272	-81
Balance at 30/06/2017	291 787	523 287	-8 160	-72 288	19 324	753 950		753 950

The notes on pages 11 to 18 form an integral part of these condensed interim consolidated financial statements.

Selected Explanatory Notes to the Interim Consolidated Financial Statements

1 General information

Arbonia Group (Arbonia) is a focused building supplier, whose innovative solutions and services provide for the efficient use of energy as well as for safety, security and well-being. Arbonia is divided into three main divisions, namely Building Technology, Windows (previously Building Envelope) and Doors (previously Building Security) as well as the business unit Industrial Services. Manufacturing plants are located in Switzerland, Germany, Italy, the Czech Republic, Poland and Slovakia. Arbonia owns major brands such as Kermi, Arbonia, Prolux, Koralle, Sabiana, EgoKiefer, Slovaktual, Dobroplast, Wertbau, Forster Profile Systems, RWD Schlatter, Prüm, Garant, Invado and Condicta and possesses a strong position in its home markets in Switzerland and Germany. The Group focuses mainly on the development of existing markets in Central and Eastern Europe. Arbonia is represented in over 70 countries worldwide.

The ultimate parent company, Arbonia AG is a corporation organised under Swiss law incorporated and domiciled at Amriswilerstrasse 50, CH-9320 Arbon (canton Thurgau). Arbonia AG is listed on the SIX Swiss Exchange in Zurich under the valor number 11024060 / ISIN CH0110240600.

These unaudited interim consolidated financial statements have been approved for issue by the Board of Directors of Arbonia AG on 3 August 2017.

2 General principles and basis of preparation

The unaudited interim consolidated financial statements for the six months ended 30 June 2017 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 2016.

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 2016.

Amendments to significant published standards effective in 2017

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 2016, except for the adoption of the following amended standards, which Arbonia has implemented in 2017:

- Amendments to IAS 7 "Statement of cash flows" – disclosures

The amendment to IAS 7 introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The adoption of this amended standard did not affect the Group's interim financial statements.

Published standards that are neither yet effective nor adopted early

The following published, but as of the balance sheet date not yet effective, significant new or amended standards have not yet been adopted by Arbonia:

Standard	effective date
IFRS 9 "Financial instruments: classification and measurement"	01/01/2018
Amendments to IFRS 9 "Financial instruments" – mandatory effective date of IFRS 9 and transition disclosures	01/01/2018
Amendments to IFRS 9 "Financial instruments" – hedge accounting	01/01/2018
IFRS 15 "Revenue from contracts with customers"	01/01/2018
IFRS 16 "Leases"	01/01/2019

The statements made in the consolidated financial statements 2016 on the impact of the new standards on the Group's financial statements remain unchanged.

3 Changes in the scope of consolidation

The following changes occurred during the reporting period in the Group:

- As of 31 January 2017, Arbonia acquired 100 % of the shares of TPO Holz-Systeme GmbH, DE-Leutershausen (see note 7).

4 Foreign currency rates

The following foreign currency rates have been applied:

Currency	Unit	30/06/2017		30/06/2016	
		Closing rate	Half-year average rate	Closing rate	Half-year average rate
EUR	1	1.0926	1.0763	1.0826	1.0953
GBP	1	1.2427	1.2514	1.3078	1.4077
USD	1	0.9567	0.9944	0.9754	0.9822
CZK	100	4.1710	4.0189	3.9904	4.0529
PLN	100	25.8512	25.2237	24.4628	25.0854
CNY	100	14.0988	14.4700	14.6793	15.0433
RUB	100	1.6187	1.7161	1.5539	1.4027

5 Segment information

Arbonia is organised into the divisions or segments Building Technology, Windows (previously Building Envelope), Doors (previously Building Security) and Industrial Services. Corporate Services consist of service, finance, real estate and investment companies and provide their services almost entirely to Group companies. They have not been allocated to an operating segment and are therefore included in "Others and eliminations".

For the monitoring and assessment of the financial performance, EBITDA and EBIT are pivotal key measures. However Group Management and the Board of Directors also are provided with financial data down to the line item "result after income tax" by operating segment. The segments apply the same accounting policies as the Group. Purchases, sales and services between segments are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. Income and expenses between segments are eliminated on consolidation and disclosed in "Others and eliminations".

