

ARBONIA FIRST SEMESTER REPORT

2023

ARBONIA 





Letter to the Shareholders

Arbonia's core markets, especially Germany, Benelux, and Eastern Europe, suffered a considerable slump in building permits due to the high construction costs and interest rate hikes. At Arbonia Group, this decrease in construction activity led to sharply lower volumes for the products steel panel radiators, standard doors and shower enclosures. This is against the backdrop of a historically high demand for housing and the necessary energetic conversion of existing building stock to achieve the required reduction in CO₂ emissions.



*Dear Shareholders
Dear ladies and gentlemen*

The first half of 2023 was characterised by great challenges, which not only affected the general economy but the building sector in particular and thus Arbonia. The first half of 2023, for example, was impacted by a pronounced reluctance in the ordering behaviour of wholesalers and the specialist retailers, who continued to reduce inventories or did not fill them up again with large orders but placed smaller shorter-term orders instead. New construction was burdened by the reluctance of builders, who started fewer construction projects due to an uncertain regulatory environment and significantly increasing financing costs at the same time. In renovation, increasing rents due to increasing interest rates and higher ancillary rental costs (energy) had a noticeable negative impact. This caused people to remain in their current homes for fear of further increasing rental costs and due to the low number of vacant flats, which led to fewer renovations being done. In addition, housing companies delayed planned renovations. On the other hand, the demand for affordable housing as well as the necessity of upgrading the energy efficiency of existing building stock remains high. This had a positive effect on Arbonia's growth products but could not fully compensate for the negative volume effects from the general reluctance in the construction sector.

Arbonia's revenue decreased by 9.6% in the first half of 2023 compared to the same period in the previous year, from CHF 630.9 million to CHF 570.4 million. Adjusted for currency and acquisition effects (organic), revenue decreased by 8.1%. EBITDA came to CHF 44.9 million (previous year: CHF 52.4 million), which means a reduction of 14.4%. The EBITDA margin decreased from 8.3% to 7.9%. Without one-time effects, EBITDA decreased by 13.6%, from CHF 52.4 million to CHF 45.3 million, which corresponds to a decrease in the EBITDA margin from 8.3% to 7.9%. EBIT came to CHF 6.2 million (previous year: CHF 17.8 million), which corresponds to a decline of 65.2%. Without one-time effects, a decrease of 63.0% resulted, from CHF 17.8 million in the previous year to CHF 6.6 million. The group result amounted to CHF -2.0 million compared to CHF 11.7 million in the previous year or without one-time effects to CHF -1.7 million (previous year: CHF 11.7 million).

In 2021 as well as in the first half of 2022, the specialist retailers significantly built up their inventories over several weeks due to scarce availabilities and fast rising prices. When a decrease in the problems with material availabilities in combination with declining raw material prices began from mid-2022, a massive destocking set in, which was the reason for the decrease in volumes for radiators and standard doors in the second half of 2022. Due to the strong decline in construction activity, it can be assumed that wholesalers have reduced their inventory further and even below the previous levels, which also considerably impacted the volumes in the first half of 2023.

The reluctant ordering behaviour of wholesalers is aggravated by weak demand, since material, energy, and personnel costs

have made construction costs much more expensive in general. Together with rising interest rates, further increased inflation and an uncertain subsidy environment, construction activity by both private and commercial builders has declined significantly. While building permits for multi-family houses are still much stronger, the demand for new single-family and two-family houses has almost come to a halt for the time being. However, this is also due to the fact that banks are now more restrictive in lending. In other building construction, i.e., hotels, schools, hospitals, etc., the demand remains robust, which is reflected by a significantly better project business.

Due to this economically challenging situation in the construction sector, Arbonia has initiated savings measures on the personnel level, which will lead to the reduction of up to 600 FTEs and one-time costs of up to CHF 15 million in the current financial year and subsequently to annual savings of CHF 10 – 12 million, among other things, by relocating the design radiator production from the Belgian site in Dilsen to the existing plant in Stříbro (CZ).

