

Ad hoc announcement pursuant to Art. 53 LR

Press release

Trading update – Slump in building permits due to construction cost increases and interest rate hikes

Arbon, 20 July 2023

- Decline in construction activity in Arbonia's core markets led to sharply lower volumes for radiators, interior doors, and shower enclosures
- Suspension of guidance due to unpredictability of volumes in the second half of 2023
- The volume decreases in the first half of 2023, in conjunction with negative currency effects (-3.6%), led to an overall decrease in revenue of -10% compared to the same period last year to approximately CHF 570 million (HVAC: CHF 303 million; Doors: CHF 266 million)
- HVAC Division on EBITDA level above previous year with increased margin from 8.0% to 9.4%
- Doors Division on EBITDA level below previous year with decreased margin from 10.7% to 8.0% – in particular a one-time additional burden of energy costs had a negative impact here
- Significant positive free cash flow expected for 2023
- Closure of production plant and staff reductions of up to 600 employees until June 2024 will lead to a one-time charge of up to CHF 15 million in the 2023 financial year and consequently to annual net savings of CHF 10 – 12 million
- Confirmation of mid-term targets for 2026 due to great demand for housing as well as energy upgrading of existing housing to reduce required CO₂ emissions

The historically high construction costs as well as the increased interest rates with stable rents in our markets, especially Germany, Benelux and Eastern Europe, have led to a slump in building permits and, as a consequence, in construction and renovation activity. 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.

While radiator volumes were in decline in the first half of 2023 compared to the strong first half of 2022, resulting in a 12.1% decline in sales to CHF 303.3 million (previous year CHF 344.9 million), the **HVAC Division** was able to increase profitability over the same period last year in absolute as well as relative numbers, from 8.0% to 9.4%, despite negative currency effects. The high demand for growth products, such as heat pumps, compensated for the volume decrease in radiators.

In the first half of 2023, the **Doors Division** also suffered a volume decrease for the standard products doors and shower enclosures as well as negative currency effects, so that revenue was around 6.5% lower than in the same period of the previous year at CHF 265.6 million (previous year CHF 284.2 million). The EBITDA margin fell from 10.7% to 8.0%, partly due to one-off additional charges for energy costs and negative currency effects.

Arbonia initiated savings measures, which will lead to the reduction of up to 600 FTEs and one-time costs of up to CHF 15 million, which will be recognised in the second half of 2023 and will result in annual net

savings of CHF 10 – 12 million – see also the press release published today on increasing competitiveness by relocating the design radiator production from Dilsen (BE) to Stříbro (CZ).

The full year 2023 will remain challenging for the construction and construction supplier industry due to massive political 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.

Despite the challenging economic situation, Arbonia is optimistic that it will have a significant positive free cash flow for the year 2023, as communicated in its medium-term targets.

Arbonia remains convinced that it will achieve the mid-term targets published for the year 2026 with an average organic growth of 5% as well as an EBITDA margin of >12.5% for the HVAC Division and an EBITDA margin of >15% for the Doors Division. Combined with a lower investment rate of 4 – 5%, which was already announced at the 2021 Capital Markets Day, the positive free cash flow will continuously increase from 2023 onwards.

This expectation is supported by positive influence factors: the long-term intact and high demand for housing, especially the need for social housing as well, the backlog of ordinary new construction activity and renovation of existing buildings, as well as additionally the energy upgrading of housing for CO₂ savings.

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This release as well as the press release for the partial relocation of the design radiator production from Dilsen (BE) to Stříbro (CZ) and other information on Arbonia can be found on the website at www.arbonia.com.

Arbonia is a focused building components supplier with two divisions that are active in the areas of indoor climate (heating, ventilation, and air-conditioning) and interior doors made of wood and glass. The company, which is listed on the SIX Swiss Exchange, is active worldwide with its own distribution companies as well as with representatives and partners in more than 70 countries. Its main production sites are located in Switzerland, Germany, the Czech Republic, Poland, Serbia, Italy and Belgium. A total of around 6,400 employees work for the Arbonia Group.