Segment assets and liabilities include all assets, liabilities and intercompany transactions. Goodwill has been allocated to the respective segments.

Six months ended 30/06/2017						
	Building Technology	Windows	Doors	Industrial Services	Others and eliminations	Total Group
	in TCHF	in TCHF	in TCHF	in TCHF	in TCHF	in TCHF
Sales with third parties	259 054	142 195	193 821	29 275	8	624 353
Sales with other segments	9	5		1	-15	
Net revenues	259 063	142 200	193 821	29 276	-7	624 353
Segment results I (EBITDA)	23 752	183	20 109	6 879	-6 287	44 636
<i>in % of net revenues</i>	9.2	0.1	10.4	23.5		7.1
Depreciation and amortisation	-9 179	-6 690	-11 461	-4 257	-1 022	-32 609
Reversal of impairment on property, plant and equipment	591					591
Segment results II (EBIT)	15 164	-6 507	8 648	2 622	-7 309	12 618
<i>in % of net revenues</i>	5.9	-4.6	4.5	9.0		2.0
Net financial result						-4 840
Result before income tax						7 778
Income tax expense						-2 392
Result after income tax						5 386
Average number of employees	2 993	2 823	1 981	182	66	8 045
Total assets as of 30/06/2017	483 092	270 750	526 369	134 584	124 083	1 538 878
Total liabilities as of 30/06/2017	266 251	265 180	189 323	44 499	19 675	784 928

	Six months ended 30/06/2016				
	Building Technology	Windows	Doors	Others and eliminations	Total Group
	in TCHF	in TCHF	in TCHF	in TCHF	in TCHF
Sales with third parties	232 371	151 363	75 087	207	459 028
Sales with other segments		1	27	-28	
Net revenues	232 371	151 364	75 114	179	459 028
Segment results I (EBITDA)	24 932	-1 939	2 681	1 669	27 343
<i>in % of net revenues</i>	<i>10.7</i>	<i>-1.3</i>	<i>3.6</i>		<i>6.0</i>
Depreciation and amortisation	-8 942	-7 077	-1 516	-1 659	-19 194
Impairment property, plant and equipment				-2 460	-2 460
Segment results II (EBIT)	15 990	-9 016	1 165	-2 450	5 689
<i>in % of net revenues</i>	<i>6.9</i>	<i>-6.0</i>	<i>1.6</i>		<i>1.2</i>
Net financial result					-7 537
Result before income tax					-1 848
Income tax expense					-1 692
Result after income tax					-3 540
Average number of employees	2 762	2 974	454	63	6 253

6 Discontinued operations

In the consolidated financial statements 2016, the coatings segment was already presented in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". On 26 June 2017, the last unit of the coatings segment was sold. The following table contains the results generated by this segment up to the time of the sale of the individual units.

Result from discontinued operations	For the six months ended 30/06/2017
	in TCHF
Net revenues	48 437
Other operating income	261
Changes in inventories of semi-finished and finished goods	-2 285
Cost of material and goods	-22 134
Personnel expenses	-14 617
Other operating expenses	-14 081
EBIT	-4 419
Financial result	-125
Result from discontinued operations before income tax	-4 544
Income tax expense	-271
Result from discontinued operations	-4 815
Gain on disposal of discontinued operations	1 294
Net result from discontinued operations	-3 521

The results for the reporting period comprise incurred and estimated sales costs for the disposal of the coatings segment of CHF 6.0 million. Thereof CHF 1.0 million is included in personnel expenses and CHF 5.0 million in other operating expenses. From the sale of this segment, accumulated currency translation differences in the amount of CHF 0.1 million resulted, which have been transferred from equity to the income statement and credited to the financial result.

As of 30 June 2017, a net cash inflow of CHF 98.2 million resulted from the various sales transactions of this segment. A deferred purchase price of CHF 5.0 million will be settled in two instalments until May 2018 at the latest.

Earnings for the period from continuing operations of CHF 5.328 million and earnings for the period from discontinued operations of CHF -3.456 million were attributable to the shareholders of Arbonia AG.