Development in the divisions in the first half-year of 2023

The **HVAC Division** achieved a revenue of CHF 303.3 million in the first half of 2023, which corresponds to a decrease of 12.1% compared to the previous year (CHF 344.9 million). Organic growth (adjusted for currency and acquisitions effects) amounted to -10.8%. EBITDA without one-time effects increased by 3.9%, from CHF 27.6 million in the previous year to CHF 28.6 million (CHF 28.4 million with one-time effects). This corresponds to an increase in the EBITDA margin from 8.0% to 9.4%. EBIT without one-time effects came to CHF 10.3 million (CHF 10.1 million with one-time effects), which corresponds to a reduction of 6.4% compared to the same period in the previous year (CHF 11.0 million).

While radiator volumes significantly decreased in the first half of 2023 compared to the strong first half of 2022 with an over 30% decrease in volumes and despite negative currency effects, the HVAC Division was able to increase profitability compared to the same period in the previous year in absolute as well as relative numbers. Volumes for traditional products were strongly impacted by further inventory reduction at wholesalers and the slump in new construction and renovation activity. Due to further increasing energy and personnel costs, the division was also forced to implement price increases, which led to further volume decreases in especially price-sensitive markets such as Eastern Europe.

As a cost-saving measure, the division has announced that it will transfer the production capacities of design radiators at the Vasco production site in Dilsen (BE) to the highly automated plant in Stříbro (CZ) by the end of the second quarter of 2024 at the latest. This concentration of competencies and volumes will further increase its competitiveness in the long term. Starting in the third quarter of 2024, this measure is expected to result in savings of approx. CHF 4 million annually.



The volume decreases for radiators were compensated by the continued high demand for energy-efficient growth products such as heat pumps in particular, and the sales of commercial ventilation equipment such as fan coils and air handling units were also encouraging. For example, Arbonia was able to significantly increase revenue with energy-efficient ventilation products and almost doubled the sales of heat pumps compared with the previous year.

As an expression of its strategy, Arbonia has decided to rename the HVAC Division the “**Climate Division**”. The new division name emphasizes its international orientation and focus on cutting-edge products and energy-efficient systems. The portfolio of the division ranges from sustainable heat/cold generation, the storage of heat and energy, to heat/cold distribution, as well as ventilation and air filtration. The Climate Division supports the future-proof supply of energy and heat to all kinds of buildings and is thus ideally equipped for the energy revolution in the building sector.

The **Doors Division** achieved a revenue of CHF 265.6 million in the first half of 2023, which corresponds to a decrease of 6.5% compared to the previous year (CHF 284.2 million). Organic growth (adjusted for currency and acquisitions effects) amounted to -4.7%. EBITDA without one-time effects decreased by 29.9%, from CHF 30.3 million in the previous year to CHF 21.2 million (CHF 21.1 million with one-time effects). This corresponds to a decrease in the EBITDA margin from 10.7% in the previous year to 8.0%. EBIT without one-time effects came to CHF 2.0 million (CHF 1.9 million with one-time effects), which corresponds to a change of -85.0% compared to the same period in the previous year (CHF 13.2 million).

The Doors Division had to deal with various difficulties in the first half of 2023. It also suffered from a decrease in volumes for the standard products interior doors and shower enclosures due to further inventory reduction and negative currency effects. In addition to the lower volumes, the reduced demand from wholesalers also led to a fragmentation of orders, which had a negative impact on production efficiency. In addition, there was a one-time additional burden in the high single-digit million range for the entire 2023 financial year in the form of high energy costs, which were already reflected pro rata in the result of the first half of the year. In contrast to other material groups, the raw material prices for wood also only fell negligibly compared to the previous year. In addition, the general investment reluctance and the limited number of tradespeople meant that hardly any bathrooms were installed, which had a negative impact on the Glass Solutions Business Unit.

Outlook

The full year 2023 will remain challenging for the construction and construction supplies industry due to massive political, economic and other upheavals. Against this background, Arbonia can no longer give a reliable forecast for the second half of 2023 due to the unpredictable volume developments in both divisions and is therefore suspending guidance for the 2023 financial year.

