

ARBONIA FIRST SEMESTER REPORT

2021

ARBONIA 



Arbonia can look back on a very successful first half-year of 2021. This was driven by the continued good building construction activity due to still favourable conditions resulting from low interest rates, a housing shortage, and European-wide subsidy programmes for energy-efficient new construction and renovation. Arbonia additionally benefits from its further strengthened competitive position as a European building components supplier. The investments made in recent years in automation, digitisation, and vertical integration created the conditions for gaining market shares in Central European sales markets and for further increasing profitability, even during the COVID-19 pandemic and the following upturn.

*Dear Shareholders
Dear Bobbi's and gentlemen*

The effects of the varying country-specific COVID-19 measures in the first half-year of 2021 did not have a significant negative impact on the development of the construction industry during this time period. Arbonia achieved a considerable increase in revenue and results in the first half-year of 2021 compared to the previous year, as well as compared to 2019 (free of COVID-19 effects).

As already stated in the annual report for the financial year 2020, the Windows Division is reported as discontinued operations in this First Semester Report 2021 due to the announced sale.

Accordingly, the following key figures relate to the continuing operations (HVAC, Sanitary Equipment, and Doors): Revenue increased compared to the previous year from CHF 492.5 million to CHF 588.6 million, corresponding to a growth in Swiss francs of 19.5% and organic growth of 16.5%. EBITDA increased to CHF 67.6 million compared to CHF 45.3 million in the previous year (+49.0%). This corresponds to an EBITDA margin of 11.5% (9.2% in the previous year). EBIT increased by 134.7% from CHF 14.9 million in the previous year to CHF 34.9 million in the first half-year of 2021. This represents an EBIT margin from 5.9% in the first half-year of 2021 (3.0% in the previous year). The group result after tax amounted to CHF 23.6 million compared to CHF 5.9 million in the same period last year (+299.7%).

As mentioned, the good residential construction industry with the continuing trend towards modern, energy-efficient or climate-friendly building construction contributed to the increase in revenue and profitability. However, Arbonia has created the basis for positive development thanks to strategic investments in state-of-the-art manufacturing technologies and sites with a high level of automation and in vertical integration contributing to independence.

Market environment

In Arbonia's two largest domestic markets, **Germany** and **Switzerland**, the impact of the pandemic and some of the measures associated with it had very little effect on construction activity. In Germany, there were probably some anticipatory effects at the end of 2020 due to the temporary reduction in value-added tax; however, these are negligible due to the long lead times in the construction sector. The trend towards greater comfort in one's own home and the absence of spending on holidays or other major investments have

stimulated residential construction and renovation in both countries. Outside of residential construction, however, construction activity is expected to decline in 2021, primarily in the retail business and office segments, due to lower investment activity and demand. Especially in Germany, construction activity will be constrained by the limited capacities of skilled workers. However, in combination with the already existing surplus of homes that have been approved but not yet started (construction backlog), this will still ensure full order books over the next few years. In Switzerland, residential construction is expected to decline slightly due to increasing vacancy rates in rural areas. In addition to the positive trends, the subsidy programmes for energy-efficient upgrading of buildings in both countries should ensure a good development in the renovation segment. The relevant federal office in Germany already approved more than EUR 2.7 billion in subsidies in the first half of 2021 and distributed around EUR 610 million of this amount – more than in the entire year 2020.

The Eastern European target markets of Arbonia developed very similarly in the first months of 2021. In **Poland** and in the **Czech Republic**, the construction industry was severely impacted in residential and other building construction by the containment measures in the first quarter. In Poland, with the exception of new offices and commercial real estate, construction activity should pick up strongly again in the wake of the easing measures, so the trend is expected to be very positive overall. Having said that in the Czech Republic the slow approval processes and a shortage of skilled labour are delaying the recovery of the construction industry; however, due to the acute housing shortage in urban centres, new residential construction is expected to recover. In the medium term, these markets offer interesting opportunities due to rising incomes, the COVID-19-related increase in the savings rate, and subsidies for energy-efficient buildings.

In the southern European markets of **Italy**, **Spain**, and **France**, the construction industry is also showing signs of a significant recovery thanks to improved economic prospects and substantial subsidy programmes for the energy-efficient renovation of housing.

In the **Netherlands** and **Belgium**, a similar development can be observed as in the southern European markets, although purchasing power decreased in the Netherlands during the pandemic, so that a decline in renovation activity can be assumed this year. Starting next year, however, significant growth can be expected again based on the known trends.

The three drivers of the construction industry relevant to Arbonia

Arbonia continues to focus on the development of the construction industry and a number of key drivers: energy efficiency/CO₂ neutrality, urbanisation, as well as digitisation & automation.

- **Energy efficiency/CO₂ neutrality**
Europe is taking the path to climate neutrality by investing in rapidly implementable, already existing technical solutions and by giving the population individual responsibility. Among other things, it points out that the greatest potential for reducing CO₂ emissions lies in buildings, in more efficient heating systems, in energy-efficient windows, and in insulated interior and exterior doors. This is why the majority of European countries support both new construction and renovation with subsidies.
- **Urbanisation (migration and demographic change)**
The COVID-19 pandemic with its accompanying higher proportion of employees working from home and the continuing urbanisation intensify the desire for home ownership and more living space per person, which raises the housing demand in urban areas and well-connected suburbs. A further aspect is demographic change with an steadily aging society. Increasing affluence in later life and the resulting decrease in the number of persons per household (<2) will lead to higher living space per capita. These facts are currently leading to a further aggravation of the housing shortage that already exists in metropolitan areas and in the periphery and will continue to do so in the next few years. This situation is being remedied by further new construction projects and an increased focus is put on the energy-efficient renovation of old residential buildings, driven by government subsidies. The growth in building permits, above all in Germany, remains at a high level, and the order books of the construction industry are well filled.
- **Digitisation & automation**
Digital technologies as well as the growing expectations of customers (self-service, 24/7 accessibility, interaction) are changing familiar business models. Companies are differentiating themselves less and less through product features and more through direct customer relationships, integrating and linking of the customer's process chain in combination with unique experiences. Thanks to improved processes, a high degree of automation in production also enables shorter and more reliable production times and increases in productivity.