7 Acquisitions

The following fair value of assets and liabilities has arisen from the acquisition as mentioned under note 3:

TPO Holz-Systeme GmbH	Fair Value
	in TCHF
Assets	
Cash and cash equivalents	208
Receivables	178
Inventories	997
Property, plant and equipment	575
Intangible assets	1 756
Total assets	3 713
Liabilities	
Liabilities	477
Financial debts	350
Provisions	97
Deferred income tax liabilities	500
Total liabilities	1 424
Net assets acquired	2 290
Cost of acquisition	
Purchase price	2 290
Total cost of acquisition	2 290
Net cash outflow was as follows:	
Purchase price	2 290
Cash and cash equivalents acquired	-208
Net cash outflow on acquisition	2 081

As of 31 January 2017, Arbonia acquired 100 % of the shares of German TPO Holz-Systeme GmbH, DE-Leutershausen. The company is a specialised doors manufacturer and is allocated to the Doors Division. The purchase price amounted to CHF 2.3 million. From the date of acquisition, the company contributed CHF 0.8 million in net revenues and CHF 0.2 million in loss to the Group. The acquisition-related costs amount to CHF 0.03 million and are included in operating expenses. The fair values of the acquired assets and liabilities were determined on a provisional basis.

8 Seasonality of operations

Due to the seasonal nature of certain divisions of the Group, higher net revenues and operating results are usually expected in the second half of the year rather than in the first semester.

9 Transfer of financial assets

Since February 2010 Arbonia sells receivables under a factoring agreement. Because Arbonia neither transfers nor retains substantially all the risks and rewards of ownership but still retains control, the receivables have to be recorded in the balance sheet to the extent of the so-called continuing involvement as stipulated under the provision of IAS 39. In particular the late payment risk is completely retained by Arbonia up until a certain point in time. As of 30 June 2017, the book value of the transferred receivables amounts to CHF 54.2 million. Thereof Arbonia already received from the factor CHF 27.5 million of cash and the remaining CHF 26.7 million are disclosed as receivables against the factor. In addition a receivable and a liability of CHF 0.4 million are recorded for the consideration of the continuing involvement.

10 Financial assets

As of 30 March 2017, Arbonia acquired a minority share of 35% of a German online windows dealer through payment of CHF 2.3 million. The proportionate profit since the acquisition date amounted to CHF 0.1 million and is included in the financial result. The company generated in 2016 net revenues of around CHF 8 million. Arbonia can exercise a call option to acquire the remaining shares in 2021 or 2022. The hitherto shareholders can exercise in 2022 or 2023 their put option to sell the remaining shares.

As a result of non-compliance with agreed repayment terms and the published insolvency of the debtor, an additional impairment of CHF 1.2 million was made during the reporting period on the loan. The impairment was charged to the financial result. This loan relates to the sale of the kitchen business in 2014.

11 Financial debts

As a result of the sale of the coatings segment, the credit tranche used to finance the cash settlement of the Looser acquisition was reduced from CHF 87 million to CHF 20 million. On 10 July 2017, this credit facility was completely repaid.

12 Financial instruments

The following information is to be read in conjunction with note 43 "Additional disclosures on financial instruments" of the consolidated financial statements 2016. Financial instruments measured at fair value are allocated to the respective hierarchy levels as follows:

	Level 2	Level 3	Fair value at 30/06/2017
	in TCHF	in TCHF	in TCHF
Assets			
Financial assets at fair value through profit or loss - designated (FA FVTPL designated)			
- Investment funds	2 640		2 640
Total assets	2 640		2 640
Liabilities			
Financial liabilities at fair value through profit or loss - designated (FL FVTPL designated)			
- Interest rate swaps without hedges	1 870		1 870
Financial liabilities at fair value through profit or loss - trading (FL FVTPL trading)			
- Purchase commitment		12 105	12 105
Total liabilities	1 870	12 105	13 975

In the reporting period, no reclassifications occurred between levels 1 and 2.

The movement in the fair value changes of level 3 items is as follows:

	Purchase commitment
	in TCHF
Balance at 31/12/2016	11 717
Within financial results recognised expenses from compounding	388
Balance at 30/06/2017	12 105

The purchase commitment of CHF 12.1 million relates to the purchase agreement in 2016 between Arbonia and Credit Suisse Funds AG for the Corporate Center in CH-Arbon. The purchase commitment was recorded at the balance sheet date at fair value and at the time of transfer of ownership, the purchase price will amount to CHF 20 million.