Arbonia hopes that the new German Building Energy Act (GEG) will be passed in the second half of 2023, which will bring clarity to the future energy requirements in the German market for existing and new homes. In addition, the considerable interest rate increase seems to have reached its peak in the second half of the year. Both effects should lead to a higher planning security for builders again. Arbonia continues to consider its prospects to be very positive for the medium term; on the one hand, the demand for energy-efficient solutions in both residential and commercial construction remains very high. On the other hand, building permits exceeded completions by around 60 000 homes in Germany in the past calendar year, and the existing construction backlog has therefore continued to grow.

Despite the challenging economic situation, Arbonia will have a clearly positive free cash flow for 2023, as communicated in the context of the medium-term targets.

The long-term intact and high demand for housing, especially the need for social housing, the backlog of ordinary new construction activity and renovation of existing buildings, as well as the energy upgrading of housing for CO₂ savings, makes Arbonia continue to be confident about the future.

Alexander von Witzleben
Executive Chairman

Daniel Wüest
CFO

Alexander Kaiss
CEO HVAC Division

Claudius Moor
CEO Doors Division



Interim Consolidated Financial Statements Arbonia Group



Consolidated Income Statement (condensed)

in 1 000 CHF	For the six months ended 30/06/2023		For the six months ended 30/06/2022 restated ¹	
		%		%
Net revenues	570 439	100.0	630 905	100.0
Other operating income and capitalised own services	11 177	2.0	10 890	1.7
Changes in inventories of semi-finished and finished goods	2 720	0.5	16 178	2.6
Cost of material and goods	- 268 622	- 47.1	- 324 423	- 51.4
Personnel expenses	- 175 221	- 30.7	- 185 923	- 29.5
Other operating expenses	- 95 614	- 16.8	- 95 200	- 15.1
EBITDA	44 879	7.9	52 427	8.3
Depreciation and amortisation	- 29 914	- 5.2	- 26 838	- 4.3
Amortisation of intangible assets from acquisitions	- 8 763	- 1.5	- 7 762	- 1.2
EBIT	6 202	1.1	17 827	2.8
Net financial result	- 7 971	- 1.4	- 822	- 0.1
Group result before income tax	- 1 769	- 0.3	17 005	2.7
Income tax expense	- 270	- 0.0	- 5 314	- 0.8
Group result	- 2 039	- 0.4	11 691	1.9
Attributable to:				
Shareholders of Arbonia AG	- 2 039		11 691	
Earnings per share in CHF	- 0.03		0.17	

Basic and diluted earnings are identical.

¹ see note 2 «Changes in presentation – Consolidated Income Statement»

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

EBIT = Earnings before financial results and tax

The notes on pages 13 to 18 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 30/06/2023	For the six months ended 30/06/2022
Group result	- 2 039	11 691
Other comprehensive income		
<i>Items that will not be reclassified to income statement</i>		
Remeasurements of employee benefit obligations	7 144	- 14 087
Total items that will not be reclassified to income statement	7 144	- 14 087
<i>Items that may be reclassified subsequently to income statement</i>		
Currency translation differences	- 14 352	- 3 075
Total items that may be reclassified subsequently to income statement	- 14 352	- 3 075
Total other comprehensive income after taxes	- 7 208	- 17 162
Total comprehensive income	- 9 247	- 5 471
Attributable to:		
Shareholders of Arbonia AG	- 9 247	- 5 471

The notes on pages 13 to 18 form an integral part of these condensed interim consolidated financial statements.



Consolidated Balance Sheet (condensed)

