ARBONIA
ANNUAL REPORT

2022

ARBONIA

Heating, Ventilation and Air Conditioning Division (HVAC)

Areas of activity

Air handling units
Battery storage
Clean room technology (incl. filtration)
Fan Coils
Heat pumps
Radiant panels
Radiators
Surface temperature control
Unit heaters
Ventilation

Brands

Arbonia
Brugman
Cicsa
Cirelius
Kermi
Prolux
Sabiana
Superia
Tecna
Termovent
Vasco

Production sites

Corbetta (IT)
Dilsen (BE)
Dobré (CZ)
Kladovo (RS)
Legnica (PL)
Plattling (DE)
Stříbro (CZ)
Stupino (RU)

Average headcount in FTE 2022

3 239

Doors Division

Areas of activity

Acrylic / mineral cast bathtubs and shower trays
Functional doors
Frames
Interior doors
Shower areas
Shoer enclosures
Shower units

Brands

Baduscho
Garant
Invado
Joro
Kermi
Koralle
Prüm
RWD Schlatter

Production sites

Amt Wachsenburg (DE)
Ciasna (PL)
Dagmersellen (CH)
Deggendorf (DE)
Plattling (DE)
Renchen (DE)
Roggwil (CH)
Weinsheim (DE)

Average headcount in FTE 2022

3 176

Key figures 2017 – 2022

in CHF million	2022[1]	2021[1]	2020[1]	2019[1]	2018[2]	2017[2]
Net revenue	1 202.1	1 186.2	1 038.4	1 057.8	1 374.0	1 245.6
EBITDA[3]	108.3	124.7	116.3	100.7	130.5	120.3
EBIT[3]	37.0	53.3	53.9	40.1	61.0	61.3
Group result[3]	20.7	27.5	29.7	22.5	38.7	37.5
Total assets	1 519.5	1 623.3	1 515.2	1 534.4	1 511.9	1 416.6
Shareholders' equity	987.5	1 044.3	893.2	873.3	887.7	863.1
in % of total assets	65.0	64.3	59.0	56.9	58.7	60.9
Net cash/debt	184.4[4]	–93.2[4]	140.6[4]	180.6[4]	116.8	43.3
Cash flow from operating activites	–25.8	92.8	141.3	111.8	69.6	68.8
Free cash flow	–245.5	252.7	52.5	8.4	–53.8	190.4
Capex	174.5	149.1	95.5	113.0	134.7	105.1
Average headcount in FTE	6 532	6 177	5 813	5 783	8 198	7 754
Market capitalisation	896.2	1 431.1	986.5	875.4	750.3	1 128.9

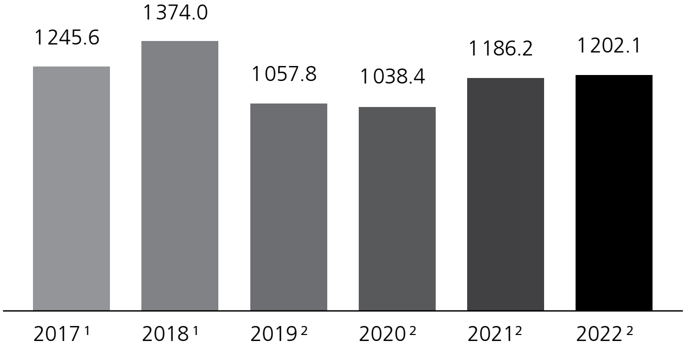
[1] Continuing operations (without Windows Division)
[2] Continuing operations (without Profile Systems and Industrial Services)
[3] With one-time effects
[4] Incl. IFRS 16

Information for Investors

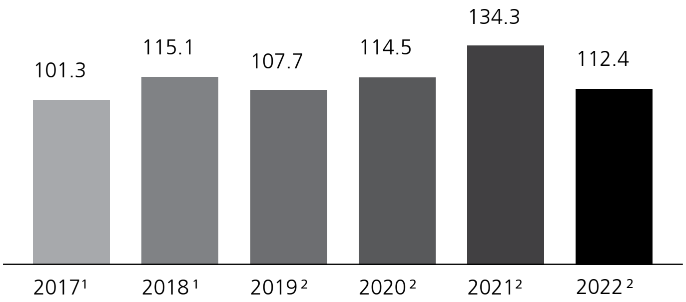
	2022	2021	2020	2019	2018	2017
Share price on 31.12. in CHF	12.9	20.6	14.2	12.6	10.8	16.3
Market capitalisation in CHF million[5]	896.2	1 431.1	986.5	875.4	750.3	1 128.9
Earnings per share in CHF	0.3	2.0[6]	0.7	0.4	0.7	0.7
Price/earnings ratio per share[5]	46.5	10.3[6]	21.9	33.1	16.1	24.2
Gross dividend per share in CHF	0.30	0.30	0.47[7]	0.00[8]	0.20	0.00

[5] Calculated on the basis of the share price on 31 December
[6] 2021 includes the proceeds from the sale of the Windows Division
[7] Combined dividend for the 2019 financial year of CHF 0.22 and the 2020 financial year of CHF 0.25
[8] Dividend of CHF 0.22 for the 2019 financial year deferred due to COVID-19 pandemic

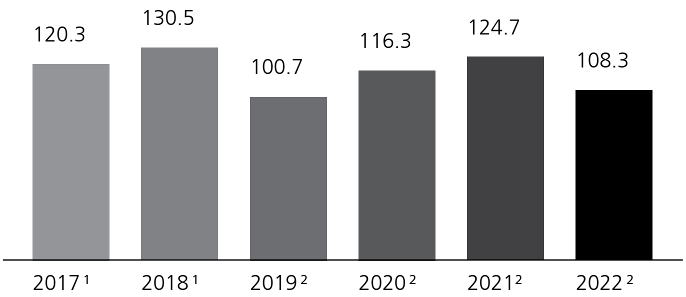
Net revenues



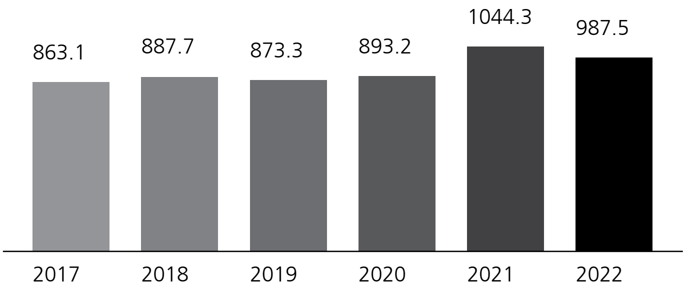
EBITDA without one-time effects



EBITDA with one-time effects



Shareholders' equity



[1] Continuing operations (without Profile Systems and Industrial Services)
[2] Continuing operations (without Windows Division)

All figures in CHF M

Report section

Financial section

Notes

Letter to the Shareholders

The Arbonia Group (Arbonia) looks back on a financial year 2022 that was both challenging but also successful as well. The end of the COVID-19 pandemic and the subsequent Russian invasion of Ukraine led to sharp increases in raw material and logistics costs as well as to greatly increasing energy prices, in addition to problems in all supply chains, which strained the already difficult situation of the construction industry. This crisis and the accompanying need for a change in thinking concerning energy dependency has confirmed Arbonia's strategy of focusing on modern products for energy-efficient and self-sufficient buildings. In addition to their well-known economic and environmental advantages, these products are accelerating the transition towards households that do not depend on fossil energy sources and prices.
At the same time, the investments decided and made in the past are now paying off and enabling a counter to the cost inflation and the material price increases with increases in productivity.

Dear Shareholders
Dear Ladies and Gentlemen

The financial year 2022 was marked by a large number of macroeconomic challenges, such as the sharp increase in material, energy, and logistics costs, a shortage of raw materials and skilled workers, increased interest rates, as well as a strong appreciation of the Swiss franc. The existing problems in the global supply chains were also intensified by the war in Ukraine. In addition, up to mid-2022, many customers built up high inventories due to the threat of material shortages and a fear of further increasing prices. Starting in the middle of 2022, when a decrease in the availability problems combined with falling material prices, a massive destocking started at all important customers, which reached its peak in the fourth quarter of 2022. This massive, unexpected volume decrease in the fourth quarter, especially with radiators and shower enclosures, had a considerable negative impact on the margin, contrary to the usual strong second half-year in the construction sector. However, the growth businesses (heat pumps, ventilation equipment, underfloor heating, battery storage) that had been strategically built up in the past years developed positively with a high double-digit volume growth, exceeding expactations and having a compensating effect.

The already existing pressure to use energy-efficient heating and ventilation products in residential and commercial construction, which is supported by the subsidy programmes of European countries among other things, has experienced an additional boost from the start of the war in Ukraine and the associated supply uncertainty with fossil fuels. The search for a reliable energy and heat supply without fossil fuels as well as the desire for energy self-sufficiency has now become a guiding motive for the demand these products. For this reason, these product groups (above all heat pumps, ventilation systems, and underfloor heating) have high double-digit growth rates. The new production plant for heat pumps in Opočno (CZ), which began production in the middle of 2022, therefore came at the right time and will have high double-digit growth rates for volume and revenue in the future. On the whole, the availability of raw materials and intermediate products has improved, but the situation remains difficult for critical components and semiconductors.

As a result, Arbonia was able to increase revenue in the financial year 2022 to CHF 1202.1 million; growth was 5.5% without the influence of currency and acquisition effects (organic). EBITDA without one-time effects fell from CHF 134.3 million to CHF 112.4 million; with one-time effects, the EBITDA reached CHF 108.3 million compared to CHF 124.7 million in the previous year. This corresponds to a declining EBITDA margin (without one-time effects) from 11.3% in the previous year to 9.4%; with one-time effects, the EBITDA margin fell from 10.5% to 9.0%. As a result, EBIT without one-time effects fell from CHF 67.0 million to CHF 41.4 million; with one-time effects, EBIT fell from CHF 53.3 million to CHF 37.0 million. This corresponds to a decrease in the EBIT margin without one-time effects from 5.6% to 3.4%; with one-time effects, the EBIT margin fell from 4.5% to 3.1%. The group result with one-time effects fell as a result from CHF 27.5 million in the previous year to CHF 20.7 million. Without one-time effects, the group result fell from CHF 41.1 million to CHF 23.9 million.