Strategic direction of Arbonia

Arbonia will continue to work on its three defined strategic directions, which strengthen its leading position as a European building components supplier:

- **Further increasing the productivity of production sites** through ongoing investment in sites with an ideal cost structure
- **Expanding market leadership** with new, technologically advanced products
- **Increasing customer benefit** with the expansion of a full product range, with premium design, and with customised system solutions, as well as with a strong service business

Development of the divisions in the first half-year of 2021

For the first half-year of 2021, the **HVAC Division** reports net revenue of CHF 304.9 million, which corresponds to an increase of 23.9% compared to the same reporting period of the previous year (CHF 246.1 million) and of 11.0% compared to the first half-year of 2019 (CHF 274.6 million). Growth when adjusted for currency and acquisition effects amounted to 20.9%. EBITDA increased from CHF 21.3 million in the previous year (and from CHF 20.2 million in the first half-year of 2019) to CHF 33.6 million, which corresponds to an increase of 57.7% compared to the previous year and an EBITDA margin of 11.0% in the first half-year of 2021. EBIT developed from CHF 6.8 million in the previous year (and from CHF 6.7 million in the first half-year of 2019) to CHF 18.3 million (EBIT margin in the first half-year of 2021: 6.0%).

The first half-year of 2021 went well for the HVAC Division with its wide product range. The division also owes this to the dynamic development of the construction industry. The strong response to the division's own system solutions for heat/cold generation, energy storage, heat/cold distribution, as well as ventilation and air filtration for residential and commercial construction is having a positive effect. The demand for integrated building systems as well as for individual components is additionally accelerated by the European subsidies for energy-efficient buildings.

In addition, the division expects anticipatory effects due to the increased raw material costs, particularly for steel, sheet and tube, and the resulting price increases that were announced, most of which have already been implemented. Further price increases will follow in the second half-year of 2021.

Although the division was able to purchase material in addition to the contracted delivery volume thanks to its long-term supply contracts and thus good supplier partnerships, the large order volume cannot be fully processed in the short term due to a lack of material availability. This material shortage, which occurred in the first half-year of 2021, prevented the inventory, which is important for the peak season (third and fourth quarter), from being fully built up in many production plants.

Construction of additional heat pump capacities for the market, which has been growing strongly for years and is benefiting from climate targets and their promotion, started in the first half-year of 2021. From the beginning of 2022 onwards, the existing production capacity at the new site in Czech Republic will be continuously increased many times over.

The business development of the **Sanitary Equipment Division (integrated into the Doors Division as the Glass Solutions Business Unit as of 1 July 2021)** was gratifyingly positive in the first half-year of 2021. Revenue increased from CHF 68.5 million in the previous year (respectively CHF 71.7 million in the first half-year of 2019) to CHF 77.7 million, corresponding to a growth of 13.5% (8.4% compared to the first half-year of 2019). When adjusted for currency effects, this resulted in a revenue growth of 11.2%. At CHF 9.5 million, EBITDA was 53.6% above the figure for the previous year (CHF 6.2 million). This corresponds to an EBITDA margin of 12.2% in the first half-year of 2021. In the first half of 2019, EBITDA amounted to CHF 6.5 million. EBIT in the first half-year of 2021 amounted to CHF 6.3 million (previous year: CHF 3.2 million, +95.6%), resulting in an EBIT margin in the first half-year of 2021 of 8.2%. EBIT in the first half-year of 2019 was CHF 3.8 million.

This growth was certainly driven by the good market position and the renovation cycle of the pandemic, but also by a strong contractor services business, which can be attributed to a good supply chain that remained intact even during the pandemic.

Although the Sanitary Equipment Division is also feeling the increase in material prices, especially for aluminium and glass, the material supply is secure thanks to long-term contracts. This strengthens the divisions' image among customers as a reliable partner.

In the first half-year of 2021, however, the COVID-19 pandemic had a negative impact on production. It was restricted at times due to the quarantine of several employees, despite regular testing. At present, however, the production activities at the Plattling (D) and Dagmersellen (CH) plants are no longer impaired.

The Sanitary Equipment Division is working intensively on expanding its product range with the aim of becoming a full-range supplier for a wider range of customers, and on service operations, among other things, to secure a favourable market position in Eastern Europe as well, primarily in the contractor services sector and in Poland. At the same time, initiatives for an increased vertical integration were examined in the first half-year of 2021. With the acquisition of Glasverarbeitungs-Gesellschaft Deggendorf mbH (GVG) the Sanitary Equipment Division, now the Glass Solutions Business Unit of the Doors Division, is integrating the processing

of its most important raw material, glass, into its own production processes. GVG is a subsidiary of the SAINT-GOBAIN Group and one of Germany's leading glass processing companies in the segments single-pane safety glass and laminated safety glass. It allows a continuous optimisation of both procurement times for glass in a very flexible manner and a significant reduction of process costs in handling. The division's dependence on external partners is also reduced. The closing of the acquisition of Glasverarbeitungs-Gesellschaft Deggendorf is expected in the third quarter of 2021.