in 1 000 CHF	30/06/2023		31/12/2022		30/06/2022	
		%		%		%
Assets						
Cash and cash equivalents	24 716		29 196		83 758	
Receivables and other assets	181 109		141 288		196 606	
Inventories and contract assets	245 601		245 743		244 171	
Deferred expenses	8 669		6 509		7 521	
Financial assets	5		12		808	
Current assets	460 100	29.3	422 748	27.8	532 864	34.7
Property, plant, equipment and investment property	710 101		707 891		666 209	
Intangible assets and goodwill	361 786		368 699		320 962	
Deferred income tax assets	4 310		4 386		5 074	
Capitalised pension surplus	13 248		4 879		5 512	
Financial assets	21 729		10 909		7 158	
Non-current assets	1 111 174	70.7	1 096 764	72.2	1 004 915	65.3
Total assets	1 571 274	100.0	1 519 512	100.0	1 537 779	100.0
Liabilities and shareholders' equity						
Liabilities	161 102		134 462		170 891	
Financial debt	179 611		128 576		64 643	
Accruals and deferred income	61 609		61 980		78 174	
Provisions	8 584		12 230		18 492	
Current liabilities	410 906	26.2	337 248	22.2	332 200	21.6
Financial debt	86 456		84 980		87 473	
Other liabilities	1 551		1 803		667	
Provisions	10 569		10 618		12 977	
Deferred income tax liabilities	51 936		54 985		48 091	
Employee benefit obligations	41 912		42 336		40 292	
Non-current liabilities	192 424	12.2	194 722	12.8	189 500	12.3
Total liabilities	603 330	38.4	531 970	35.0	521 700	33.9
Total shareholders' equity	967 944	61.6	987 542	65.0	1 016 079	66.1
Total liabilities and shareholders' equity	1 571 274	100.0	1 519 512	100.0	1 537 779	100.0

The notes on pages 13 to 18 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 30/06/2023	For the six months ended 30/06/2022
Group result	- 2 039	11 691
Depreciation and amortisation	38 677	34 600
Profit/loss on disposal of non-current assets	- 179	- 219
Changes in non-cash transactions	5 131	5 673
Net interest expense	4 204	1 940
Income tax expense	270	5 314
Changes in working capital and current liabilities	- 28 453	- 117 790
Interest paid	- 4 676	- 2 507
Interest received	113	134
Income tax paid	- 1 080	- 7 448
Cash flows from operating activities - net	11 968	- 68 612
To investment activities		
Purchases of property, plant and equipment and investment property	- 34 067	- 72 359
Purchases of intangible assets	- 5 718	- 1 413
Issuance of financial assets	- 19	- 888
From divestment activities		
Proceeds from sale of property, plant and equipment and investment property	60	399
Repayment of financial assets	8	8
Cash flows from investing activities - net	- 39 736	- 74 253
From financing activities		
Proceeds from financial debts	152 428	
To financing activities		
Repayment of financial debts and lease liabilities	- 104 762	- 4 614
Dividends and distribution from capital contribution reserves	- 20 434	- 20 743
Purchase of treasury shares	- 2 722	- 4 122
Cash flows from financing activities - net	24 510	- 29 479
Effects of translation differences on cash and cash equivalents	- 1 222	2 232
Change in cash and cash equivalents	- 4 480	- 170 112
Reconciliation of change in cash and cash equivalents		
Cash and cash equivalents as of 01/01	29 196	253 870
Cash and cash equivalents as of 30/06	24 716	83 758
Change in cash and cash equivalents	- 4 480	- 170 112

The notes on pages 13 to 18 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 31/12/2021	291 787	496 340	- 5 382	- 98 459	360 056	1 044 342
Group result					11 691	11 691
Total other comprehensive income after taxes				- 3 075	- 14 087	- 17 162
Total comprehensive income				- 3 075	- 2 396	- 5 471
Dividends and distribution from capital contribution reserves		- 10 372			- 10 372	- 20 744
Changes in treasury shares			- 4 122			- 4 122
Share based payments			2 566		- 492	2 074
Total transactions with owners		- 10 372	- 1 556		- 10 864	- 22 792
Balance at 30/06/2022	291 787	485 968	- 6 938	- 101 534	346 796	1 016 079
Balance at 31/12/2022	291 787	485 968	- 15 514	- 127 430	352 731	987 542
Group result					- 2 039	- 2 039
Total other comprehensive income after taxes				- 14 352	7 144	- 7 208
Total comprehensive income				- 14 352	5 105	- 9 247
Dividends and distribution from capital contribution reserves		- 10 217			- 10 217	- 20 434
Changes in treasury shares			12 924		- 3 400	9 524
Share based payments			1 201		- 642	559
Total transactions with owners		- 10 217	14 125		- 14 259	- 10 351
Balance at 30/06/2023	291 787	475 751	- 1 389	- 141 782	343 577	967 944

The notes on pages 13 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 components supplier. The company is divided into two main divisions, namely HVAC (Heating, Ventilation and Air Conditioning) and Doors. Manufacturing plants are located in Switzerland, Germany, the Czech Republic, Italy, Poland, Belgium, Russia and Serbia. 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.