Market environment 2022
The demand for housing remains extremely high especially in Germany and in metropolitan areas in general throughout Europe. The demand in renovation, which has remained strong due to the previously described effects and now absorbs freed tradespeople capacities, should also be emphasized. In general, the forecasts for the development of the construction industry in the various markets of Arbonia are characterised by the described difficulties and the general economic uncertainty in the short term and are mainly dependent on the general economic development.

The development of the construction industry in **Germany**, Arbonia's largest market, is greatly dependent on the development in new construction and renovation of residential buildings. In the current economic environment, the demand for single-family homes has decreased due to the interest rate and construction cost situation, while there has been a stable development with multi-family homes, which has been marked by material and capacity shortages, however. The last described segment, in which there is still a large backlog of approved but not yet started buildings, is therefore expected to develop positively over the long term. Above all, the positive development in the renovation of the existing and energy-inefficient buidling stock is expected to continue in the coming years, regardless of the economic situation.

In **Switzerland**, a stable, slightly positive trend is expected in residential construction as well as in renovation in the medium term, since the order books of craftsmen are still filling up. Furthermore, the energy prices are also acting as a motivator here to drive energy-related renovations. The demand for housing in metropolitan areas is also growing in Switzerland. In other building construction, above all the construction of buildings for education and health should also develop positively as in 2022, while many large office complexes such as "The Circle" have either been completed or are near completion.

Due to the decreasing building permits in residential construction, the decreased availability of mortgages (increase in construction costs and interest rates), as well as the generally uncertain economic situation due to the geographic proximity to Ukraine, among other things, a declining trend in new construction i is expected to continue for residential buildings as well as in other buildings in the Eastern European markets of **Poland** and the **Czech Republic** in 2023. Renovations, which have only been growing slightly so far, should increase further due to high energy prices and the shift away from fossil energy sources, however. A more significant recovery is hampered by the shortage of skilled workers in construction, because this is dependent on foreign, usually Ukrainian workers, in both countries.

In the target markets of Arbonia in **Southern Europe (Italy, Spain, and Portugal)** primarily residential construction grew again in the past financial year. This was driven by the "superbonus" (110% government subsidy for renovations in Italy) as well as a healthy demand for living space. Even though the superbonus expired in September 2022 and the speed of construction has recently slowed down in Spain and Portugal, these markets will be supported in the medium term by the high unsatisfied demand for living space on the one hand and by an announced follow-up programme on the other. The construction of new housing should develop robustly in the future due to interest rates that are only slowly increasing (in Spain) as well as rents that greatly increased in 2022 (in Portugal). Outside of residential construction, particularly the new construction of other buildings, with the exception of logistics properties, are expected to decrease due to the economic situation. Renovations due to high energy prices or reconstruction (e.g. after the flood in central Italy) as well as the continuing superbonus for offices and other commercial buildings should generally support these sectors, however. With the acquisition of the Portuguese HVAC distribution company Cirelius, Arbonia is further strengthening its position on the Iberian Peninsula.

Strategy and development of Arbonia
Both the Heating, Ventilation and Air Conditioning (HVAC) Division and the Doors Division of Arbonia are continuing their independent strategic development and are specifically concentrating their operational measures on the megatrends of energy efficiency, urbanisation, digitisation and automation. Detailed information on the development of both divisions can be found in the respective reports starting on page 9 of this annual report.

Heating, Ventilation and Air Conditioning Division
As a result of the HVAC Division's traditionally strong market position in Eastern Europe, the geopolitical situation resulting from the war in Ukraine had a significant impact on operating activities. In Western and Central Europe, enormous price increases in construction costs and massive destocking at specialist retailers and wholesalers in the fourth quarter led to a noticeable business deterioration particularly with stockable products such as steel panel and bathroom radiators. As a result of the inadequate capacity utilisation of individual plants, capacities sometimes had to be adjusted; this was primarily achieved by using the available flexibility options. The announced relocation and closure of the Dutch Tubbergen plant at the end of the year went according to plan.

However, the demand for energy-efficient products and solutions remained high in the reporting year, so that growth products such as heat pumps, ventilation systems including fan coils and underfloor heating systems still showed high double-digit growth rates. In summer 2022, the new heat pump plant in Opočno (CZ) with a capacity of 15 000 heat pumps per year was completed and commissioned according to plan. The production relocation from the previous location in Dobré (CZ) was carried out successfully while a very high capacity utilisation was ensured at the same time. The production capacities for the year 2023 have already been exhausted by the demand of existing customers. The plans for the next capacity expansion to 30 000 units per year in 2024 are already proceeding at full speed. The battery storage based on the ecologically sustainable redox flow technology has also been generating a high demand since its launch in the summer of the reporting year, which is why the production has already been relocated to the existing production plant in Stříbro (CZ).

Doors Division
The retail business of the Doors Division suffered from various factors during the reporting year and therefore recorded a decrease. Among other things, warehouse stocks at distributors were reduced more strongly than in past years. Another factor is that the retail business is geared to single-family homes, among other things, whose construction was increasingly postponed or halted. This decline was less marked in in the project business. This led to a shift from standard doors to functional doors, which was partially able to offset the decline in the retail business. The division used this positive momentum to expand its own business in Germany and Switzerland and entered further partnerships with hotel chains and housing co-operatives in the reporting year. These partnerships are also a good example of the distribution synergies between the Wood Solutions Business Unit and the Glass Solutions Business Unit, making it possible to offer an extensive portfolio of wooden and glass doors. The acquisition of the German company joro türen GmbH in the reporting year, which specialises in the manufacture of special doors for protection against fire, smoke, noise, and intruders for large-scale projects, increases access to the contractor services business in Germany and Switzerland.

The market for sanitary products suffered a strong decline in the reporting year. On the one hand, this is due to postponement or halting of new construction projects. Many renovation projects were either implemented during the Corona period, or builders are currently still waiting due to the price increases. On the other hand, installers continue to focus on the more lucrative installation of subsidised HVAC products. The Glass Solutions Business Unit also suffered more from the high energy prices than the Wood Solutions Business Unit. This is because the production of raw glass is very energy-intensive, which therefore made glass products even more expensive.

Intensification of sustainability
With the past reporting year, Arbonia has further created the conditions for combining financial and non-financial targets in its strategy. An important tool for this is a suitable incentive

system for the management. For this reason, it was decided to integrate sustainability criteria such as effective climate protection in the variable compensation of Group Management starting in financial year 2023.

An important factor for better climate protection is above all the expansion of renewable energies. In this regard, Arbonia was able to improve further compared to the previous year and now covers 47% of its total electricity requirement of around 100 million MWh per year with regenerative sources. The share of green energy has increased to 43%, whereby 13% is now supplied from in-house electricity production from photovoltaics, CHP systems and a wind power generator. As a result, the greenhouse gas intensity has decreased further to 0.050 CO_2 equivalents (Scope 1–2) per net revenue. This increase in self-generated power is also a pillar of Arbonia's economic success in the coming years, since it makes the company more independent of energy price increases. A share of 40% as of 2026 is being pursued.

The long-term strategy is based on the principle of an integrated CO_2-free system, with which energy can be efficiently generated, transferred and stored. For this purpose, Arbonia is investing in state-of-the-art systems for combined heat and power (CHP), for example. In Opočno and Stříbro, Czech Republic, modern energy standards have been taken into account in the new construction of a heat pump plant and in the investment in compressors so that production sites can be operated practically energy-neutral.

In addition to its own greenhouse gas emissions, Arbonia would also like to take indirect emissions more strongly into account in its results. It has therefore developed initial approaches to ascertaining the emissions of its upstream and downstream value chain (Scope 3). It will use these measurements to derive reduction targets and corresponding measures.

Outlook
The existing challenges for the development of the construction industry, such as sharply increased interest rates and the high material costs will not be disappearing in the coming financial year. However, Arbonia has positioned itself very well for these demanding times. After all, as the will to stop using fossil fuels increases, so does the demand for energy-efficient products. In Germany, for example, nearly double the number of applications for funding specialist planning and construction support for energy-efficient renovation of residential buildings were submitted in 2022 as in the previous year. Heat pumps are one of the products that is well suited for this purpose, since no oil or gas is burned on the one hand and this type of heat generation is considerably more efficient on the other. Arbonia has anticipated this trend. The production volume of the new production plant planned for 2023 is already sold out. To meet the enormous demand for this product, Arbonia has also already decided to double the capacity. Arbonia is expanding its manufacturing capacity in the mid-term in the following efficient heat distribution as well, specifically in the production of pipes for underfloor heating. The new redox flow battery storage of Arbonia, which was introduced to the market in the middle of 2022, is already experiencing a very high demand and 30% of the annual production for 2023 is also already sold out.

These and other products of Arbonia are suitable for renovation as well as new construction. Although experts expect a decline in new construction activity on the whole in the current financial year, particularly in residential construction which is important to Arbonia, the construction backlog (approved homes that are waiting for the start of construction) has simultaneously increased to around 850 000 flats in Germany in the past years. For comparison: In 2021, fewer than 300 000 new homes were built. In addition, commercial landlords in particular are carrying out energy-efficient renovation in order to decrease ancillary costs for tenants considerably so that they will be able to increase rents at all in the future. Furthermore, the subsidy programme in Germany is now tailored to energy-efficient renovation instead of new construction as before. Together with the climate targets of the commercial landlords and the extension of CO_2 pricing to landlords in general, this should ensure a considerable expansion of renovation activities. This also holds true for the Doors Division, since energy efficiency can be increased here especially by replacing home entrance doors. Furthermore, many doors have since reached the end of their approximately 30-year life cycle and should be replaced. Arbonia therefore continues to expect that a supercycle, in which around 12 million doors were installed per year (in Germany) the last time after the fall of the Berlin wall, will reach another peak again in the next few years.

In particular the high influx of people caused by Russia's invasion of Ukraine exerts pressure on the already very tense housing market, especially in Germany but also in the neighbouring countries. In Germany, the housing shortage had reached the amount of approximately 700 000 flats at the end of 2022. There is also the growing demand for 1–2 person households, especially in the metropolitan areas, coupled with a continually increasing living space per person. Arbonia believes that the federal and state governments are obligated to act here in order to avoid a disastrous situation in the housing market.