The **Doors Division**, in turn, recorded a very pleasing business trend in the first half-year of 2021. Revenue developed positively and increased by 14.5% (11.5% compared to the first half-year of 2019) from CHF 178.0 million in the previous year (respectively CHF 182.8 million in the first half-year of 2019) to CHF 203.9 million. Currency-adjusted revenue grew by 12.4%. EBITDA rose by 31.7% from CHF 23.4 million in the previous year (and from CHF 22.4 million in the first half-year of 2019) to CHF 30.8 million (EBITDA margin of 15.1% in the first half-year of 2021). EBIT increased by 55.9% from CHF 11.2 million in the first half-year 2020 (and from CHF 10.4 million in the first half-year 2019) to CHF 17.5 million, corresponding to an EBIT margin of 8.6% in the first half-year 2021.

The high order volume of all production plants of the Doors Division shows that the ongoing investment programme to increase productivity and expand the capacity of the Prüm production plant at the Weinsheim site (D) by 40% was urgently needed. The division has already invested considerably into new machinery and equipment in recent years to expand capacity at the sites in Germany at Garant and in Poland at Invado in order to create additional manufacturing capacity.

The Doors Division is also being adversely affected by material price increases, particularly for wood materials and downstream materials such as foils and adhesives. The division is striving to pass on these still rising costs by means of appropriately staggered price increases. For the second half-year of 2021, the situation is aggravated by the fact that the urgently needed inventory could not be adequately built up in recent months.

Not only is the already historically high order volume increasing daily at the two German companies Prüm and Garant, but RWD Schlatter, which specialises in functional doors, is also enjoying a good order situation in the contractor services and in the wholesale business. The Swiss company continues to invest in vertical integration by intensifying its competence in frame production and planning the expansion of a warehouse and logistics building at the Roggwil (CH) site, among other things. The latter will enable the company to serve the market with prefabricated doors as well. As a further measure, RWD Schlatter is establishing its new specialist partner

concept for western Switzerland with a sales location in Vevey (CH).

Discontinued operation Windows Division

After the construction industry had already rapidly recovered in the second half-year of 2020 following the COVID-19 crisis, this continued for the Windows Division over the first half-year of 2021 as well. In addition to the described key drivers in the construction and real estate sector, the division is also benefiting from efforts to reduce energy and CO₂ emissions and the associated renovation of building envelopes. This positive market environment has led to a considerable growth in incoming orders for all companies of the division.

The high amount of incoming orders led to a very good capacity utilisation of the production plants in the first half-year. Thanks to the comprehensive product and services offering as well as an omni-channel approach in the most important sales markets, the division was able to further strengthen its market position. Especially in the area of the fast-growing e-commerce segment, the full acquisition and integration of Webcom (D) at the end of 2020 enabled the division to gain complementary and forward-looking capabilities in online sales and software development.

However, the division was confronted not only with a pleasing development in revenue and earnings but with simultaneous sharp increases in material prices and limited availabilities as well. This development will also characterise the second half-year of 2021.

The closing of the sale of the Windows Division to the Danish DOVISTA Group, announced on 5 January 2021, is expected in the next few days. All responsible competition authorities have now given their approval.

Central focus: sustainability

Arbonia, with its divisions and as a group, is dedicated to a consistent and comprehensive commitment to sustainability, which is both part of the group's strategic guidelines and part of the operating activities of the companies. The group is aware of its economic, environmental, and social responsibility. On the occasion of the annual report 2020, Arbonia published a detailed, GRI-compliant sustainability report for the first time. The group is currently in the process of refining and expanding the content as well as formulating medium- and long-term targets. These findings will in turn be published as an integrated part of the annual report 2021.

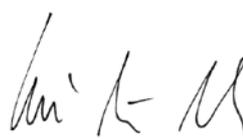
Outlook

Arbonia looks back on an exceptionally strong first half-year of 2021 and registers continued high demand in all its business units. In the coming years, this will continue to be driven by the previously mentioned factors: a persistent low interest rate environment, a scarcity of housing also due to demographic change and single households driving demand, as well as growth in the renovation sector caused by government subsidies as part of the climate programmes and the renovation backlog of recent years.

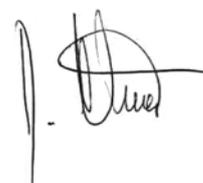
In contrast, there are still capacity bottlenecks in skilled workers and continuing high demand for construction services. The number of orders to be processed remains at a record level. There is a strong demand for the new subsidy programmes of the countries, but applications can only be processed with longer waiting times. In Arbonia's largest home market, Germany, for example, the Federal Office for Economic Affairs and Export approved three times as many subsidies by the end of May 2021 as in the previous year. This can delay the processing of construction project approvals. The ongoing significant increase in raw material prices and lack of availability will also have a restraining effect.

In particular, the second quarter of 2020 was negatively affected by measures due to the COVID-19 pandemic, so that the second half-year of 2020 benefited from catch-up effects to a certain extent. The described catch-up effect will not occur again in the second half-year of 2021, especially as the divisions already sold off a large part of the seasonally important inventory in the first half of 2021 and the inventories for the second half-year (peak season) could not be filled to the full extent due to the shortage of materials.

A potential adjustment of the guidance for the full year 2021 can be found in the press release on the occasion of the publication of the First Semester Report 2021 published on 24 August 2021.



