

Press release

Impact of COVID-19 on Arbonia

Arbon, 9 April 2020 – In view of the spread of COVID-19 and as a result of the decrees and measures issued by governments to date, national economies of Europe and, consequently, the global economy are expected to move into a recession in 2020. The Arbonia Group will also be affected by this in the 2020 financial year.

Despite these developments, Arbonia nevertheless had a good start to the financial year in all four divisions. In the first quarter of 2020, currency-adjusted revenue growth was 2.7% compared to the previous year. Net revenues decreased by 2.0% to CHF 326.2 million. EBITDA rose by 12.6% to CHF 22.5 million compared to the previous year.*

Though the results in the first three months exceeded the figures for the previous year and even our own expectations, the estimates for the coming year since the release of the results for the full year 2019 in February 2020 have changed negatively due to the COVID-19 pandemic, measures issued by governments and their economic implications. As neither the overall economic effects nor the impact on the Arbonia business units can be estimated, Group Management has decided to suspend guidance for the current financial year at the moment.

Current situation

Construction activities in Europe are affected to varying degrees. While some countries have imposed construction site closures, others have stopped stationary sales, meaning end customers can no longer be served. Arbonia is only affected to a limited extent, as distribution activities are restricted. At this time however, all production sites are in operation. The production plant in Dilsen (BE) is operating with a reduced production capacity until Easter. Thanks to a special permit from the authorities, after a one-week closure the Sabiana production plants in Italy were able to take back up production of ventilation equipment, fan coils and electronic filters on a reduced scale for systemically important projects and customers. The patented "Crystall" filter system can be used and retrofitted in private, commercial and industrial ventilation equipment/systems as well as fan coils. Thanks to its bactericidal effect, the system is extremely effective in filtering biological microparticles and viruses from the ambient air, making it ideal for improving the indoor air quality at hospitals, nursing homes, retirement homes, medical practices, hotels and public buildings with high numbers of visitors. After receiving an official approval for systemically important companies, the Russian steel panel radiator production plant in Stupino has also returned to full production capacities after a one-week closure.

Each division has an eye on capacity workloads and the supply of the production plants with materials to be able to respond flexibly and at short notice. Related is the constant monitoring of supply chains and logistics, which in Italy especially were interrupted for a time.

Uncertainty caused by COVID-19 has led many customers to build up inventories to ensure their own delivery capacity. This is reflected in a pleasing amount of incoming orders and a backlog, as well as a positive revenue development in the first few months of the year.

Thanks to past investments into production plant automation, we can also balance out the substantially higher rate of employee illness at several locations. Where necessary, Arbonia is also participating in

announced national aid programs, such as short time compensation, for affected companies until normal business can proceed.

Outlook

Provided that construction sites are not closed extensively, the majority of production sites remain open and the pandemic is contained by mid-year, confidence should return and delayed investments in new buildings and renovations should carry on. We can also expect an increased demand for healthcare properties. Long planning and realisation times also have a stabilising effect on the development of the construction industry.

Still, Arbonia assumes that operating activities will be restricted in the second quarter of 2020 due to a decrease in demand and problems in procurement and logistics.

Despite the solid balance sheet with a high equity ratio of 57%, high liquidity reserves (liquidity and firmly committed credit lines) and measures introduced (including adjustment of the investment budget 2020), the Board of Directors reserves the right to decide at its ordinary meeting on April 24, 2020, prior to the Annual General Meeting, whether to propose a dividend of CHF 0.22 per registered share (CHF 0.11 per registered share from capital reserves and CHF 0.11 per registered share from retained earnings) for the financial year 2019 to the Annual General Meeting as planned or to postpone this dividend until further notice. This is taking into account the then current situation with regard to COVID-19.

Arbonia's position in its competitive environment combined with its stable business models (new construction and renovation, commercial and residential construction) as well as the outlook on the traditionally stronger second half-year give the Group Management grounds for optimism in terms of overcoming this economic downswing. This is also thanks to the assumption that the construction industry will experience a temporary cool-down, but the framework conditions such as low interest rates, urbanisation, energy efficiency and government funded expansion of the infrastructure will not change, resulting in positive construction activities.

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*All of the quarterly results stated above are preliminary and have not been audited. These have been prepared in accordance with the same regulatory standards as the Annual Report 2019.

This announcement as well as further information on Arbonia can be found on the website www.arbonia.com.

Arbonia is a focused building components supplier that is listed on the SIX Swiss Exchange and has its headquarters in Arbon, in the canton of Thurgau (CH). The Group is active worldwide with its own distribution companies, as well as offices and partners in more than 70 countries. Its main production sites are located in Switzerland, Germany, the Czech Republic, Poland, Slovakia, Russia, Italy, Belgium and the Netherlands. A total of around 8300 employees work for the Arbonia Group.

The divisions that make up Arbonia are active in the following sectors: heating technology, air-conditioning and ventilation technology, sanitary equipment, windows, and exterior and interior doors.