The year 2023 will remain a year of challenges, since the time horizon for the end of the war in Ukraine as well as falling inflation and interest rates cannot be estimated. On a more positive note, the increase in material prices and the supply bottle necks have been declining.

However, Arbonia's positioning as a highly efficient manufacturer of doors and radiators as well as a supplier of energy-efficient growth products make it well set for the future, which is why the medium-term targets published in October 2021 remain valid.

Alexander von Witzleben
Executive Chairman of the Board of Directors

Daniel Wüest
Group CFO

Divisional structure

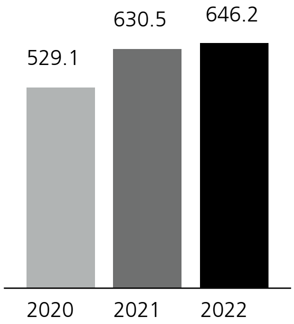
ARBONIA

Heating, Ventilation and Air Conditioning Division		Doors Division	
		Wood Solutions Business Unit	Glass Solutions Business Unit
arbonia	SABIANA	GARANT	Baduscho
BRUGMAN	superia	INVADO	KERMI
cicsa	TECNA	JORO	Koralle
CIRELIUS	TERMOVENT	PRÜM	
KERMI	VASCO	RWD Schlatter	
prolux			

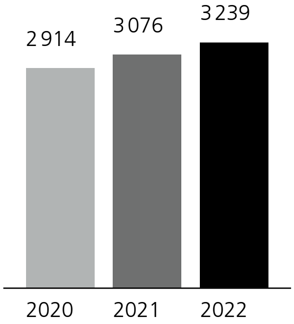
HVAC Division

The **Heating, Ventilation and Air Conditioning (HVAC) Division** offers energy-efficient systems for indoor climate in all types of buildings. Their solutions for heat / cold generation, heat and energy storage, heat / cold distribution, as well as for ventilation and air filtration impress both in new construction and in renovation projects. Its integrated, high-performance production sites and a sales organisation close to customers makes it a market leader in Europe. Sustainability and energy efficiency are integral parts of the division’s identity, which thus makes an important contribution to climate protection throughout the world.

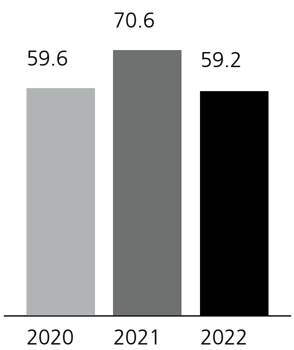
Net revenue
in CHF million



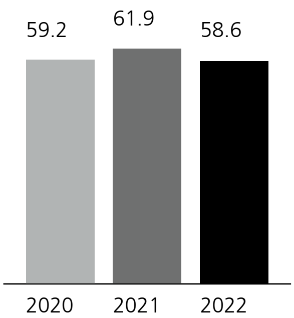
Average headcount
full-time equivalent



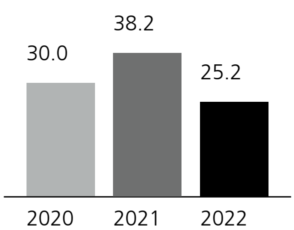
EBITDA
without one-time effects
in million CHF



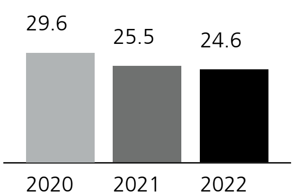
EBITDA
with one-time effects
in million CHF



EBIT
without one-time effects
in million CHF



EBIT
with one-time effects
in million CHF



Market trends

The HVAC Division achieved revenues of CHF 646.2 million in the reporting year 2022, which was considerably higher than in the previous year (CHF 630.5 million). This growth of 2.5% was mainly driven by price effects, which were necessary due to considerable price increases in raw materials and energy. For the first time, the two acquisitions Termovent (SRB) and Cicsa (ES) were fully consolidated in the reporting year. When adjusted for currency and acquisition effects, the revenue closed 7.0% above the previous year. With EBITDA without one-time effects of CHF 59.2 million, the division was not able to attain the previous year's level of CHF 70.6 million (–16.2%). Nevertheless, the EBITDA margin of 9.2% is a positive result considering the challenging general conditions. The unstable supply chains and material shortage, particularly concerning electronic components, posed great challenges to the organisation. At CHF 58.6 million, EBITDA with one-time effects was 5.4% below the previous year (CHF 61.9 million). EBIT without one-time effects closed at CHF 25.2 million, also 34.1% below the previous year (CHF 38.2 million), and EBIT with one-time effects closed at CHF 24.6 million, 3.7% below the previous year (CHF 25.5 million).

While the entire reporting year was marked by increasing material and energy costs as well as the implementation of a carefully considered pricing strategy, the negative effects of the war in Ukraine also worsened in the second half-year of 2022. As a result of the division's traditionally strong market position in Eastern Europe, the geopolitical situation had a significant impact on operating activities. In Western and Central Europe, enormous price increases in construction costs and destocking at specialist retailers and wholesalers led to a noticeable business deterioration in autumn 2022. This especially affected stockable products such as steel panel and bathroom radiators, while growth products such as heat pumps and ventilation systems including fan coils continued to register significant growth. The Southern European subsidiaries profited from their strength in commercial construction and project business.

The announced relocation and closure of the Dutch Tubbergen plant at the end of the year went according to plan. However, as a result of the inadequate capacity utilisation of individual radiator plants in the fourth quarter 2022 due to the previously mentioned destocking at specialist retailers and wholesalers, some capacities had to be adjusted; this was primarily achieved by using the available flexibility.

In December 2022, Cirelius S.A., a Portuguese company that specialises in selling HVAC system solutions, was acquired. Along with the already very established Spanish subsidiary Tecna, which consolidated its two previous locations in a new, highly efficient warehouse in Madrid (ES) in 2022, this will significantly strengthen the division's market position on the Iberian Peninsula and open up further growth opportunities in the area of sustainable heating systems. Together, they can now offer a comprehensive product range for private as well as commercial use.

The already existing pressure to use energy-efficient heating and ventilation products in residential and commercial construction, which is supported by the subsidy programmes of European countries, has experienced an additional boost from the start of the war in Ukraine and the associated uncertainty towards the supply of fossil fuels. In addition to the well-known ecological advantages, the search for a reliable energy and heat supply without fossil fuels as well as the desire for full energy self-sufficiency has become a guiding theme for interest in these products. The demand for energy-efficient products and solutions therefore remained high in the financial year 2022. With its products and system capabilities, the HVAC Division offers a comfortable indoor climate with suitable and sustainable solutions for renovation as well as in new construction. The strategy initiated many years ago with the four pillars

– **use of renewable energies** with the heat pump and storage battery products
– **"best in class"** production of radiators
– **radiant heating and cooling**
– **ventilation and indoor air quality**

places special focus on growth markets and proves to be an absolutely correct strategic decision.

Products, technology and innovation
Regarding the **"use of renewable energies"** as an important strategic component, the very successful activities relating to the booming heat pump business should be mentioned first. In summer 2022, the new production plant in Opočno (CZ) was completed and commissioned according to plan. The production relocation from the previous location in Dobré (CZ) was carried out successfully while a very high capacity utilisation was ensured at the same time. The production capacities for the year 2023 have already been exhausted by the demand of existing customers. The plans for the next capacity expansion to over 30000 units per year in 2024 are already proceeding at full speed.

The second product group in the segment of renewable energies is the new battery storage with the ecologically sustainable redox flow technology. A great demand has been generated here since the official market launch in the summer of the reporting year. The series production has begun at the existing production plant in Stříbro (CZ).

In the area of steel panel radiators, the investment programme for production modernisation in Plattling (D) has been completed. In addition, retrofits have also taken place in the production and packaging of column radiators and bathroom/design radiators in Stříbro (CZ). All these measures and investments culminate – according to the objective **"best in class"** – in maximum, cost-efficient flexibility for the division’s continually expanding radiator range and ensure long-term production reliability and competitiveness. In the radiator range, it was possible to introduce numerous models through the division’s various brands and successfully utilise cross-selling aspects. However, various innovations, such as a special heat pump radiator, also proved very popular.

The in-house manufacturing expertise in pipe production resulting from the installation of a further state-of-the-art extrusion line in Dilsen (BE), which was begun in the previous year, was the focus of the strategy component **"radiant heating and cooling"**. In respect to product solutions, the extensive roll-out of innovative radiant ceiling profiles and plates were a focal point of the division. In both product groups, specialist partners were won over by the easy and fast assembly, which was developed and optimised in- house.

In the area of the strategy component **"ventilation and indoor air quality"**, a further production hall was put into operation for air-handling units in Corbetta (I) in autumn of the reporting year. In addition, the full integration of the Termovent company in Serbia, which was acquired in 2021, and the approval for further investments to increase productivity for fan coils took place. The division can thus considerably grow and expand its capacities in the residential ventilation segment as well as in the commercial ventilation area. An important milestone was winning a modular cleanroom project for producing vaccines in West Africa. Another was the "Neptun" swimming pool unit for regulating moisture indoors, which was presented to the market for the first time.

Sustainability and energy efficiency are elementary components of the HVAC Division as well as continuous process optimisation in respect to product and customer service at the sites.

In addition to many projects for in-house electricity production, for example the accelerated expansion of photovoltaic systems on production halls or the commissioning of a new combined heat and power plant in Plattling (D), the digitisation in all areas of the company has a high priority. Examples include simulation tools (hardware in the loop), the introduction of a comprehensive PIM system, or the changeover of the CRM system. For the intelligent networking and user-friendly utilisation of HVAC product solutions, the control technology segment including apps is continuously further developed.

Outlook

Even though current economic conditions impact the business of the HVAC Division, the general trends and market conditions remain positive and stable over the long term.

The necessary optimisation of buildings using energy-efficient heating and ventilation products drives investments in existing buildings throughout Europe. The HVAC Division has the right products and suitable system solutions for this. New construction will also pick up speed over the long term because the demand for living space is far from satisfied in many regions and especially in metropolitan areas. Geographically, the division has a wide country coverage, so that local economic downturns should not have too strong of an impact. The division is also excellently positioned with its structures and processes, and it is planning further projects for continuous improvement.

In the short term, 2023 will be challenging, on the one hand due to the cost situation with material, energy and wages, and on the other hand due to the large number of exogenous disturbances. Nevertheless, the division is in a strong position for long-term profitable growth.