Alexander von Witzleben
Chairman of the Board
of Directors and CEO



Daniel Wüest
CFO

Interim Consolidated Financial Statements Arbonia Group

Consolidated Income Statement (condensed)

in 1 000 CHF	For the six months ended 30/06/2021		For the six months ended 30/06/2020 restated ¹	
	%		%	
Continuing operations				
Net revenues	588 583	100.0	492 537	100.0
Other operating income and capitalised own services	10 505	1.8	9 731	2.0
Changes in inventories of semi-finished and finished goods	351	0.1	6 554	1.3
Cost of material and goods	- 264 901	- 45.0	- 221 487	- 45.0
Personnel expenses	- 188 961	- 32.1	- 171 372	- 34.8
Other operating expenses	- 77 997	- 13.3	- 70 620	- 14.3
EBITDA	67 580	11.5	45 343	9.2
Depreciation and amortisation	- 24 983	- 4.2	- 23 050	- 4.7
Amortisation of intangible assets from acquisitions	- 7 700	- 1.3	- 7 425	- 1.5
EBIT	34 896	5.9	14 867	3.0
Net financial result	- 2 489	- 0.4	- 7 088	- 1.4
Group result before income tax	32 407	5.5	7 779	1.6
Income tax expense	- 8 842	- 1.5	- 1 883	- 0.4
Group result from continuing operations	23 565	4.0	5 896	1.2
Group result from discontinued operations after taxes	13 329	2.3	- 1 298	- 0.3
Group result	36 895	6.3	4 599	0.9
Attributable to:				
Shareholders of Arbonia AG	36 895		4 599	
Earnings per share from continuing operations in CHF	0.34		0.09	
Earnings per share from discontinued operations in CHF	0.19		- 0.02	
Earnings per share in CHF	0.53		0.07	
Basic and diluted earnings are identical.				

¹ see note 6

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

EBIT = Earnings before financial results and tax

The notes on pages 15 to 22 form an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Comprehensive Income (condensed)

in 1 000 CHF	For the six months ended 30/06/2021	For the six months ended 30/06/2020
Group result	36 895	4 599
Other comprehensive income		
<i>Items that will not be reclassified to income statement</i>		
Remeasurements of employee benefit obligations	15 223	– 10 540
Total items that will not be reclassified to income statement	15 223	– 10 540
<i>Items that may be reclassified subsequently to income statement</i>		
Currency translation differences	17 035	– 28 670
Cumulative currency translation differences transferred to the income statement	– 83	
Total items that may be reclassified subsequently to income statement	16 952	– 28 670
Total other comprehensive income after taxes	32 175	– 39 210
Total comprehensive income	69 070	– 34 611
Attributable to:		
Shareholders of Arbonia AG	69 070	– 34 611
Total comprehensive income from continuing operations	43 432	– 18 970
Total comprehensive income from discontinued operations	25 637	– 15 641

The notes on pages 15 to 22 form an integral part of these condensed interim consolidated financial statements.

Consolidated Balance Sheet (condensed)

in 1 000 CHF	30/06/2021		31/12/2020		30/06/2020	
		%		%		%
Assets						
Cash and cash equivalents	33 106		52 107		65 004	
Receivables and other assets	177 075		111 248		178 620	
Inventories and contract assets	165 568		145 216		212 517	
Deferred expenses	8 516		5 241		6 654	
Assets held for sale	314 918		283 292		2 190	
Current assets	699 183	42.1	597 104	39.4	464 985	30.3
Property, plant, equipment and investment property	582 203		549 190		654 904	
Intangible assets and goodwill	346 699		341 090		367 049	
Deferred income tax assets	7 615		7 206		7 570	
Capitalised pension surplus	17 945		12 315		29 780	
Financial assets	8 135		8 265		11 106	
Non-current assets	962 597	57.9	918 066	60.6	1 070 409	69.7
Total assets	1 661 780	100.0	1 515 170	100.0	1 535 394	100.0
Liabilities and shareholders' equity						
Liabilities	180 070		132 448		174 999	
Financial debt	31 607		10 797		75 683	
Accruals and deferred income	92 164		67 179		104 707	
Provisions	10 273		10 418		16 384	
Liabilities associated with assets held for sale	111 461		100 498			
Current liabilities	425 575	25.6	321 340	21.2	371 773	24.2
Financial debt	172 505		168 696		187 952	
Other liabilities	16 872		15 476		15 460	
Provisions	10 138		9 463		11 982	
Deferred income tax liabilities	50 424		49 265		54 212	
Employee benefit obligations	58 647		57 715		54 368	
Non-current liabilities	308 586	18.6	300 615	19.8	323 974	21.1
Total liabilities	734 161	44.2	621 955	41.0	695 747	45.3
Total shareholders' equity	927 619	55.8	893 215	59.0	839 647	54.7
Total liabilities and shareholders' equity	1 661 780	100.0	1 515 170	100.0	1 535 394	100.0

The notes on pages 15 to 22 form an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Cash Flows (condensed)

in 1 000 CHF	For the six months ended 30/06/2021	For the six months ended 30/06/2020
Group result	36 895	4 599
Depreciation and amortisation	32 684	41 141
Profit/loss on disposal of non-current assets	– 475	– 131
Changes in non-cash transactions	10 783	10 115
Net interest expense	2 669	3 149
Income tax expense	12 100	1 361
Changes in working capital and current liabilities	– 32 912	– 27 283
Interest paid	– 3 045	– 3 559
Interest received	13	89
Income tax paid	– 7 103	– 8 481
Cash flows from operating activities - net	51 609	21 000
To investment activities		
Purchases of property, plant and equipment and investment property	– 40 925	– 38 547
Purchases of intangible assets	– 1 119	– 979
Acquisition of subsidiaries (net of cash acquired)	– 5 531	
Issuance of financial assets	– 174	– 3 332
From divestment activities		
Proceeds from sale of property, plant and equipment and investment property	2 824	7 491
Proceeds from sale of intangible assets		4
Repayment of financial assets	1	3
Cash flows from investing activities - net	– 44 924	– 35 360
From financing activities		
Proceeds from financial debts	40 176	45 495
To financing activities		
Repayment of financial debts and lease liabilities	– 28 419	– 22 877
Dividends and distribution from capital contribution reserves	– 32 486	
Purchase of treasury shares	– 6 266	– 921
Cash flows from financing activities - net	– 26 995	21 697
Effects of translation differences on cash and cash equivalents	421	– 687
Change in cash and cash equivalents	– 19 889	6 650
Reconciliation of change in cash and cash equivalents		
Cash and cash equivalents as of 01/01 continuing operations	52 107	58 354
Cash and cash equivalents as of 01/01 discontinued operations	6 541	
Cash and cash equivalents as of 30/06 continuing operations	33 106	65 004
Cash and cash equivalents as of 30/06 discontinued operations	5 653	
Change in cash and cash equivalents	– 19 889	6 650