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 21 August 2023.

2. General principles and basis of preparation

The unaudited interim consolidated financial statements for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following amended standard.

Amendments to IAS 12

Arbonia has adopted the "International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12" upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting arising from the introduction of global minimum taxation and is effective immediately. In addition, new disclosures will be introduced, which will apply from 31 December 2023. The mandatory exception applies retrospectively. However, because no new legislation to

implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which Arbonia operates and no related deferred taxes were recognized at that date, the retrospective application has no impact.

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.

Changes in presentation – Consolidated Income Statement

External services in the area of assembly, which were previously shown mainly for the Wood Solutions Business Unit of the Doors Division under «personnel expenses», are now shown under «other operating expenses». Arbonia believes that the restated presentation more appropriately reflects the underlying business transactions. The comparative figures for the six months ended 30/06/2022 with an effect of CHF 6.2 million have been restated accordingly.

3. Changes in the scope of consolidation

There were no changes during the reporting period in the Group.

4. Foreign currency rates

The following foreign currency rates have been applied:

Currency	Unit	2023		2022	
		Closing rate 30/06	Half-year average rate	Closing rate 30/06	Half-year average rate
EUR	1	0.9770	0.9857	1.0010	1.0321
CZK	100	4.1172	4.1632	4.0461	4.1902
PLN	100	21.9536	21.3130	21.3861	22.2891
CNY	100	12.4030	13.1697	14.2829	14.5766
RUB	100	1.0283	1.1841	1.8677	1.2749
RSD	100	0.8333	0.8405	0.8501	0.8779



5. Segment information

Arbonia is organised into the divisions or segments HVAC (Heating, Ventilation and Air Conditioning) 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.

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. 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 30/06/2023					
	HVAC	Doors	Total reportable segments	Corporate Services	Eliminations	Total Group
Sales with third parties at point in time	299 500	232 621	532 121	1 493		533 614
Sales with third parties over time	3 811	33 014	36 825			36 825
Sales with other segments		13	13		- 13	
Net revenues	303 311	265 648	568 959	1 493	- 13	570 439
Segment results I (EBITDA)	28 370	21 107	49 477	- 4 603	5	44 879
<i>in % of net revenues</i>	9.4	7.9	8.7			7.9
Depreciation and amortisation	- 15 561	- 13 233	- 28 794	- 1 120		- 29 914
Segment results II (EBITA)	12 809	7 874	20 683	- 5 723	5	14 965
<i>in % of net revenues</i>	4.2	3.0	3.6			2.6
Amortisation of intangible assets from acquisitions	- 2 745	- 6 018	- 8 763			- 8 763
Segment results III (EBIT)	10 064	1 856	11 920	- 5 723	5	6 202
<i>in % of net revenues</i>	3.3	0.7	2.1			1.1
Interest income	695	84	779	12 439	- 13 049	169
Interest expenses	- 6 866	- 6 866	- 13 732	- 3 695	13 053	- 4 374
Minority share from associated companies		- 1 270	- 1 270			- 1 270
Other financial result	- 3 283	- 1 687	- 4 970	13 097	- 10 623	- 2 496
Result before income tax	609	- 7 883	- 7 273	16 119	- 10 614	- 1 769
Income tax expense	- 1 492	1 676	184	- 454		- 270
Result after income tax	- 883	- 6 207	- 7 089	15 665	- 10 614	- 2 039
Average number of employees	3 093	3 109	6 203	99		6 301
Total assets as of 30/06/2023	729 079	826 669	1 555 748	1 158 581	- 1 143 056	1 571 274
Total liabilities as of 30/06/2023	473 188	494 093	967 281	295 458	- 659 409	603 330