Highlights

Production start in Opočno
In August, the new heat pump plant in Opočno (CZ) was put into operation. As a result, the production capacity was significantly increased and is to more than double during 2023. Furthermore, an expansion of the production plant is also beeing planned and will also take place in 2023.

Market launch of STORAC battery storage
The battery storage "STORAC" is the future of energy self-supply and is literally an energy safe. Based on redox flow technology, it stores self-generated energy/power and thereby enables efficient personal energy use. The market launch of the battery storage under the Prolux brand took place in July 2022.

Further information can be found at:
www.prolux-solutions.com

New Inspiration Center in Amsterdam
The new Vasco Inspiration Center in Amsterdam (NL) warmly welcomes installers and wholesalers from the Netherlands. Opened in January 2022, it is an expression of the energy-efficient and health indoor climate products that Vasco and Brugman can offer. Naturally, workshops and product training for customers are also offered.

A simple solution for cooling and heating residential spaces
The residential fan coil "Carisma Whisper" combines compact dimensions with modern aesthetics and simultaneously impresses with a pleasantly quiet operation and excellent consumption values. It therefore ideally fulfils all air conditioning demands of residential and work environments and is thus also perfect for residential construction, energy renovation, for low system temperatures as well as a heat pump radiator that can heat and cool.

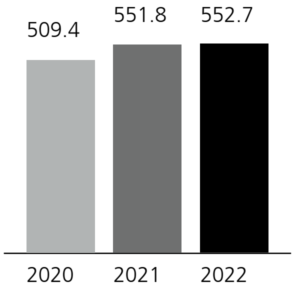
Doors Division

The **Doors Division** consists of the Wood Solutions and Glass Solutions Business Units since the integration of the previous Sanitary Equipment Division in 2021.

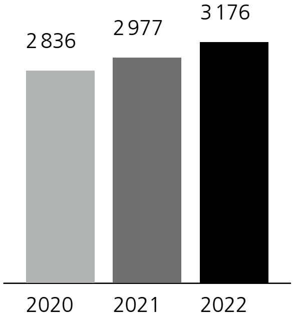
The **Wood Solutions Business Unit**, comprising the companies Prüm, Garant, Invado, RWD Schlatter and Joro, is one of Europe’s leading providers of interior wooden doors and frames. The business unit has five production sites: three in Germany and one each in Switzerland and Poland. In the domestic markets, it offers its customers a comprehensive range of products from standard doors to complex functional doors.

As a specialist for shower enclosures and glass systems, the **Glass Solutions Business Unit** offers convincing solutions for all generations, lifestyles and types of residences. Thanks to its strong brands Kermi, Koralle, and Baduscho, it is the market leader in Europe. In addition to the two integrated production sites in Germany and the locally oriented manufacturing in Switzerland, it operates internationally through distribution companies.

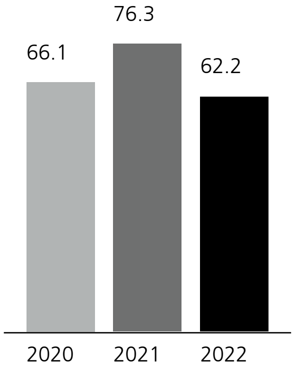
Net revenue
in million CHF



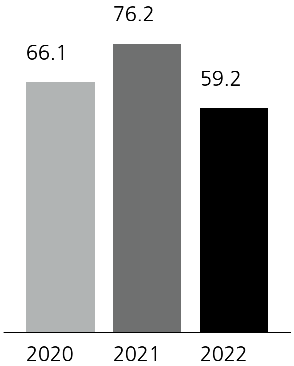
Average number of employees
(full-time equivalent)



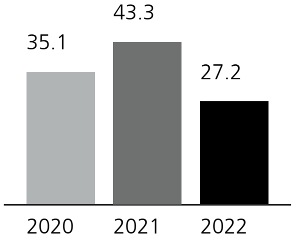
EBITDA
without one-time effects
in million CHF



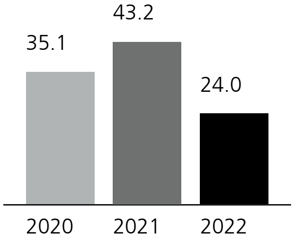
EBITDA
with one-time effects
in million CHF



EBIT
without one-time effects
in million CHF



EBIT
with one-time effects
in million CHF



Market trends

In the reporting year, the Doors Division achieved a revenue growth of 0.2%, from CHF 551.8 million in the previous year to CHF 552.7 million. Adjusted for currency and acquisition effects, revenue increased by 3.8%. EBITDA without one-time effects decreased from CHF 76.3 million in the previous year to CHF 62.2 million (–18.5%). The EBITDA margin was 11.3%. With one-time effects, the division achieved a 22.3% lower EBITDA of CHF 59.2 million (previous year: CHF 76.2 million). EBIT without one-time effects amounted to CHF 27.2 million, compared to CHF 43.3 million in the previous year (–37.0%). With one-time effects, a 44.4% lower EBIT of CHF 24.0 million resulted compared to the previous year (previous year: CHF 43.2 million).

The high inflation throughout Europe resulted in a great price uncertainty for construction costs, causing especially private investors but also institutional investors to postpone or even temporarily halt construction projects. This was especially noticeable in the construction of new single-family homes during the reporting year. The Eastern European market of Poland was the most strongly affected by inflation, followed by Germany and then Switzerland in third place. The Swiss market was the least affected by inflation, which is also due to the strong devaluation of the euro against the Swiss franc.

The specialist and DIY store business of the Doors Division suffered due to various factors in the reporting year and experienced a decline in volumes. During and after the COVID-19 pandemic, many customers of the Doors Division had built up high inventories to prevent supply bottlenecks. In the reporting year, trade inventories were then reduced to a greater extent than in past years. A further issue was that the retail business is primarily oriented towards single-family homes, the construction of which, as mentioned, was increasingly postponed or halted. This decrease was less pronounced in the project business, especially in the segment of high-priced construction projects as well as in social housing. This led to a shift from standard doors to functional doors, which was partially able to offset the decline with room doors.

The project business was additionally strengthened by hotel construction. The division used this positive momentum to expand revenues in this segment. It entered further partnerships with hotel chains and housing co-operatives in the reporting year. The acquisition of the German company joro türen GmbH in the reporting year, which specialises in manufacturing special doors for protection against fire, smoke, noise and intruders in large-scale projects, also strengthens the project competence in Germany. In addition, the newly acquired company with its premium portfolio also supplements the product range of RWD Schlatter in Switzerland.

The material availability in Germany and Switzerland improved in the reporting year compared with the previous year, but some material groups still have supply bottlenecks. The high material prices also had to be offset by further price increases.

However, these could only be passed on with a delay due to the record high order volume.

The Polish door manufacturer Invado was confronted with an even more difficult environment and higher inflation due to its geographic proximity to the war zone in Ukraine. This market suffered from the material price increases and limited material availabilities even more than the German and Swiss market. The difficult market situation and the SAP conversion, which tied up a lot of personnel resources, resulted in a double burden for the company. Thanks to the successful system conversion in September 2022 and the acquisition of new customers, Invado was able to at least stabilise the results in the fourth quarter.

The market for sanitary products suffered a sharp decrease in the reporting year. On the one hand, this is due to the fact that new construction projects were postponed or halted. Many renovation projects were either implemented during the Corona period, or builders are currently still waiting due to the price increases. On the other hand, installers continue to focus on the more lucrative installation of subsidised HVAC products. The Glass Solutions Business Unit also suffered more from the high energy prices than the Wood Solutions Business Unit. This is because the production of raw glass is very energy-intensive, which therefore made glass products even more expensive. The negative effects were offset by cost savings programmes as well as productivity increases. Market prices were increased in the Glass Solutions Business Unit as well to offset increasing material and energy costs. In Germany, the integration of the remaining Koralle distribution activities in Kermi was also initiated. This will make it possible to harness synergies and save costs.

The acquisition of Arbonia Glassysteme (formerly GVG) in 2021 and the related increase in vertical integration proved to be strategically correct in the reporting year, as sourcing glass within the group prevented even higher price increases at Kermi and Bekon-Koralle. In addition, the company was able to acquire further third-party customers, which contributed to a higher capacity utilisation.

Products, technology and innovations
One of the most important differentiating features of doors is the edging technology, since the edge is the most technologically demanding part of door manufacturing. Furthermore, the door edge is also the most exposed part and is affected the most by damage (impacts). In the reporting year, RWD Schlatter put a new cast edging system into operation, which gives door profiles an edge coating made of polyurethane (plastics or synthetic resins). This technology ensures a particularly rugged edge structure in the case of higher requirements. It is therefore used in particular with functional doors in heavily frequented buildings where components are subjected to especially high stresses. This is the case, for example, in hospitals, hotels, retirement and nursing homes, as well as schools.

In the reporting year, the Doors Division recorded an investment volume of around CHF 99 million. A large part of this went into further expanding the capacity of the two German production plants Prüm and Garant of the Wood Solutions Business Unit, whereby the largest portion of this was spent on the new frame plant as well as on the new combined heat and power plant (CHP) of Prüm. The frame plant was put into operation in the second half of 2022 and is currently being ramped up. Construction of the new CHP plant started in the first half of 2022 as planned. Starting in autumn 2023, the plant will be able to cover the complete heat generation as well as up to 60% of the power requirements of the site. In the first quarter of 2022, the ground-breaking ceremony was also held for the new logistics centre of RWD Schlatter in Switzerland. After the building is put into operation in the second quarter of 2023, it will be possible to provide the specialist trade in Switzerland with a larger product range in considerably shorter delivery times.

In the reporting year, the division also continued to invest in the digitisation of processes, which is progressing at all sites. For example, the Doors Division is in the process of rolling out SAP S4/Hana at the Wood Solutions Business Unit. The harmonisation of the ERP system will allow the four door companies to cooperate more efficiently. The first step was the changeover at the Polish company Invado, which was successfully implemented in September 2022 after an intensive project phase. At the same time, the kick-off and the initial workshops for introducing SAP S4/Hana took place at Prüm and Garant.