The notes on pages 15 to 22 form an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Changes in Equity

in 1 000 CHF	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total shareholders' equity
Balance at 31/12/2019	291 787	512 583	- 4 426	- 83 187	156 493	873 250
Group result					4 599	4 599
Total other comprehensive income after taxes				- 28 670	- 10 540	- 39 210
Total comprehensive income				- 28 670	- 5 941	- 34 611
Changes in treasury shares			- 921			- 921
Share based payments			2 952		- 1 023	1 929
Total transactions with owners			2 031		- 1 023	1 008
Balance at 30/06/2020	291 787	512 583	- 2 395	- 111 857	149 529	839 647
Balance at 31/12/2020	291 787	512 583	- 2 456	- 108 710	200 011	893 215
Group result					36 895	36 895
Total other comprehensive income after taxes				16 952	15 223	32 175
Total comprehensive income				16 952	52 118	69 070
Dividends and distribution from capital contribution reserves		- 16 243			- 16 243	- 32 486
Changes in treasury shares			- 6 266			- 6 266
Share based payments			3 340		746	4 086
Total transactions with owners		- 16 243	- 2 926		- 15 497	- 34 666
Balance at 30/06/2021	291 787	496 340	- 5 382	- 91 758	236 632	927 619

The notes on pages 15 to 22 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 components supplier. The company with its continuing operations is divided into three main divisions, namely HVAC (Heating, Ventilation and Air Conditioning), Sanitary Equipment and Doors. Manufacturing plants are located in Switzerland, Germany, Italy, the Czech Republic, Poland, Russia, Belgium and the Netherlands. Arbonia owns major brands such as Kermi, Arbonia, Prolux, Koralle, Sabiana, Vasco, Brugman, Superia, RWD Schlatter, Prüm, Garant and Invado and possesses a strong position in its home markets in Switzerland and Germany. The Group focuses on the development of existing markets in Central and Eastern Europe. Arbonia is represented in over 70 countries worldwide.

On 4 January 2021, a contract was signed between Arbonia and the Danish DOVISTA Group for the sale of the Windows business. The closing of the transaction is expected in the second half of 2021 (see note 6).

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 and ticker symbol ARBN.

These unaudited interim consolidated financial statements have been approved for issue by the Board of Directors of Arbonia AG on 23 August 2021.

2. General principles and basis of preparation

The unaudited interim consolidated financial statements for the six months ended 30 June 2021 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 2020.

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.

Amendments to significant published standards

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 2020.

The published but as of the balance sheet date not yet effective new standards and interpretations will not have a material impact on the Group's financial statements.

3. Changes in the scope of consolidation

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

– As of 30 March 2021, Arbonia acquired 100% of CIGSA Industriales del Calor S.L., ES-Coslada (Madrid) (see note 7).

4. Foreign currency rates

The following foreign currency rates have been applied:

Currency	Unit	2021		2020	
		Closing rate 30/06	Half-year average rate	Closing rate 30/06	Half-year average rate
EUR	1	1.0969	1.0941	1.0640	1.0642
GBP	1	1.2778	1.2607	1.1706	1.2177
USD	1	0.9251	0.9078	0.9473	0.9660
CZK	100	4.3041	4.2326	3.9791	4.0447
PLN	100	24.2634	24.1223	23.8245	24.1336
CNY	100	14.2710	14.0316	13.3652	13.7344
RUB	100	1.2724	1.2214	1.3532	1.3959

5. Segment information

The continuing operations of Arbonia are organised into the divisions or segments HVAC (Heating, Ventilation and Air Conditioning), Sanitary Equipment and Doors. 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 shown separately.

On 4 January 2021, a contract was signed between Arbonia and the Danish DOVISTA Group for the sale of the Windows business. The closing of the transaction is expected in the second half of 2021. In line with internal management reporting, the Windows segment is no longer included in the segment information. The segment information of the previous year was restated accordingly.

For the monitoring and assessment of the financial performance, EBITDA, EBITA 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 "Eliminations".

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

in 1 000 CHF	Six months ended 30/06/2021						
	HVAC	Sanitary Equipment	Doors	Total reportable segments	Corporate Services	Elimina- tions	Total Group
Sales with third parties at point in time	304 919	77 731	170 428	553 078	2 070		555 148
Sales with third parties over time			33 435	33 435			33 435
Net revenues	304 919	77 731	203 863	586 513	2 070		588 583
Segment results I (EBITDA)	33 590	9 451	30 832	73 873	- 6 293		67 580
<i>in % of net revenues</i>	<i>11.0</i>	<i>12.2</i>	<i>15.1</i>	<i>12.6</i>			<i>11.5</i>
Depreciation and amortisation	- 13 302	- 2 212	- 8 473	- 23 987	- 997		- 24 984
Segment results II (EBITA)	20 288	7 239	22 359	49 886	- 7 290		42 596
<i>in % of net revenues</i>	<i>6.7</i>	<i>9.3</i>	<i>11.0</i>	<i>8.5</i>			<i>7.2</i>
Amortisation of intangible assets from acquisitions	- 1 978	- 898	- 4 823	- 7 700			- 7 700
Segment results III (EBIT)	18 310	6 341	17 535	42 185	- 7 290		34 896
<i>in % of net revenues</i>	<i>6.0</i>	<i>8.2</i>	<i>8.6</i>	<i>7.2</i>			<i>5.9</i>
Interest income	122	32	12	166	2 515	- 2 670	11
Interest expenses	- 2 146	- 78	- 1 084	- 3 308	- 1 838	2 664	- 2 482
Minority share from associated companies			- 435	- 435			- 435
Other financial result	- 1 424	- 654	- 920	- 2 998	14 332	- 10 917	417
Result before income tax	14 861	5 641	15 108	35 611	7 718	- 10 922	32 407
Income tax expense	- 3 758	- 1 200	- 4 052	- 9 010	168		- 8 842
Result after income tax	11 103	4 441	11 056	26 601	7 886	- 10 922	23 565
Average number of employees	2 921	841	2 069	5 830	61		5 892
Total assets as of 30/06/2021	612 538	123 681	565 532	1 301 751	928 484	- 883 373	1 346 862
Total liabilities as of 30/06/2021	347 937	67 985	276 596	692 518	230 312	- 300 130	622 700