in 1 000 CHF		Six months ended 30/06/2022				
	HVAC	Doors	Total reportable segments	Corporate Services	Elimina- tions	Total Group
Sales with third parties at point in time	341 052	250 765	591 817	1 794		593 611
Sales with third parties over time	3 848	33 446	37 294			37 294
Net revenues	344 900	284 211	629 111	1 794		630 905
Segment results I (EBITDA)	27 564	30 299	57 863	- 5 436		52 427
<i>in % of net revenues</i>	8.0	10.7	9.2			8.3
Depreciation and amortisation	- 14 194	- 11 653	- 25 847	- 991		- 26 838
Segment results II (EBITA)	13 370	18 646	32 016	- 6 427		25 589
<i>in % of net revenues</i>	3.9	6.6	5.1			4.1
Amortisation of intangible assets from acquisitions	- 2 329	- 5 433	- 7 762			- 7 762
Segment results III (EBIT)	11 041	13 213	24 254	- 6 427		17 827
<i>in % of net revenues</i>	3.2	4.6	3.9			2.8
Interest income	306	52	358	3 703	- 3 864	197
Interest expenses	- 2 688	- 1 762	- 4 450	- 1 535	3 849	- 2 136
Minority share from associated companies		- 300	- 300			- 300
Other financial result	828	- 870	- 42	15 605	- 14 147	1 417
Result before income tax	9 487	10 333	19 820	11 346	- 14 161	17 005
Income tax expense	- 2 765	- 2 649	- 5 414	100		- 5 314
Result after income tax	6 722	7 684	14 406	11 446	- 14 161	11 691
Average number of employees	3 314	3 146	6 460	120		6 580



6. Financial assets

In April 2023, Arbonia acquired 17.19% of the German Griffwerk GmbH, DE-Blaustein. The purchase price was CHF 12.2 million and was paid almost exclusively in Arbonia shares.

Although Arbonia holds less than 20% of the ownership interest and voting control of Griffwerk, Arbonia has the ability to exercise significant influence. This influence results, among other things, from the shareholding, the active participation of the representatives provided by Arbonia in the shareholders' meeting and in the advisory board of Griffwerk as well as from the cooperation agreement concluded with Griffwerk. The investment in Griffwerk is consequently valued using the equity method.

7. Financial debts

The first tranche of the promissory note loan of EUR 56 million was repaid on schedule in April 2023. During the reporting period, net CHF 114 million of the syndicated loan were drawn. As of 30 June 2023, CHF 168 million of the syndicated loan has been utilised.

8. Capitalised pension surplus and employee benefit obligations

As of 30 June 2023, revaluations of the benefit obligations and the actual return on plan assets were carried out for the Swiss pension plans, as the discount rate decreased from 2.3% as at 31 December 2022 to 1.85% as at 30 June 2023. The effect of the change in this actuarial assumption less the realised return on plan assets amounted to a net CHF 1.5 million before tax and was charged to other comprehensive income in the statement of comprehensive income. Due to the lower discount rate compared to the balance sheet date as of 31 December 2022, the asset ceiling was also reduced. The resulting pre-tax effect of CHF 9.8 million was credited to other comprehensive income in the statement of comprehensive income.

9. Financial instruments

The financial instruments measured at fair value relate to interest rate swaps, which are assigned to hierarchy level 2. As of 30 June 2023, the fair value of the interest rate swaps amounts to CHF 0.05 million (receivable). There were no reclassifications between the hierarchy levels during the reporting period.

10. Share capital

On 21 April 2023, the Annual General Meeting of Arbonia AG had approved amongst others the following: To authorise the Board of Directors, within the scope of the capital band pursuant to the Swiss Corporate Law, to increase the share capital during a period ending on 20 April 2028 1.) by issuing a maximum of 13'800'000 fully paid registered shares with a par value of CHF 4.20 each in one or more steps to a maximum of CHF 349'747'620.60 and 2.) to reduce the share capital in one or more steps to not less than CHF 277'297'620.60 either by cancelling a maximum of 3'450'000 registered shares or by reducing the nominal value of the registered shares to not less than CHF 3.992.

11. Dividends and distribution from capital contribution reserves

On 21 April 2023, the Annual General Meeting approved a dividend and distribution respectively of CHF 0.30 in total per registered share. The payment occurred on 27 April 2023.

12. Treasury shares

Compared to 31 December 2022, the balance of treasury shares has decreased by net 988'881 to 122'141 shares. In the reporting period, 248'073 shares were purchased on the market, 88'153 shares were used for the share-based compensation plans and 1'148'801 shares were used for the acquisition of Griffwerk GmbH.