With the "digiDoors" tool, RWD Schlatter expanded the service offering for all its functional doors in the reporting year. Each RWD Schlatter functional door is now equipped with a QID-TAG and thus already digitised during production. This way, all information on all doors can be called up digitally at all times and quickly. This makes the handling of damages and maintenance highly efficient and eliminates unnecessary trips to determine the door type, the archival of documents, incorrect ordering of parts etc.

In early 2023, the companies Prüm and Garant will also put the new "DOORIT – The platform for doors" on the market. This allows more efficient cooperation with specialist trade partners in the areas of configuration, quotation preparation, and order processing. The new tool will give the division a clear potential for differentiation from the competition.

Outlook

Despite the challenging reporting year, the Doors Division is optimistic about the future. Germany, the most important market for the division, is expected to grow further over the long term in the new building segment due to the housing shortage, especially in metropolitan areas. A recovery is also expected in the renovation segment, since it is still necessary to replace a large number of doors that were installed after reunification and that have thus reached the end of their life cycle. The Swiss market is anticipated to remain stagnant at a high level and, like the Eastern European market, offers opportunities for increasing market shares further.

The division intends to make itself further independent of local electricity markets through targeted measures such as the accelerated expansion of photovoltaic systems as well as the new CHP systems at Prüm and Garant. The material prices have stabilised at a high level, so that construction projects can be realised again with greater planning security.

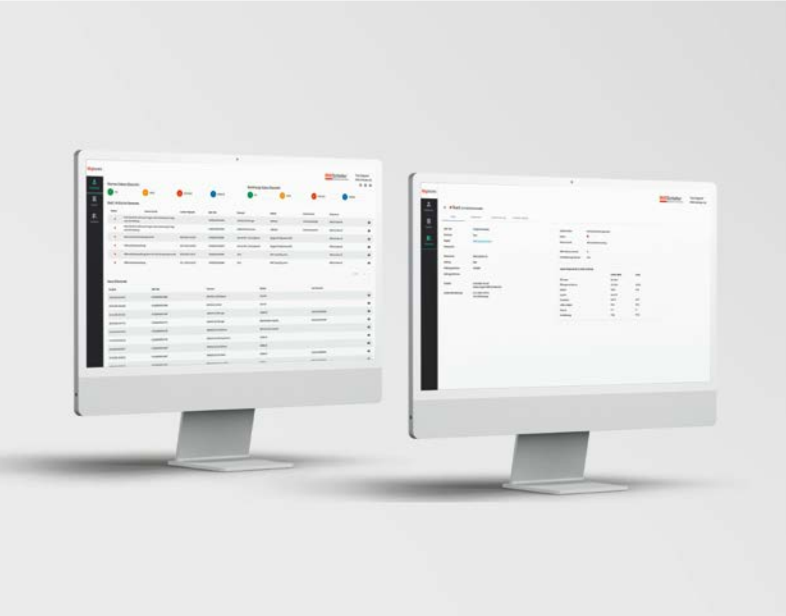
The last major investments in the two German production plants Prüm and Garant will significantly expand the capacities further and thus improve delivery times even more. The new logistics centre at the Swiss site Roggwil will additionally expand the specialist trade business in Switzerland.

The Doors Division will therefore continue to improve its processes and drive its high product quality and service orientation forward. The division thus sees itself in a good starting position for continued profitable growth.

Highlights

A new chapter in the Prüm success story
Under the motto "A new chapter in the Prüm success story", Prüm celebrated the opening of the new frame plant in Weinsheim (D) with 350 invited guests. In the afternoon, there was an exciting tour of the factory during which many new investments could be viewed and the big celebration started in the evening. Culinary delicacies, an interactive mental magic stage show and a music band made the celebration an unforgettable evening.

Acquisition of joro türen GmbH
Arbonia acquires 100% of the shares in the German company joro türen GmbH. This company manufacturers special doors for protection against fire, smoke, noise and intruders. The acquisition gives the Wood Solutions Business Unit of the Doors Division access to the German project business as well as to extensive approvals and certifications for doors with special dimensions that cannot be manufactured on industrial equipment.



Digitising doors
The "digiDoors" solution makes digitizing doors extremely easy. "digiDoors" measures, documents, controls and automates the life cycle of doors. It simplifies maintenance and service processes for property owners, tenants, facility management etc.

More information:
www.digidoors.ch

Success in the project business
The Doors Division achieved various successes in the project business in the reporting year: It entered into numerous partnerships with hotel chains and housing co-operatives in Germany. It also won various tenders for hotel buildings which it can supply with interior doors as well as with shower enclosures. The cooperation between the two business units, Wood Solutions and Glass Solutions, is therefore also bearing its first fruits.

Sustainability Report

The sustainability concept of the Arbonia Group (Arbonia) is presented according to the following three pillars: **Climate**, **Community**, and **Cash**.
Arbonia informs its stakeholders not only about current developments but also about the company's plans for ensuring a sustainable and successful future.

Introduction

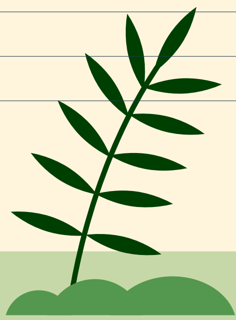
Sustainability approach

Climate

Community

Cash

Appendix



Facts and figures

3rd place

The new heat pump plant in Opočno, Czech Republic, achieves 3rd place in the Best of Reality Award in the category "Industrial and Logistics Buildings".

4.2%

Arbonia aims for a 4.2% average annual reduction in operational CO_2 emissions from Scope 1 and 2 by 2035 (compared to the reference year 2020).

Bronze status

in the initial assessment by EcoVadis

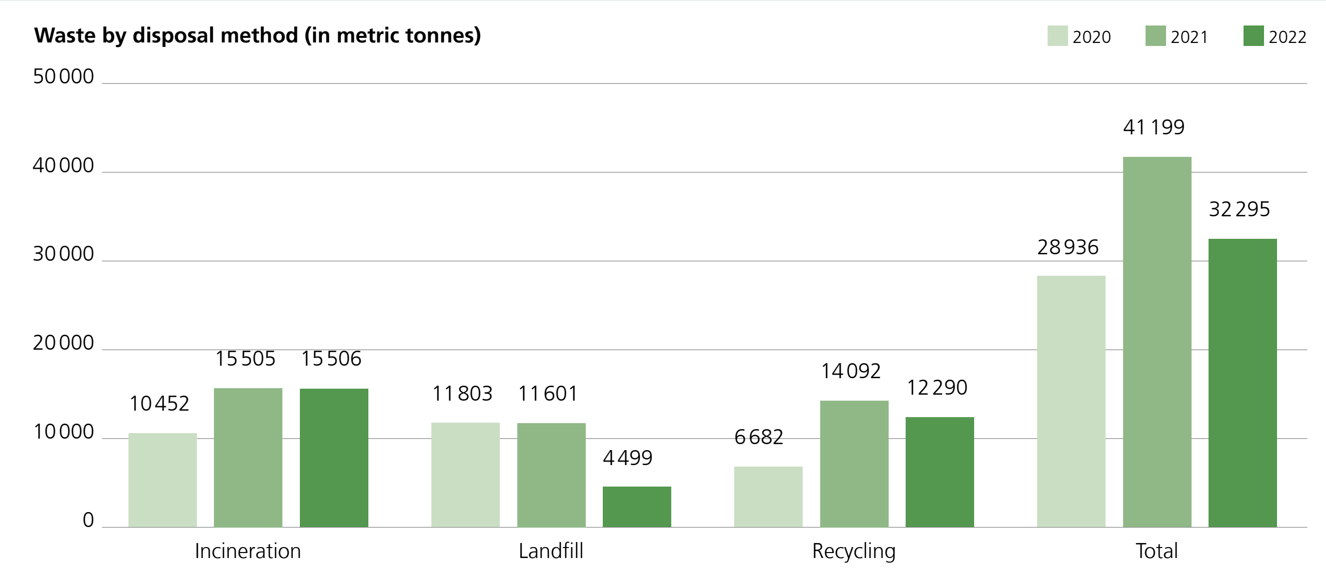
Scope 3

is taken into account in the sustainability performance for the first time.

We are a signatory to the UN Global Compact and are committed to its 10 universal principles.

"The heat pump for our production plant in Opočno is connected with our own photovoltaic system, and we store this energy so that our production can be completely CO_2-neutral."

Vladimir Šrajer
Head of the heat pump plant in Opočno



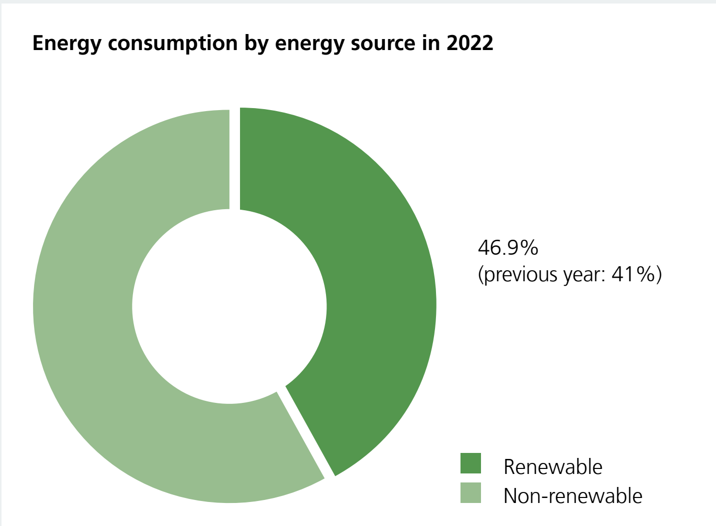
"SAP is at the heart of all our future projects for digitisation."

Berkan Sezer
Project Manager for Digitisation of the Doors Division

Starting in 2023 sustainability criteria will be included in the variable compensation of Group Management.

"Our goal is to continually reinvent ourselves and develop further together with our employees."

Stefanie Klaerding
Head of Human Resources Development and Employer Branding of the Doors Division



Preface

Dear Readers,

Arbonia has been pursuing ambitious goals such as reducing its CO_2 emissions and striving for healthy and sustainable growth for many years. Nowadays, the concept of sustainability is unquestionably part of this ambition. This no longer only means the economic stability of a company. Its contribution to ecological, social, and ethical justice in the world is also becoming more and more important.