in 1 000 CHF	Six months ended 30/06/2020 restated						
	HVAC	Sanitary Equipment	Doors	Total reportable segments	Corporate Services	Elimina- tions	Total Group
Sales with third parties at point in time	246 056	68 475	150 386	464 917			464 917
Sales with third parties over time			27 620	27 620			27 620
Sales with other segments		23		23		- 23	
Net revenues	246 056	68 498	178 006	492 560		- 23	492 537
Segment results I (EBITDA)	21 304	6 151	23 414	50 869	- 5 518	- 8	45 343
<i>in % of net revenues</i>	8.7	9.0	13.2	10.3			9.2
Depreciation and amortisation	- 12 695	- 2 010	- 7 454	- 22 159	- 891		- 23 050
Segment results II (EBITA)	8 609	4 141	15 960	28 710	- 6 409	- 8	22 293
<i>in % of net revenues</i>	3.5	6.0	9.0	5.8			4.5
Amortisation of intangible assets from acquisitions	- 1 813	- 899	- 4 714	- 7 425			- 7 425
Segment results III (EBIT)	6 796	3 242	11 246	21 284	- 6 409	- 8	14 867
<i>in % of net revenues</i>	2.8	4.7	6.3	4.3			3.0
Interest income	144	41	18	203	3 447	- 3 575	75
Interest expenses	- 3 015	- 157	- 1 250	- 4 422	- 2 242	3 593	- 3 071
Other financial result	- 2 164	- 718	- 333	- 3 213	6 031	- 6 909	- 4 092
Result before income tax	1 762	2 409	9 681	13 852	827	- 6 900	7 779
Income tax expense	171	- 474	- 2 298	- 2 601	718		- 1 883
Result after income tax	1 933	1 935	7 383	11 251	1 545	- 6 900	5 896
Average number of employees	2 909	808	2 001	5 717	62		5 780

The reconciliation of the continuing and discontinued operations on the segment information as presented in the interim consolidated financial statements 2020 is as follows:

in 1 000 CHF	Six months ended 30/06/2020 restated			
	Continuing operations	Discontinued operations Windows	Others and elimina- tions	Total segments
Net revenues	492 537	152 417	- 12	644 942
Segment results I (EBITDA)	45 343	9 070		54 413
<i>in % of net revenues</i>	9.2	6.0		8.4
Segment results II (EBITA)	22 293	- 895		21 398
<i>in % of net revenues</i>	4.5	- 0.6		3.3
Segment results III (EBIT)	14 867	- 1 595		13 272
<i>in % of net revenues</i>	3.0	- 1.0		2.1
Interest result	- 2 996	- 152		- 3 148
Other financial result	- 4 092	- 72		- 4 164
Result before income tax	7 779	- 1 819		5 960
Income tax expense	- 1 883	521		- 1 361
Result after income tax	5 896	- 1 298		4 599

6. Discontinued operations

On 4 January 2021, a contract was signed between Arbonia and the Danish DOVISTA Group for the sale of the Windows business. In accordance with IFRS 5, Arbonia reports the Windows division as of 30 June 2021 as discontinued operations. All prior-year figures in the income statement have been adjusted accordingly. In the consolidated balance sheet as of 30 June 2021, assets and liabilities of the discontinued operations Windows are disclosed in the respective held for sale asset and liability positions. Previous year's figures in the balance sheet as of 30 June 2020, however, were not adjusted.

Assets held for sale and liabilities associated with assets held for sale of the discontinued operations as of 30 June 2021 are as follows:

in 1 000 CHF	30/06/2021
Cash and cash equivalents	5 653
Receivables and other assets	39 583
Inventories and contract assets	57 022
Deferred expenses	5 116
Property, plant and equipment	129 811
Intangible assets and goodwill	35 169
Deferred income tax assets	520
Capitalised pension surplus	42 014
Financial assets	30
Total	314 918

in 1 000 CHF	30/06/2021
Liabilities	46 398
Financial debts and lease liabilities	18 150
Accruals and deferred income	26 743
Provisions	8 943
Deferred income tax liabilities	11 226
Total	111 461

The results from discontinued operations are as follows:

in 1 000 CHF	For the six months ended 30/06/2021	For the six months ended 30/06/2020
Net revenues	171 645	152 417
Other operating income and capitalised own services	5 935	1 431
Changes in inventories of semi-finished and finished goods	5 368	2 796
Cost of material and goods	- 80 864	- 67 685
Personnel expenses	- 59 431	- 59 771
Other operating expenses	- 25 484	- 20 118
EBITDA	17 169	9 070
Depreciation and amortisation		- 9 965
Amortisation of intangible assets from acquisitions		- 700
EBIT	17 169	- 1 595
Financial result	- 583	- 224
Result from discontinued operations before income tax	16 586	- 1 819
Income tax expense	- 3 258	521
Result from discontinued operations after income tax	13 329	- 1 298

The results for the reporting period comprise sales costs for the disposal of the Windows division of CHF 1.2 million.