13. Capital commitments

As of 30 June 2023, capital commitments for the purchase of property, plant and equipment and intangible assets amount to CHF 47.0 million.

14. Contingencies

No significant changes have occurred from those disclosed in the consolidated financial statements 2022.



15. Global minimum tax

In December 2021, the OECD published model rules to introduce a global minimum tax rate of 15% for large multinational corporations (so-called Pillar Two model rules). As of 30 June 2023, Arbonia did not have sufficient information to determine the potential quantitative impact. Arbonia has applied the temporary mandatory relief from deferred tax accounting arising from the introduction of global minimum taxation.

16. Events after the balance sheet date

On 20 July 2023, the HVAC Division announced the relocation of the production of design radiators from the Belgian Vasco-production site in Dilsen to its plant in Stříbro (CZ). Arbonia expects one-off costs of around CHF 10 million to be incurred in the second half of 2023 due to the closure and relocation of production.

Arbonia also intends to implement further cost-cutting measures at personnel level in the HVAC and Doors Divisions, which will lead to one-off costs of around CHF 5 million in the second half of 2023.

No other events occurred between the balance sheet date and the date of this report which could have a significant influence on the 2023 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 with greater cost implications for acquisitions that did not materialise
- 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	%	Consultancy and integration costs from acquisitions
HVAC	EBITDA	28 370	9.4	
	EBITA	12 809	4.2	
	EBIT	10 064	3.3	
Doors	EBITDA	21 107	7.9	123
	EBITA	7 874	3.0	
	EBIT	1 856	0.7	
Corporate Services	EBITDA	- 4 603		
	EBITA	- 5 723		
	EBIT	- 5 723		
Group	Net revenues	570 439	100.0	
	Other operating income and capitalised own services	11 177	2.0	
	Changes in inventories of semi-finished and finished goods	2 720	0.5	
	Cost of material and goods	- 268 622	- 47.1	
	Personnel expenses	- 175 221	- 30.7	
	Other operating expenses	- 95 614	- 16.8	123
	EBITDA	44 879	7.9	
	Depreciation and amortisation	- 29 914	- 5.2	
	EBITA	14 965	2.6	
	Amortisation of intangible assets from acquisitions	- 8 763	- 1.5	
	EBIT	6 202	1.1	
	Net financial result	- 7 971	- 1.4	
	Group result before income tax	- 1 769	- 0.3	
	Income tax expense	- 270	- 0.0	
	Group result	- 2 039	- 0.4	

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 first half of 2022.



			Six months ended 30/06/23	
Costs for leave of absence in Division management	Costs for restructurings and reorganisation	Tax effects on one-time effects	without one-time effects/ adjusted	%
136	138		28 644	9.4
			13 083	4.3
			10 338	3.4
			21 230	8.0
			7 997	3.0
			1 979	0.7
			- 4 603	
			- 5 723	
			- 5 723	
			570 439	100.0
			11 177	2.0
			2 720	0.5
			- 268 622	- 47.1
136	138		- 174 947	- 30.7
			- 95 491	- 16.7
			45 276	7.9
			- 29 914	- 5.2
			15 362	2.7
			- 8 763	- 1.5
			6 599	1.2
			- 7 971	- 1.4
			- 1 372	- 0.2
		- 63	- 333	- 0.1
			- 1 705	- 0.3



**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 acquisitions/disposals of subsidiaries/financial assets and expansion capital expenditures

Capital expenditures

Maintenance and expansion capital expenditures



Supplementary Information for Investors

	30/06/2023	30/06/2022	30/06/2021	30/06/2020	30/06/2019
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	14.7	22.9	17.7	13.8	13.3
Lowest price during reporting period	9.9	12.5	13.6	5.8	10.0
Share price at 30/06	10.1	12.8	17.7	9.8	12.9
Market capitalisation in CHF million					
	703	886	1 228	679	898

Dates

27 February 2024

Financial media orientation and Analysts' conference on the 2023 financial year

19 April 2024

37 Annual General Meeting

27 August 2024

Publication of first semester results for 2024 financial year

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