Our consistent orientation towards becoming a more sustainable company has brought about great changes for us as Arbonia in recent years. In the process, we have learned to focus on the key issues for the future. We now use this culture of transformation to actively contribute to reducing global warming.

The construction sector is a major producer of CO_2 emissions in Europe, with a share of over 30%. The potential for reducing greenhouse gases in buildings is also therefore immense. Accordingly, there is a very great demand for products that reduce the energy consumption in buildings and have an at least equally high functionality and performance. Buildings can be supplied with renewable energy in a self-sufficient way when they have their own electricity generation, for example, from a photovoltaic installation and an electricity and heat storage system.

We identified this trend early on and substantially contribute to it with our products. Heating and ventilation systems as well as insulated interior doors can achieve significant improvements in new buildings and renovations. We have also made it our task to lower energy consumption and reduce greenhouse gas emissions along our value-added chain and especially in our production processes.

Our achievements and initiatives in the financial year
With the past financial year we have continued to create the conditions for combining financial and non-financial goals in our strategy. Suitable incentives are an important instrument for this. We have therefore decided to integrate sustainability criteria such as effective climate protection in the variable compensation of Group Management starting in financial year 2023.

An important factor for better climate protection is above all the expansion of renewable energies. We were able to improve further in this regard and now cover 47% of our total requirements with renewable sources. The share of green energy has increased to 43%, whereby 13% is now supplied through our own electricity production from photovoltaics, wind energy, as well as combined heat and power (CHP) systems. In total, this has further reduced our greenhouse gas intensity to 0.050 CO_2 equivalents (Scope 1–2) per net revenue.

Our long-term strategy is based on the principle of an integrated CO_2-free system that allows energy to be efficiently generated, transferred, and stored. For this purpose, we are investing in state-of-the-art CHP systems, for example. In Opočno and Stříbro (CZ), modern energy standards have been taken into account in the new construction of a heat pump plant and in the investment in compressors.

In addition to our own greenhouse gas emissions, we also intend to take indirect emissions more strongly into account. We have therefore taken initial steps to record the emissions of our upstream and downstream value-added chain (Scope 3). We will use these measurements to derive reduction targets and corresponding measures.

Our ESG agenda is also in competition with other companies facing the same challenges. For this purpose, we have had ourselves assessed by the rating platform EcoVadis since 2022. We immediately achieved the bronze status there. This means that we are among the top half of the assessed companies. In the future, we want to score even better with targeted measures. At the same time, we also use EcoVadis to assess our suppliers and include this in our supplier assessment.

Our obligation towards political frameworks
In all our efforts, we follow scientific model calculations and global agreements. For this reason, we support the Paris Climate Agreement, which aims to limit global warming to 1.5 °C. Since 2021, we have been a signatory of the UN Global Compact and are committed to the ten universal principles of sustainable and responsible corporate governance. As Arbonia, we furthermore endorse the "European Green Deal" as a European sustainability project.

With this sustainability report, we create transparency regarding our goals, measures, and their associated effects. We also give an outlook on projects in the coming years that will continuously increase our sustainability performance.

In the name of the Board of Directors and Group Management, I would like to thank all employees who are helping to shape our exciting transformation process and have been involved in this report. Our dedicated team makes me optimistic about the future, in which we will continue our sustainability agenda.

Daniel Wüest, Group CFO

Companies of Arbonia

Arbonia is a focused building components supplier and consists of two divisions: Heating, Ventilation and Air Conditioning (HVAC) as well as Doors with the two business units Wood Solutions and Glass Solutions.

Production companies

Company	Site	Division / Business Unit	Manufactured products
AFG RUS	Stupino (RU)	HVAC	Steel panel radiators
Arbonia Glassysteme GmbH	Deggendorf (D)	Doors / Glass Solutions	Construction glass
Bekon-Koralle AG	Dagmersellen (CH)	Doors / Glass Solutions	Shower stalls
Brugman Fabryka Grzejników Sp. z o.o.	Legnica (PL)	HVAC	Designer and steel panel radiators
GARANT Türen und Zargen GmbH	Amt Wachsenburg (D)	Doors / Wood Solutions	Interior doors and frames
Invado Sp. z o.o.	Ciasna (PL)	Doors / Wood Solutions	Interior doors
joro türen GmbH	Renchen (D)	Doors / Wood Solutions	Functional doors
Kermi GmbH	Plattling (D)	HVAC Doors / Glass Solutions	Steel panel radiators Shower stalls
Kermi s.r.o.	Stříbro (CZ)	HVAC	Special radiators, battery storage
PRÜM-Türenwerk GmbH	Weinsheim (D)	Doors / Wood Solutions	Interior doors
PZP Heating a.s.	Opočno (CZ)	HVAC	Heat pumps
RWD Schlatter AG	Roggwil (CH)	Doors / Wood Solutions	Functional doors
Sabiana s.p.a.	Corbetta (IT)	HVAC	Ventilation and air conditioning (air heaters, radiant panels, fan coils, central air conditioning units, heat recovery, filter technology, evaporative coolers)
Termovent Komerc d.o.o.	Kladovo (RS)	HVAC	Air-handling units for cleanrooms
TPO Holz-Systeme GmbH	Leutershausen (D)	Doors / Wood Solutions	Special doors incl. door frames and door trims
Vasco BV	Dilsen (BE)	HVAC	Design radiator, ventilation, pipes for underfloor heating

Administration and sales companies

Company	Site	Division / Business Unit	Type of site
AFG Shanghai Building Materials Co. Ltd.	Shanghai (CN)	Doors / Glass Solutions	Sales
Arbonia AG	Arbon (CH)	Group	Holding
Arbonia Doors AG	Arbon (CH)	Doors / Wood Solutions	Administration, sales
Arbonia Doors GmbH	Erfurt (D)	Doors / Wood Solutions	Administration
Arbonia France Sàrl	Hagenbach (FR)	HVAC	Sales
Arbonia HVAC AG	Arbon (CH)	HVAC	Administration
Arbonia Management AG	Arbon (CH)	Group	Administration
Arbonia Riesa GmbH	Riesa (D)	HVAC	Sales
Arbonia Services AG	Arbon (CH)	Group	Administration
Arbonia Solutions AG	Arbon (CH)	HVAC	Sales
Baduscho Dusch- und Badeeinrichtungen Produktions- u Vertriebsgesellschaft mbH	Margarethen am Moos (AT)	Doors / Glass Solutions	Sales
Cirelius S.A.	Avintes (PT)	HVAC	Sales
Kermi Sp. z o.o.	Wroclaw (PL)	HVAC	Sales
Prolux Solutions AG	Arbon (CH)	HVAC	Sales
Tecna S.L.	Alcobendas (ES)	HVAC	Sales
Vasco Group BV	Tubbergen (NL)	HVAC	Sales
Vasco Group GmbH	Dortmund (D)	HVAC	Sales
Vasco Group NV	Dilsen (BE)	HLK	Administration, sales
Vasco Group Sarl	Nogent-sur-Marne (FR)	HVAC	Sales
Vasco Group SP. z o.o.	Legnica (PL)	HLK	Sales
Vasco (UK) Ltd	Horsham (UK)	HVAC	Sales

Sustainability approach

For Arbonia, responsible action is an essential requirement for long-term company success. This includes treating responsibly employees, suppliers, customers and investors, as well as the environment and natural resources.

Our sustainability strategy is divided into the three sub-areas of **Climate** (ecological issues), **Community** (social issues), and **Cash** (economic issues). In these areas, we want to continually improve our sustainability performance beyond the legal requirements.

Sustainability strategy

Our approach is to create (added) value from raw materials in a responsible manner. The consistent focus on a sustainable and long-term business model has brought great changes with it in recent years. For this purpose, we invest in the product portfolio as well as in the production processes in line with a sustainable transformation. We additionally support the "Paris Convention" of the Paris Climate Conference as well as the "European Green Deal". On this basis, we pursue the strategic goal of actively contributing to minimising global warming. CO_2 reduction targets for our emissions from Scope 1 and Scope 2 in line with the Science Based targets Initiative are crucial levers for this. We have also developed initial approaches to recording and reducing the emissions from Scope 3 (see "CO_2 and energy", p. 53).

The Group-wide sustainability strategy is practised in the entire corporate group and supported by the Board of Directors. This is also demonstrated by our joining the United Nations (UN) Global Compact.

The sustainability goals are centrally defined and coordinated; the HVAC and Doors Divisions are responsible for the decentralised implementation. For this purpose, they are developing specific plans with individual measures and expanding their product portfolios in this direction.

Sustainability governance

Arbonia is organised in a decentralised way and has a holding structure. Group Management – consisting of the CFO and the two CEOs of the divisions – determines together with the Executive Chairman of the Board of Directors the targets and measures with which the strategy specified by the Board of Directors will be implemented. The responsibility for the operational business lies with the divisions.

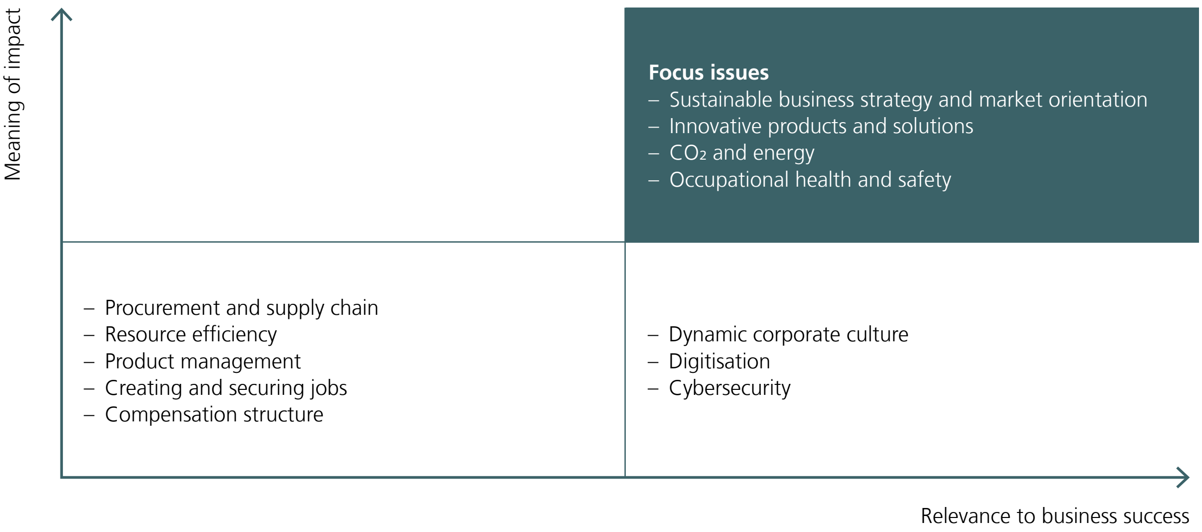
Sustainability is an essential part of the group strategy. The CFO is responsible for managing the topic within the Group. This person develops the sustainability strategy together with the sustainability committee and representatives from the Corporate Communications & Investor Relations Department, who are responsible for the Group-wide coordination. The sustainability committee consists of a representative of the HVAC Division and one representative each from the Wood Solutions Business Unit and the Glass Solutions Business Unit of the Doors Division. The divisions or their companies coordinate individual measures with the Group functions and implement them. Group Management evaluates important initiatives and projects on a monthly basis.

