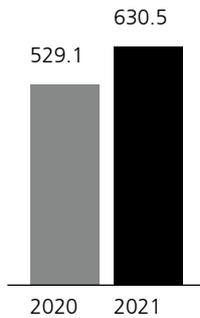
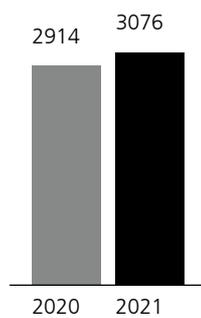


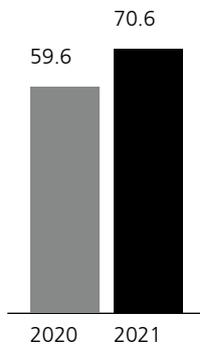
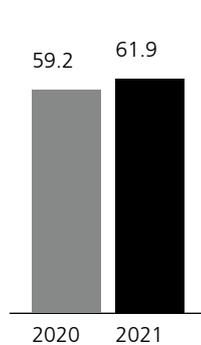


## HVAC Division

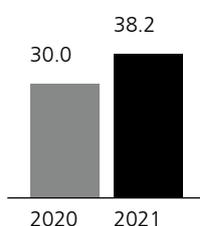
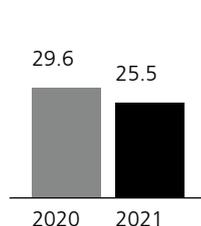
The **Heating, Ventilation and Air Conditioning (HVAC)** Division is a system provider for indoor climate solutions. Highly integrated, efficient production sites and a customer-oriented sales organisation make it a market leader in Europe. The division offers solutions for all types of buildings – from heat/cold generation, energy storage, and heat/cold distribution up to ventilation and air filtration. The product portfolio is used both in new constructions and renovation. With its energy-saving products, it makes an important contribution to achieving the goals of the Paris Climate Agreement.


**Net revenue**  
in million CHF

**Average headcount**  
(full-time equivalent)

**Market trends**

The HVAC Division achieved a total revenue of CHF 630.5 million in 2021, which represents a significant increase of 19.2% (CHF 529.1 million) compared to the previous year. Even when adjusted for currency and acquisition effects, the revenue closed at 16.1% above the previous year, with growth in almost all product groups. At CHF 70.6 million, EBITDA without one-time effects was well above the previous year's level of CHF 59.6 million (+18.4%). EBITDA with one-time effects came to CHF 61.9 million, 4.6% higher than the previous year (CHF 59.2 million). This was due not only to an encouraging increase in productivity, but also to cost discipline and efficiency gains in many areas. Part of the revenue growth was due to price increases, which were necessary to compensate for the considerably higher material prices. EBIT without one-time effects was CHF 38.2 million, 27.2% above the figure for the previous year of CHF 30.0 million; EBIT with one-time effects closed with CHF 25.5 million, 13.7% below the previous year (CHF 29.6 million). This was due to one-time effects in connection with the anticipated closure of the Vasco production plant at the Tubbergen (NL) site.

**EBITDA**  
without one-time effects  
in million CHF

**EBITDA**  
with one-time effects  
in million CHF


In the reporting year 2021, COVID-19 continued to shape business activity in many areas and led to an atypical seasonal pattern. Even though rises in raw material prices and material bottlenecks had an increasing impact, development of the construction industry proved robust and therefore remained intact during the pandemic. Supported by favourable general conditions, persistently strong real estate markets led to growing product markets, especially in residential construction. In commercial and industrial construction, the division also succeeded in placing its products successfully, even though a certain reluctance to invest was felt in some areas.

**EBIT**  
without one-time effects  
in million CHF

**EBIT**  
with one-time effects  
in million CHF


The HVAC Division is in a stable position and mastered the challenges of the reporting year thanks to its flexibility and innovative strength. It was thus able to benefit from the positive development of the relevant product markets throughout Europe. In some countries, there was pent-up demand due to lockdown measures in 2020. 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. In many countries, insufficient capacity of skilled workers caused a bottleneck. Nevertheless, the division was able to expand its market position and gain further shares in this environment. In the second half of 2021, an unprecedented dynamics in material price increases coupled with supply shortages posed a particular challenge. As a result, sales prices had to be increased, but this was implemented promptly and the impact on delivery times was mostly kept to a minimum.



With the acquisition of the Serbian company Tervovent 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 Tervovent 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.

