

Alexander von Witzleben
Chairman of the Board of Directors and CEO

Arbonia with very positive annual results again for 2021

1. March 2022

Dear Employees,

I am pleased to report how the year 2021 was for Arbonia across all companies. Because this is also greatly due to your contribution.

The financial year 2021 was very successful for us. Sharply increased raw material prices as well as massively higher energy and, to a certain extent, freight costs negatively impacted the margins. Nevertheless, the investments of the past years in increasing efficiency and productivity had a positive effect and, together with a careful price policy, they were able to more than compensate for the negative effects. We were able to considerably increase organic revenue growth as well as profitability and thus gain further market shares. This was done by selectively investing capital in the central production sites and focusing on a few state-of-the-art, efficient production sites as well as selected sales markets with the right products. In addition, we had to master the challenges in our supply chain in all markets and ensure the availability and prices of raw materials and intermediate products. We succeeded in assuring the availability of raw materials and passing on price increases to customers. There were only delivery delays in a few cases, which were due to record-high order volumes with tense procurement markets.

We were able to increase the organic revenue growth to 11.6 % and EBITDA by +17.4 % from CHF 114.5 million to CHF 134.3 million. The Group result from continuing operations (without the Windows Division) grew by +46.2 % from CHF 28.1 million to CHF 41.1 million. The reported Group result, which includes the continuing and discontinued operations, amounted to CHF 138.7 million (previous year: CHF 44.9 million) especially thanks to the revenue from the sale of the Windows Division.

Following the sale of the Windows Division and the integration of the Sanitary Equipment Division in the Doors Division, we focused on the two divisions Heating, Ventilation and Air Conditioning (HVAC) and Doors in the reporting year 2021. These divisions are independently continuing their strategic development and are essentially focused on the megatrends of **energy efficiency, urbanisation, digitisation, as well as automation.**

HVAC Division

The strategy of the HVAC Division clearly reflects the important megatrends of «CO₂ reduction» as well as «healthy and sustainable indoor climate». The recently adopted comprehensive climate protection package of the EU Commission, corresponding to those of the member states, which has climate targets of 55 % greenhouse gas savings by 2030 and climate neutrality by 2050, confirms the long-term strategic orientation of the division. For several years now, as in the reporting year, the division has consistently pursued a strategy of being an innovative provider of sustainable heating systems and their components: from modern heat generation and optimum heat exchange to energy storage for all types of buildings and application areas, both for new construction and renovation markets. The expansion of the strong market position in the established product groups continues to be the basis for the business model, however. In the reporting year, targeted investments and acquisitions were made to

underpin the product and production strategy based on the following four pillars:

- «Best in class» production for radiators
- Use of renewable energies with heat pump and battery storage products
- Radiant heating and cooling for modern buildings
- Ventilation and indoor air quality

With the construction of the new production plant in Opočno (CZ), the division is ideally positioning itself in the strongly growing market for heat pumps, with a capacity of approx. 10,000 units per year. In line with this strategy, a new resource-saving, highly efficient generation of air-to-water heat pumps for the lower and medium output range was launched in the reporting year. As an optimal addition to the heat pump range, a new hot water and layered buffer storage tank was also launched, which offers many advantages thanks to its modular design and high degree of pre-assembly. In addition, the division is currently developing a battery storage system based on sustainable redox flow technology, making it a future-oriented alternative to conventional lithium-ion batteries for both private and commercial residential construction. This product offers convincing features such as non-flammability (an important safety aspect), a high number of charging cycles without loss of capacity, attractive economic efficiency, and sustainable production and operation. In addition, the strategy of «best in class» production with radiators is further implemented by consolidating the production volume of steel panel radiators with the planned closure of the Tubbergen (NL) production plant. Ongoing projects have also been initiated to reduce complexity and lower costs. With the acquisition of the Serbian company Termovent as of 1 July 2021, the HVAC Division was not only able to expand its geographical presence in South-Eastern Europe but also significantly deepened its expertise in the area of air handling units. Cleanroom technology is the second focus of Termovent and rounds off the division's product portfolio in the commercial and industrial ventilation systems segment. In the first half of 2021, the HVAC Division also acquired the Spanish company Cicsa to strengthen its sales position in Spain and Portugal.

Doors Division

In the middle of the reporting year, the Sanitary Equipment Division with its shower doors and partitions was integrated into the Doors Division as the Glass Solutions Business Unit. The strategic logic of the integration is to better use synergies in joint market development for contract sales on the one hand and to improve procurement on the other. In addition, the product range of the Wood Solutions Business Unit with functional and interior doors will be expanded to include shower doors, and in the medium term the glass doors and glass partitions area can be expanded for interiors. The focus of the Wood Solutions Business Unit continues to be on the strategic, **multi-year investment programme for increasing productivity and expanding capacity with the goal of improving delivery performance and the market position.**

Most of the investments flowed into the capacity expansion of the two German door plants Prüm and Garant. The largest individual items were the purchase of the property of Garant and the second high-bay warehouse, the combined heat and power plant (CHP), and the construction

of the new frame plant in Prüm. Arbonia also invested in a coating robot at RWD Schlatter and started the planning for a raw materials and finished goods warehouse at this Swiss location. As a result of these investments, the Wood Solutions Business Unit will be able to produce around 900,000 more doors with corresponding frames than before across all locations in 2023/2024, thus increasing their capacity to 3.5 million doors and frames. The division additionally invested in IT and the digitisation of processes. It is in the process of rolling out SAP S/4HANA at the Wood Solutions Business Unit, for example. Harmonising the ERP system will make the future cooperation between the four door companies more efficient. Another important milestone in the reporting year was the acquisition of Glasverarbeitungs-Gesellschaft Deggendorf mbH (GVG). The Glass Solutions Business Unit is thus increasing its vertical integration by sourcing processed single-pane safety glass within the Group now. The separation of GVG from the Saint-Gobain Group and its integration into the Glass Solutions Business Unit of the Doors Division is proceeding according to plan. This sets the stage for future growth and further process improvements.

Intensification of sustainability

To achieve the «1.5 °C» scenario of the Paris Climate Accords, companies are required to reduce their operational emissions (Scope 1 and Scope 2) by more than 4 % and reduce indirect emissions (Scope 3) by over 2.5 % (in relation to the reference year). We are committed to this. We have set ourselves the goal of reducing the intensity of our Scope 1-3 emissions based on the Science Based Targets Initiative by 2035 so much that we will contribute to the global climate target despite further organic growth.

Outlook

In our core markets, the construction sector is expected to grow further due to the continuing housing shortage. It continues to benefit from a strong construction industry that has a considerable pent-up demand from the last decades, especially in Germany. Investments in housing have become more attractive, on the one hand due to a variety of subsidy programmes for building modernisation, and on the other hand due to people's focus on their own four walls during the pandemic. The German market, which is important to us, is being stimulated further by the large housing programme presented by the government coalition at the end of 2021.

However, the lack of material availability and the resulting shortage will continue to be felt in 2022 to some extent. The resulting enormous material price increases, especially for steel, aluminium, and wood, as well as the considerably higher energy and freight costs, could also continue to lead to exceptional price increases, thus causing construction projects to be postponed due to excessive building costs.

Nevertheless, I am very confident about the future and can say the same about the entire Group Management. We are able to do this above all because of your renewed commitment last year. Many thanks for this.

Alexander von Witzleben
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