The Board of Directors of Arbonia is continuously informed about new legal requirements for sustainable corporate governance. It takes on the decision-making and control function for all measures and evaluates the performance on the basis of defined targets. This concerns Internal Audit and thus risk assessment, for example. In the reporting year, Internal Audit sent the Board of Directors 14 audit reports on risks and the implementation of planned measures. These reports are also available to external auditors. The Board of Directors is also continually involved in examining possible transactions in the form of due diligence processes. The Board of Directors can order investigations or call in external consultants via the audit committee in all areas of competence. The Nomination and Compensation Committee has decided in consultation with the entire Board of Directors to also integrate climate targets in the variable compensation of Group Management for the first time starting in financial year 2023.

Materiality analysis

The present third sustainability report is based on a materiality analysis that we carried out in 2020. In this process, the relevant topics were determined on the one hand for long-term business success and on the other hand in respect to important effects on the environment and society. The analysis was based on a wide spectrum of contents that included GRI standards and requirements of the Sustainability Accounting Standards Board (SASB), criteria of ESG rating agencies, as well as an industry benchmark. A core team consisting of the Group CFO, the sustainability officers, as well as representatives of the divisions and of various corporate functions consolidated the selection of topics. The relevancy of the topics was then assessed in a workshop. The CFO as well as representatives of the two divisions, HVAC and Doors, as well as of various corporate functions (e. g. Human Resources and Legal & Compliance) took part in this validation. The process was supported by an external specialist. The result of the analysis is mapped in the following materiality matrix:

Materiality matrix



Ethics and integrity

We are aware of our economic, ecological, and social responsibility and in our Code of Conduct, we commit to 1.) respecting human rights, with particular regard to the prohibition of child labour, 2). ensuring the health and occupational safety of employees, 3.) cooperating with suppliers who have committed to sustainable operating activities and fulfil their social responsibility, 4.) observing environmental protection standards, and 5.) carefully using resources.

Arbonia designated a compliance officer in each division during the reporting year. They are responsible for implementing Group specifications in the corresponding subsidiaries.

The reporting year was characterised by new due diligence and reporting obligations concerning conflict minerals and child labour that will be applied for the reporting year 2023 for the first time. When selecting suppliers, Arbonia increasingly takes into account whether they observe the due diligence obligations and obtains corresponding supplier evaluations via the analysis platform EcoVadis.

Code of Conduct
In the reporting year, the audit committee of the Board of Directors approved changes to the Code of Conduct and the whistleblowing directive (rules for reporting wrongdoing) in connection with the new EU whistleblower directive. The Code of Conduct is supplemented by further directives such as for example the anticorruption directive, the directives regarding insider trading, and the directive for protection against sexual harassment, bullying, and discrimination at the workplace. The Code of Conduct and some of the further directives have been translated into up to twelve languages and can be called up in the Intranet by white collar employees. In the reporting year, a water policy and a waste policy were also introduced Group-wide, and the existing competition directive was updated due to statutory changes.

Upon joining the Arbonia Group, all employees sign the Code of Conduct and commit to upholding the values as well as the ethical and social principles. The compliance with this requirement as well as the implementation of training sessions on the Code of Conduct is reviewed by Internal Audit, which reports on this to the Board of Directors.

In addition to the Code of Conduct, the Board of Directors issued the "Supplement to the Code of Conduct" in 2018, which specially addresses blue collar employees. This contains in-depth regulations for production – for example, concerning resource handling, occupational safety and environmental protection. It does not include topics such as competition law. The "Supplement to the Code of Conduct" is hung in the factory halls in the form of posters and explained to the employees by the plant or shift managers in training courses.

Whistleblowing concept
The employees are called upon to actively participate in observing the Code of Conduct, including the "Supplement to the Code of Conduct" (together "Code of Conduct" in the following). For this reason, the Board of Directors issued a whistleblowing directive in 2013 and has introduced whistleblowing reporting units. The whistleblowing concept is currently being further developed based on the EU Whistleblowing Directive and in accordance with the national regulations of the individual EU countries. All employees who identify violations of the Code of Conduct are requested to report them to the internal or legally prescribed external reporting units. The CEOs of the divisions, the divisional compliance officer, the head of compliance, and the head of Internal Audit function as internal reporting units. The protection of reporting employees is a central element of the whistleblowing concept. Whistleblowers must not be subject to any disciplinary, legal, or other actions that could be to their detriment due to their reporting.

The Board of Directors is informed about all whistleblowing reports and the associated investigations as well as initiated measures. No suspicious cases were reported through whistleblowing in the reporting year. No sanctions were imposed due to non-compliance cases either.

Code of Conduct training
White collar employees attend Code of Conduct training regularly and as needed. New companies or sites are trained as part of their integration. These training courses deal with all key topics of the Code of Conduct and discuss in more detail individual further instructions and topics, such as non-compliance risks, conflicts of interest, insider trading, data protection, competition and cartel law, as well as corruption. Whistleblowing is also a central topic of these training courses. The employees are shown where they can make whistleblowing reports and how and what further steps are initiated by Arbonia. All training courses for employees are given by Arbonia Compliance.

To take digitisation into account in the compliance area as well, Group Management approved the introduction of various compliance e-learning courses for white collar employees and a training video with the most important contents from the "Supplement to the Code of Conduct" for blue collar employees. These projects were developed further in the reporting year, so that both topics can be introduced in 2023.

Risk management

Our risk management process has been institutionalised for some time now and consists of the following: Every three to five years, the risk catalogue is created again from the bottom up as well as from the top down on the level of the business units, divisions, and the Group using a Greenfield approach. The existing risks are continuously reviewed and – if necessary – adapted as well as supplemented with new risks. The risk catalogue comprises strategic, operative, financial, economic, as well as external risks. They form the basis for the risk analysis workshops that take place annually on the Group and division level with external, independent support.

A wide and varied group of responsible people take part in the workshops (generally eight to twelve participants per workshop). In the first step, the central changes in respect to the previous year are discussed and integrated in the risk catalogue. In the second step, the participants rate the risks in respect to extent of loss, probability of occurrence, and effect on reputation. In addition, they discuss and define the cash flow relevance and the opportunity/risk ratio. This yields a corresponding risk matrix and associated expected values for the risks. A comparison with the previous year as well as a plausibility check come at the end of the group discussion. After the workshops, the risk owners define how to handle the risks. Furthermore, they develop corresponding measures for a defined period of time to minimise the risk. These measures are reviewed and updated every half-year.

The results of the workshops are aggregated over all divisions (bottom up), and a comparison with the Group is also made (top down). Group Management then discusses and adopts this assessment. This includes a quantification of the risks and a catalogue of measures to minimise the greatest risks. The entire risk profile is presented to the audit committee as well as to the Board of Directors.

Stakeholder engagement

As Arbonia, we maintain an intensive exchange of ideas with all stakeholders who have a significant influence on the economic, social, and ecological goals of the company. This group of internal and external stakeholders includes customers, employees, shareholders and investors, analysts, public authorities, neighbours and communities at the company sites – but also partners such as transport companies, suppliers, research institutes and associations, as well as the general public. The exchange of ideas with these groups takes place in the context of personal discussions, meetings, conferences and trade fairs, as well as surveys. An overview of dealings with the individual stakeholders is given in the table "Inclusion of stakeholders and their concerns"(see p. 42).

Memberships in the most important chambers and associations – including Swissmem (association of the Swiss mechanical, electrical, and metalworking industries), SwissHoldings, or the German-Swiss Chamber of Commerce – allow us to have a continuous exchange of information with sector-related companies and relevant interest groups. We have also been a signatory of the UN Global Compact since the end of 2021 and will fill out the Communication on Progress questionnaire for the first time in 2023.

In addition to our global engagement, we as Arbonia support communities at our production sites. This is demonstrated by numerous donor programmes and the support of non-profit organizations. Many companies sponsor sports activities for young people and adults. The companies of Arbonia also help to finance scholarships to universities of applied science.

Inclusion of stakeholders and their concerns

Stakeholders	Form of inclusion	Concern
Customers	Internal and external customer surveys Personal discussions	Product quality, product life cycle, customer satisfaction
Employees	Employee interviews, employee representatives, labour unions, newsletter	Occupational health and safety, strategy, sustainability performance
Shareholders and investors	General Meeting, representation by Board of Directors, roadshows, 1:1 discussions	Economic performance, future prospects, strategy, sustainability performance
Analysts	Roadshows, conferences, press releases	Economic performance, future prospects, strategy, sustainability performance
Public authorities	Regular exchange, approval processes for particular installations and processes	Compliance with legal and regulatory requirements
Neighbours and communities	Regular exchange, sponsoring	Securing jobs, promoting cultural life, noise and emission protection
Partners such as transport companies, suppliers, research institutes and associations	Supplier surveys, regular exchange	Transport damage minimisation, exchange of information, partnership and fair cooperation
General public	Press releases, website	Current information on the company

Arbonia’s contribution to the SDGs

Arbonia is aware of its economic, environmental, and social responsibility. We are committed to operating more sustainably over the long term. We make a substantial contribution to climate protection with our products, which reduce energy consumption in buildings. For this purpose, we continually drive innovations in our two core areas of indoor climate and interior doors.

