

Alexander von Witzleben
Chairman of the Board of Directors and CEO

CEO Newsletter
Encouraging half-year results 2020 despite COVID-19

18 August 2020

Dear Employees,

This morning we published our 2020 half-year results, which I would like to present to you briefly:

Compared with last year, our currency-adjusted revenue declined by 1.7%, while the revenue in Swiss francs decreased by 6.3% from CHF 688.4 million to CHF 644.9 million. Due to the improved cost structure, EBITDA grew to CHF 54.4 million from CHF 48.3 million compared to the same period last year, which represents an increase of 12.6%. EBIT increased by 76.7% from CHF 7.5 million to CHF 13.3 million. Group result after tax increased by 33.3% to CHF 4.6 million (previous year CHF 3.5 million).

The first half-year of 2020 was very challenging for all of us due to the COVID-19 pandemic and its impact. After a successful first two and a half months, by mid-March at the latest, the focus shifted entirely to the pandemic and coping with its effects. These also had a negative impact on the Arbonia divisions, resulting in lower revenues in all divisions compared to the previous year. However, the production relocations, investments to increase the degree of automation and the associated variable cost structure in recent years helped us to increase profitability despite weaker revenues.

Development in the divisions

For the first half-year of 2020, the **HVAC Division** reports net revenue of CHF 246.1 million, which represents a decrease of –10.4% compared to the same reporting period of the previous year (CHF 274.6 million). Growth after adjustment for currency effects was –5.1%. EBITDA without one-time effects fell from CHF 24.6 million in the previous year to CHF 21.3 million, which was partly due to negative translation effects. EBITDA with one-time effects improved from CHF 20.2 million in the previous year to CHF 21.3 million. EBIT without one-time effects developed from CHF 11.0 million in the previous year to CHF 6.8 million. EBIT with one-time effects increased from CHF 6.7 million in the previous year to CHF 6.8 million.

The division felt the negative impact of the COVID-19 pandemic on economic development and the resulting strengthening of the Swiss franc more intensively than the other three divisions, since the heavily affected countries and regions Italy, Spain, Benelux, France and Russia are for the most part not only production sites but also important sales markets.

In the first half-year of 2020, the **Sanitary Equipment Division** generated revenue of CHF 68.5 million (–4.5% compared to the previous year with CHF 71.7 million). By contrast, growth after adjustment for currency effects was 0.1%. At CHF 6.2 million, EBITDA was below the previous year (CHF 6.5 million). EBIT fell from CHF 3.8 million in the previous year to CHF 3.2 million.

After a good first quarter of 2020, the COVID-19 pandemic – depending on the extent of the measures taken in the individual countries – had a negative impact on the revenue development of the Sanitary Equipment Division. Developments in the German and Swiss markets were relatively stable, however, the French market had an impact on the division as it was heavily affected by the pandemic. In all the countries mentioned, the wholesale exhibition business was affected and the restriction of customer contacts resulted in lower demand.

During the first half-year of 2020, revenue in the **Windows Division** was –4.3% lower compared to the same period in the previous year, at CHF 152.4 million (previous year CHF 159.3 million). Revenue growth after adjustment for currency effects

was negative at –1.5%. However, EBITDA without one-time effects was increased significantly to CHF 10.2 million (previous year CHF 4.3 million). EBITDA with one-time effects increased from CHF 3.7 million to CHF 9.1 million. EBIT without one-time effects also improved significantly to CHF –0.5 million (previous year CHF –7.5 million) and with one-time effects to CHF –1.6 million (previous year CHF –8.1 million). The result reflects the division's strategy of weighting profitability higher than absolute revenue growth.

There is no doubt that the COVID-19 pandemic had a negative impact on the development of the construction industry in Europe. However, the Windows Division has a strong presence mainly in markets where construction sites remained open, albeit with restrictions that led to a slowdown in construction activity. Thanks to the high degree of automation and its own vertical integration, the division was able to produce without interruptions in a flexible and demand-oriented manner in the three production competence centres.

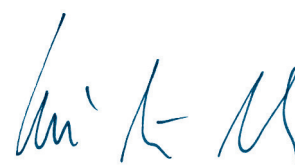
In the first half-year of 2020, the **Doors Division**, in turn, recorded a very pleasing course of business with an increase in profitability. Revenue in Swiss francs declined slightly. It fell by –2.6% from CHF 182.8 million in the previous year to CHF 178.0 million. Nevertheless, currency-adjusted revenue grew by 2.6%. EBITDA rose from CHF 22.4 million to CHF 23.4 million, while EBIT rose from CHF 10.4 million to CHF 11.2 million, despite the negative impact of the strong Swiss franc on the profitability of the division.

Even during the second quarter of 2020, which was heavily burdened by COVID-19, the German production plants of Prüm and Garant were working at the limits of their capacity (3-shift model). For this reason, the investment programme over the next four years to increase productivity and expand the capacity of the Prüm production plant by 40% at the Weinsheim site is urgently needed. The Swiss company RWD Schlatter in particular felt the impact of pandemic-related delays in major projects, so that the installation of functional doors, one of the last steps in a construction project, was postponed. Invado (PL) suffered on the one hand from declining demand in Poland and on the other hand from weak export business, primarily to France, Italy, and the Benelux countries.

Outlook

Assuming that no further significant restrictions due to the COVID-19 pandemic in our production and sales markets will be imposed, I expect that we can achieve a further increase in profits in the second half-year of 2020. A second wave of the COVID-19 pandemic or a resulting new lockdown would result in disproportionately high losses for us due to the seasonal nature of our business with a consistently stronger second half-year.

Dear Employees, on behalf of the entire Group Management, I would like to thank you for the solidarity and flexibility with which we have mastered the past months and for your tireless efforts, which made these encouraging results possible in the first place. I am convinced that, all in all, we will emerge from this intense phase in a stronger position than before.



Alexander von Witzleben
CEO