In the consolidated cash flow statement, the cash flows from the discontinued operations are included, however, subsequently condensed and shown separately below.

in 1 000 CHF	For the six months ended 30/06/2021	For the six months ended 30/06/2020
Cash flows from operating activities	5 807	8 548
Cash flows from investing activities	- 4 512	- 3 853
Cash flows from financing activities	- 2 367	- 1 882

7. Acquisitions

The following fair value of assets and liabilities had arisen on a provisional basis from the acquisition as mentioned under note 3:

CICSA Industriales del Calor S.L.

in 1 000 CHF	Fair Value
Assets	
Cash and cash equivalents	1 357
Receivables	1 300
Inventories	1 108
Deferred expenses	12
Property, plant and equipment	228
Intangible assets	8 773
Financial assets	20
Total assets	12 799
Liabilities	
Liabilities	976
Financial debts	1 455
Lease liabilities	120
Accruals and deferred income	62
Deferred income tax liabilities	2 190
Total liabilities	4 803
Net assets acquired	7 996
Cost of acquisition	
Purchase price	6 889
Deferred purchase price	1 107
Total cost of acquisition	7 996
Net cash outflow was as follows:	
Purchase price	6 889
Cash and cash equivalents acquired	- 1 357
Net cash outflow on acquisition	5 531

As of 30 March 2021, Arbonia acquired 100% of the shares of CICSA Industriales del Calor S.L., ES-Coslada (Madrid). Cicsa is the Spanish market leader in the distribution of design radiators as well as bathroom radiators. Following the 2018 acquisition of the existing distribution partner for heating, ventilation and air conditioning equipment, TECNA S.L., the acquisition of Cicsa is intended to further strengthen the position of the HVAC division in the Spanish and Portuguese markets. The purchase price amounted to CHF 8.0 million. From the date of acquisition, Cicsa contributed CHF 1.7 million in net revenues and CHF 0.1 million in profit to the Group. Had the acquisition taken place on 1 January 2021, net revenues would have been CHF 3.6 million and profit, including amortisation charges on intangible assets from acquisitions, would have been CHF 0.2 million. The gross as well as the net carrying amount of accounts receivable amounted to CHF 1.3 million. The acquisition-related costs amounted to CHF 0.2 million and are included in operating expenses in 2020 and 2021.

8. 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. In particular the late payment risk is completely retained by Arbonia up until a certain point in time. As of 30 June 2021, the book value of the transferred receivables amounts to CHF 74.4 million. Thereof Arbonia already received from the factor CHF 41.6 million of cash and the remaining CHF 32.8 million are disclosed as receivables against the factor. In addition a receivable and a liability of CHF 0.3 million are recorded for the consideration of the continuing involvement.

9. Assets held for sale

During the reporting period, the investment property in Germany was sold. This cash inflow of CHF 2.6 million is included in the cash flow statement under proceeds from sale of property, plant and equipment and investment property.

10. Financial debts

During the reporting period, net CHF 20 million of the syndicated loan were drawn. As of 30 June 2021, CHF 20 million of the syndicated loan has been utilised.

11. Financial instruments

The financial instruments measured at fair value relate to interest rate swaps/forward foreign exchange contracts assigned to hierarchy level 2. As of 30 June 2021, the fair value of interest rate swaps amounts to CHF -1.3 million (liability). There were no reclassifications between the hierarchy levels during the reporting period.

12. Share capital

On 23 April 2021, the Annual General Meeting of Arbonia AG had approved amongst others the following: To authorise the Board of Directors to create additional share capital by a maximum amount of CHF 29 148 000 through the issue of a maximum of 6 940 000 fully paid registered shares with a par value of CHF 4.20 each until 23 April 2023 (authorised capital increase). To increase the share capital by a maximum amount of CHF 29 148 000 by issuing a maximum of 6 940 000 fully paid up registered shares with a par value of CHF 4.20 (conditional capital increase). The authorised and conditional capital increase together were limited to an additional share capital of CHF 29 148 000.

13. Dividends and distribution from capital contribution reserves

On 23 April 2021, the Annual General Meeting approved a dividend and distribution respectively of CHF 0.47 in total per registered share. The payment occurred on 29 April 2021.

14. Treasury shares

Compared to 31 December 2020, the balance of treasury shares has increased by net 67'987 to 350'373 shares. In the reporting period, 375'745 shares were purchased on the market and 307'758 shares were used for the share-based compensation plans.

15. Capital commitments

As of 30 June 2021, capital commitments for the purchase of property, plant and equipment amount to CHF 68.0 million.

16. Contingencies

No significant changes have occurred from those disclosed in the consolidated financial statements 2020.

17. Events after the balance sheet date

The Sanitary division will be integrated into the Doors division as of 1 July 2021. The strategic logic of the integration lies in the better use of synergies in joint market development in project business on the one hand and in procurement on the other. In addition, the Doors division's product range will be expanded to include shower doors and, in the medium term, the glass doors and glass partitions for interiors can be expanded.

As of 22 July 2021, Arbonia acquired 100% of Termovent Komerc d.o.o., RS-Belgrade. For the HVAC division, the acquisition of this established Serbian manufacturer of commercial ventilation equipment means the geographical expansion of its holistic system offering in the field of ventilation into Eastern Europe and the Europe-wide expansion of its expertise in the field of indoor air quality, in particular cleanrooms. In 2020, the company generated revenues of around CHF 17 million with 190 employees.

On 30 July 2021, Arbonia signed a purchase agreement with Saint-Gobain for the acquisition of 100% of the shares of Glasverarbeitungsgesellschaft Deggendorf GmbH, DE-Deggendorf. By integrating the processing of the raw material glass into its own production processes, the Doors division will increase its vertical depth of added value. In 2020, the company generated revenues of CHF 20 million, half of which was accounted for by Arbonia as its largest customer. The closing of the transaction is expected in the third quarter of 2021.