The strategy of the HVAC Division is centered on the important megatrends of «CO<sub>2</sub> reduction» and a «healthy and comfortable indoor climate». With regard to the development of the product portfolio, the focus is on new products for the growth markets while expanding the strong position in the established product groups at the same time. In the reporting year, targeted investments 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

#### **Products, technology and innovation**

With the title «best in class», the first important pillar of the division strategy consists of the broad and competitive product portfolio for radiators. Further investments were made in the core product of flat panel radiators in the reporting year. This includes, for example, the new half-shell presses and a universal welding line at the Plattling site (D). The position on the important Russian market was further strengthened with the commissioning of another production line at the production plant in Stupino (RUS). New machinery was installed in Stríbro (CZ) for column radiator and design radiator products. And the further expansion of the Dilsen (B) site into a logistics hub improves processes, especially for the Benelux region.

In the radiator portfolio, new products were also presented in many markets. A design model was introduced in the premium flat panel radiator segment, for example. To match the increased demand for products with energy-saving low temperature technology, developments also included a radiator designed for optimum combination with modern heat generators such as heat pumps.

The use of renewable energies is another important pillar of the division strategy. With the construction of the new heat pump factory in Opočno (CZ), the HVAC Division is ideally positioned in the attractive heat pump sector, which is currently experiencing above-average market growth. 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 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 the 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, and economic efficiency. The battery storage system will be launched on the market in mid-2022.

In the third strategic pillar, the product range for efficient radiant heating and cooling, the HVAC Division is also continuously improving its products and investing in state-of-the-art production. At the production plant in Dilsen (B), manufacturing capacities were increased with a new extrusion line for a ultra-modern and accelerated production of piping for the use in underfloor heating systems. Product launches focused on a completely new generation of radiant ceiling profiles made of aluminium, for heating and cooling in the public and commercial sectors. The special feature here is a connection technique developed in-house for quick and easy assembly. Other system components were also introduced in the area of energy-efficient underfloor heating and cooling to optimise installation, as fast and simple methods are a key issue for specialist partners.

The fourth important pillar comprises the product range for ventilation and indoor air quality. Both are core elements for well-being and health and are becoming increasingly important. The product portfolio and production in this segment have been expanded to boost further growth in this area. At the Corbetta (I) site, for example, the commissioning of a further production hall for air handling units was an important step towards expanding capacity. The acquisition of Tervovent (RS) perfectly complements this development. In addition, the division put a new, state-of-the-art painting line into operation at the Corbetta production plant.

A fan coil for domestic air conditioning was introduced as a new product highlight, which has already proven very popular on the market. It is an attractive and efficient solution for new construction or renovation and particularly suitable for operation with a heat pump.



Apart from the four strategic pillars, the HVAC Division has made it a priority to incorporate and expand the ever-growing, diverse possibilities of digitisation in all areas of the division. Besides the points already mentioned for products and production, this includes other applications of the latest technologies in the manufacturing and development process, such as rapid prototyping for 3D printing and computational fluid dynamics for product and space simulations. At the same time, modern and future-oriented software solutions are being implemented in areas such as marketing, automation, or for product control and networking applications.

### **Outlook**

The current challenges on the materials side, but also the rapid rise in logistics and energy prices, make an outlook for 2022 extremely difficult. Maintaining the supply chain remains a top priority for the division.

Further strategic projects aimed at ensuring future profitable growth are also being implemented. This includes plans to optimise the production footprint by consolidating the production volume of flat panel radiators and closing the plant in Tubbergen (NL). Other projects have also been initiated to reduce complexity and lower costs.

2022 will again see the marketing launch of innovative new products such as the new energy storage system. The HVAC Division has thus set the course for achieving its planned medium-term financial goals.



### The ideal connection

The new «x-flair» heat pump radiator and the new "x-change dynamic pro" heat pump from Kermi are the perfect combination for renovation and new construction. "x-flair" combines the proven x2 technology with an innovative ventilation system for maximum heat output, "x-change dynamic pro" offers optimal performance values and high efficiency thanks to comprehensive new developments.



### New year, new concept

As trade fairs with face-to-face meetings were cancelled in 2021, the Arbonia, Kermi and Vasco brands found a number of alternative ways to introduce new products. One of the highlights was the presentation of new products in mobile exhibition vehicles. The field service team used the space of approx. 10 m<sup>2</sup> to demonstrate the products to customers in live events.

### New production site for air handling units

Sabiana opened a new production site in Corbetta (I) in September 2021 to ensure growth in line with plans for the air handling units business.





### **Academy opens training centre**

Termovent was acquired in the reporting year and opened a training centre in the Science Technology Park in Belgrade (RS) for internal and external training seminars. The training centre consists of a cleanroom, HVAC system, and a room for training courses.