13 Employee benefit obligations

Due to staff reductions in the Swiss windows business, personnel expenses were credited during the reporting period for the plan settlement/partial liquidation by CHF 2.7 million.

14 Share capital

On 28 April 2017, the Board of Directors of Arbonia AG approved two authorised capital increases. Both capital

increases were completed on 28 June 2017. For the first transaction, the share capital was increased through the issue of 600 000 new registered shares with a par value of CHF 4.20 by CHF 2 520 000 to CHF 290 160 318. These new registered shares are designated for the participation of employees and the Board of Directors of Arbonia. For the second transaction, the share capital was increased through the issue of 387 453 new registered shares with a par value of CHF 4.20 by CHF 1 627 302.60 to CHF 291 787 620.60 (see note 15). These new shares with a counter value of CHF 6.9 million were used for the remaining and by the cancellation affected shareholders of Looser Holding AG. The capital surplus resulting from this capital increase in the amount of CHF 5.2 million was allocated to share premium.

As a result of the completed authorised capital increase on 28 June 2017 of 600 000 new registered shares, the maximum amount and number of registered shares allocated to raise new capital were reduced to CHF 10 700 117.40 and 2 547 647 shares respectively.

15 Non-controlling interests

On 27 January 2017 and 28 June 2017, Arbonia increased its share in Looser Holding AG from 97.53 % to 98.15 % and 100 %, respectively. The offer price for one registered share of Looser Holding AG amounted to 5.5 shares of Arbonia AG plus CHF 23 in cash. On 27 January 2017, 129 173 treasury shares plus CHF 0.54 million in cash were used for the purchase of 23 486 registered shares of Looser Holding AG. On 28 June 2017, 387 453

newly created shares of Arbonia AG plus CHF 1.62 million in cash were used for the remaining 70 446 shares of Looser Holding AG to compensate those shareholders affected by the cancellation. In order to increase Arbonia's share of Looser Holding AG from 97.53 % to 100 %, a cash consideration totalling CHF 2.16 million was spent during the reporting period. Altogether the outstanding non-controlling interests with a book value of CHF 10.1 million were purchased at a price of CHF 11.3 million. The proportion of the price exceeding the carrying value of the non-controlling interests has been recognised directly in equity.

16 Treasury shares

Compared to 31 December 2016, the balance of treasury shares has increased by 346 164 to 1 010 515 shares. In the reporting period, 600 000 shares from the capital increase dated 28 June 2017 were allocated to treasury shares, 132 661 shares were used for the share-based payment plans and 129 173 shares were used for the purchase of 23 486 registered shares of Looser Holding AG.

17 Capital commitments

As of 30 June 2017, capital commitments for the purchase of property, plant and equipment amount to CHF 29.2 million and for intangible assets to CHF 1.0 million.

18 Contingencies

No significant changes have occurred from those disclosed in the consolidated financial statements 2016.

19 Events after the balance sheet date

On 03 July 2017, Arbonia announced its intention to consider new owners for the business unit Industrial Services. As of 30 June 2017, the criteria of IFRS 5 "Non-current assets held for sale and discontinued operations" were not fully met. Consequently, the business unit Industrial Services is not disclosed as a discontinued operation in the 2017 interim consolidated financial statements.

No other events occurred between the balance sheet date and the date of this report which could have a significant influence on the 2017 interim consolidated financial statements.

Supplementary Information for Investors

Share figures	30/06/2017	30/06/2016	30/06/2015	30/06/2014	30/06/2013
Number of shares					
Registered par value CHF 4.20	69 473 243	45 471 794	18 225 603	18 225 603	18 225 603
Stock market prices in CHF					
Highest price during reporting period	19.1	15.7	18.6	26.3	20.4
Lowest price during reporting period	16.3	8.8	11.5	19.9	16.9
Share price at 30/06	17.6	13.9	13.1	22.2	19.2
Market capitalisation in CHF million					
	1 219	632	323	549	474

Dates

23. Januar 2018

Publication of revenue for 2017 financial year

27. Februar 2018

Publication of the annual results 2017

Financial media information and analysts' conference on the 2017 financial year

20. April 2018

31. Annual General Meeting 2018

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