No other events occurred between the balance sheet date and the date of this report which could have a significant influence on the 2021 interim consolidated financial statements.

Alternative Performance Measures

Arbonia uses alternative performance measures (APM) as guidance measures for both internal reporting to management and external reporting to stakeholders. The APM used by Arbonia have not been prepared in accordance with IFRS accounting policies and are discussed in detail below. The APM serve as supplementary information components and should therefore always be read and interpreted in conjunction with the consolidated financial statements prepared in accordance with IFRS. The APM used by Arbonia do not necessarily agree with the same or similar titled measures of other or comparable companies.

EBITDA without one-time effects/adjusted

The elimination of one-time effects provides an adjusted and thus better comparable presentation of the operating result over time. Discontinued operations as defined by IFRS 5 are not included. The following one-time effects are eliminated by Arbonia:

- Costs resulting from creation of provisions or income resulting from reversal of provisions for restructurings and reorganisation as well as closure costs
- Ramp-up costs for new production sites
- Consultancy and integration costs from acquisitions
- Consultancy costs from disposal of subsidiaries
- Gains and losses from sale of properties and associated companies
- Real estate development costs
- Costs in connection with personnel changes/leave of absence in Group and Division management

EBITA without one-time effects/adjusted

- Impairments
- Reversal of impairments

EBIT without one-time effects/adjusted

- Impairments on intangible assets from acquisitions

Group result before income tax without one-time effects/adjusted

- Impairments and reversal of impairments on loans granted

Group result after taxes without one-time effects/adjusted

- Tax effect on one-time effects
- Tax consequences from disposal of subsidiaries

Reconciliation Group and Divisions from IFRS-result to result without one-time effects/Adjusted

in 1 000 CHF

		IFRS	%
HVAC	EBITDA	33 590	11.0
	EBITA	20 288	6.7
	EBIT	18 310	6.0
Sanitary Equipment	EBITDA	9 451	12.2
	EBITA	7 239	9.3
	EBIT	6 341	8.2
Doors	EBITDA	30 832	15.1
	EBITA	22 359	11.0
	EBIT	17 535	8.6
Corporate Services	EBITDA	- 6 293	
	EBITA	- 7 290	
	EBIT	- 7 290	
Group	Net revenues	588 583	100.0
	Other operating income and capitalised own services	10 505	1.8
	Changes in inventories of semi-finished and finished goods	351	0.1
	Cost of material and goods	- 264 901	- 45.0
	Personnel expenses	- 188 961	- 32.1
	Other operating expenses	- 77 997	- 13.3
	EBITDA	67 580	11.5
	Depreciation and amortisation	- 24 983	- 4.2
	EBITA	42 597	7.2
	Amortisation of intangible assets from acquisitions	- 7 700	- 1.3
	EBIT	34 896	5.9
	Net financial result	- 2 489	- 0.4
	Group result before income tax	32 407	5.5
	Income tax expense	- 8 842	- 1.5
	Group result from continuing operations	23 565	4.0

Presentation of the respective one-time effects on the immediate result line without disclosure of the impact on the subsequent line items.

There were no one-time effects in the continuing operations in the first half of 2020.

			Six months ended 30/06/2021	
Gain from sale of properties	Tax effects on one-time effects	without one-time effects/ adjusted		%
– 334		33 256		10.9
		19 954		6.5
		17 976		5.9
		9 451		12.2
		7 239		9.3
		6 341		8.2
		30 832		15.1
		22 359		11.0
		17 535		8.6
		– 6 293		
		– 7 290		
		– 7 290		
		588 583		100.0
– 334		10 171		1.7
		351		0.1
		– 264 901		– 45.0
		– 188 961		– 32.1
		– 77 997		– 13.3
		67 246		11.4
		– 24 983		– 4.2
		42 262		7.2
		– 7 700		– 1.3
		34 562		5.9
		– 2 489		– 0.4
		32 073		5.4
	53	– 8 789		– 1.5
		23 284		4.0

Acquisition and currency adjusted growth (organic growth)

Acquisition and currency adjusted growth excludes effects from acquisitions and disposals of companies and currency effects.

In the acquisition adjusted growth, revenues of the acquired companies are eliminated in the year of acquisition. For companies acquired in the previous year, revenues of the current year are included for the same period as in the previous year. Discontinued operations within the meaning of IFRS 5 are eliminated.

In the currency adjusted growth, revenues of the current year in the functional currency of the respective company are translated at the average exchange rates of the same previous year period.

Net debt

Current and non-current financial debts plus current and non-current lease liabilities minus cash and cash equivalents

Leverage ratio

Net debt divided by EBITDA

Free cash flow

Cash flow from operating and investing activities

Operational free cash flow

Cash flow from operating and investing activities without expansion capital expenditures

Capital expenditures

Maintenance and expansion capital expenditures

Supplementary Information for Investors

	30/06/2021	30/06/2020	30/06/2019	30/06/2018	30/06/2017
Number of shares					
Registered par value CHF 4.20	69 473 243	69 473 243	69 473 243	69 473 243	69 473 243
Stock market prices in CHF					
Highest price during reporting period	17.7	13.8	13.3	18.3	19.1
Lowest price during reporting period	13.6	5.8	10.0	15.2	16.3
Share price at 30/06	17.7	9.8	12.9	16.3	17.6
Market capitalisation in CHF million					
	1 228	679	898	1 132	1 219

Dates

26 October 2021

Capital Markets Day

1 March 2022

Financial media information and analysts' conference on the 2021 financial year

22 April 2022

35 Annual General Meeting

23 August 2022

Publication of first semester results for 2022 financial year

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