In addition, Arbonia practices a dynamic, open corporate culture and creates a pleasant, appreciative, and supportive working environment with attractive working conditions. As regional employers, the companies of Arbonia are an important economic factor in the respective regions.

Arbonia is dedicated to the goals for sustainable development of the United Nations and specifically contributes to the following six sustainable development goals (SDGs).

To date, we have not been able to completely measure our contribution to achieving the SDGs. Nevertheless, in the following chapters we show activities that support the goals of the United Nations for sustainable development. This is identified by SDG icons in the corresponding subchapters.

Priorities and targets

Priority	Target	Status 2022	Page
The HVAC Division achieves an additive CO_2 savings by operating energy-efficient products[1] at customers.	By 2025: savings of 350000 tonnes of CO_2	Savings of 175200 tonnes of CO_2 for the years 2020, 2021, and 2022	56
Arbonia reduces its CO_2 emissions from Scope 1 and 2.	By 2035: reduction by an average of 4.2% per year	Reduction of 7.86% compared to 2021	54
The HVAC Division reduces material use in production.	By 2035: reduction of error costs to less than 1% yearly	Error costs of 0.68% in 2022	60
The Doors Division reduces resource consumption for water (in m³), gas (in MWh), and waste (in t).	By 2035: annual reduction of 3%	Natural gas reduced by 33%, waste reduced by 29%, water consumption measured for the first time in 2022[2]	61

[1] Among others: heat pumps, X2 radiators
[2] The Doors Division considerably exceeded the objective in relation to gas and waste in the reporting year. Among other things, this is due to the changeover of the waste management at a large production site of the division, which also resulted in significant shifts within the survey methods.

Arbonia
Annual Report 2022

Sustainability Report
Climate

Climate

As a building components supplier for products and solutions for indoor climate as well as interior doors made of wood and glass, Arbonia takes a responsibility for protecting the environment and climate. We see great potential in the transformation into an environmentally compatible economy and would like to substantially contribute to make buildings more sustainable with our product, development and service portfolio. Through further product innovations and new solutions, we want to minimise the ecological impact of our business activity and that of our customers on the environment so that Arbonia reduces its greenhouse gas emissions along the entire value-added chain.

Arbonia
Annual Report 2022

Sustainability Report
Climate

Creating a sustainable indoor climate

With its new production plant in Opočno (CZ), the HVAC Division of Arbonia meets the strongly growing demand for heat pumps. However, not only the products are sustainable: The production site demonstrates the sustainable heating and cooling of a factory without oil or gas – only with self-manufactured heat pumps. The new production plant in Opočno therefore won 3rd place in the Best of Reality Award in the category "Industrial and Logistics Buildings". The plant manager, Vladimir Šrajer (VS), explains how the division is paying more and more attention to environmental and climate criteria with respect to the production and used materials.

How does a heat pump actually work – can you explain that to us briefly?
VS: The principle of a heat pump is very simple: "Environmental heat becomes heating energy". Specifically, it uses the clean and free environmental heat that is found directly at our doorstep: Heat is stored in the ground as well as in the air and even in water. A heat pump converts this into useful heat for your own four walls, in other words, for heating and hot water production. Modern heat pumps are also able to cool rooms by reversing the process and transporting excess heat from interiors to the outside. A heat pump is thus not only active during the heating period but can also be used during the summer.

Heat pumps from Arbonia are certified with the quality label of the European Heat Pump Association (EHPA). What quality features does this involve?
VS: The heat pump only receives this label if it has been tested according to specific quality guidelines and under laboratory conditions. For example, the efficiency of the pump is tested at different outdoor temperatures. The certification not only comprises the technical data but also the manufacturing process or the service.

Arbonia optimises this manufacturing process with the new production plant in Opočno (CZ), which you manage. How does Arbonia make sure that heat pumps are manufactured more sustainably during production?
VS: For the new production hall, we have primarily used construction materials that can really insulate the building, so that we do not lose any heat or waste heat during operation. For this purpose, we have developed a new heat pump with an output of 40 kilowatts, which we can use to heat and cool the entire production plant. This heat pump is connected with our own photovoltaic system, and we store the energy in a battery so that we can produce completely CO_2-neutral.

Heat pumps are a growth area because they help to achieve the Paris Climate Goals and can reduce CO_2 emissions. How many heat pumps can be produced in the new plant?
VS: The demand for heat pumps is currently very high. We are able to produce up to 15 000 heat pumps per year with the current size of the plant. However, this also strongly depends on resources, personnel, and material availability. These factors currently still limit our actual production capacities. In addition, we have enough free space at the new site to expand the production plant and double the capacity in the medium term.

How is the increased demand split between commercial and private customers?
VS: We register a considerably increased demand from both areas. Currently, around 80% of the inquiries are for residential buildings and around 20% are of a commercial nature. Only two years ago, we produced almost exclusively for residential buildings, but now the demand for large heat pumps or industrial buildings is increasing more and more.

How much power can a heat pump generate for a single-family home, and what models does Arbonia offer?
VS: Heat pumps in single-family homes generally produce an output between 3 and 16 kilowatts. The actual output depends on the heating load, among other things – in other words, the total heat requirement including hot water processing of a house. This should not be confused with the annual heating demand of a building at a defined temperature. The heating load varies from house to house, depending on the construction year and insulation value. Arbonia offers heat pumps from 4 to 22 kilowatts – depending on the technology (brine/water, water/water, and air/water heat pumps).

The energy self-sufficient house

When the sun is shining, the photovoltaic system converts the free sunlight into electrical current – so-called direct current – with the help of solar cells. An alternator converts this direct current into alternating current, which can be used via power outlets to operate all kinds of domestic appliances such as a washing machine or stove or to charge an electric car in the garage. Alternating current can also be used to operate heating and air-conditioning devices such as electric radiators or residential ventilation systems.

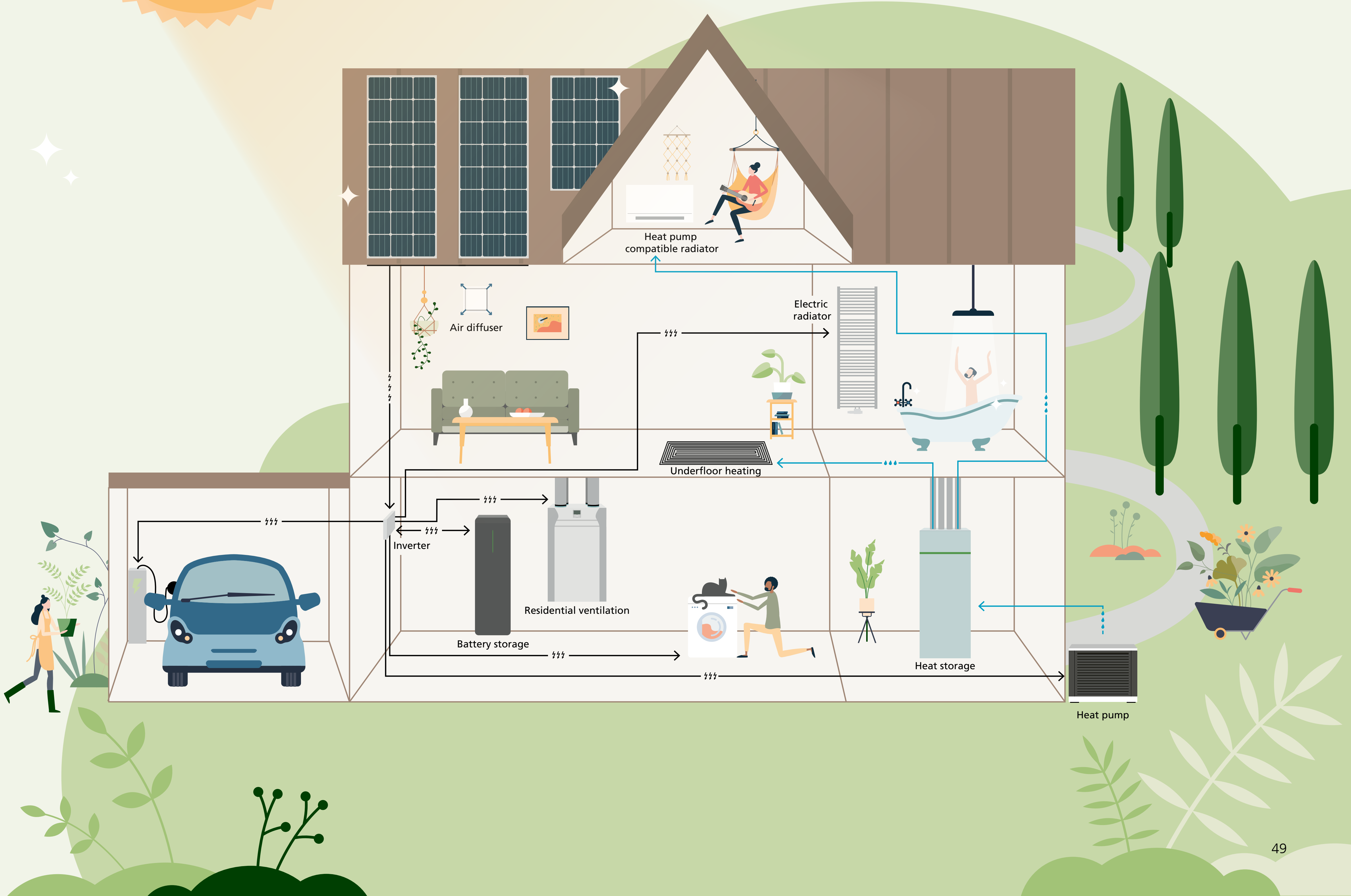
The current is also used to operate the heat pump. This extracts heat from its environment, either from the ground, the water, or the air, and emits it again many times over as heating energy. At the same time, it consumes a small amount of electricity.

To ensure that the heat from the heat pump is used as efficiently as possible, it is recommended to combine the heat pump with underfloor heating. This only needs a low flow temperature. If retrofitting an underfloor heating is not practical in renovations, radiators can be installed that can also be operated with a heat pump.

The heat (energy) that is produced by a heat pump should also be storage-capable, since it is not always used immediately. This makes heat storage units an important additional component in every future-oriented system. These units are connected between the heat pump and the heating system (underfloor heating, radiator, convector), so that excess heat is stored for later use.

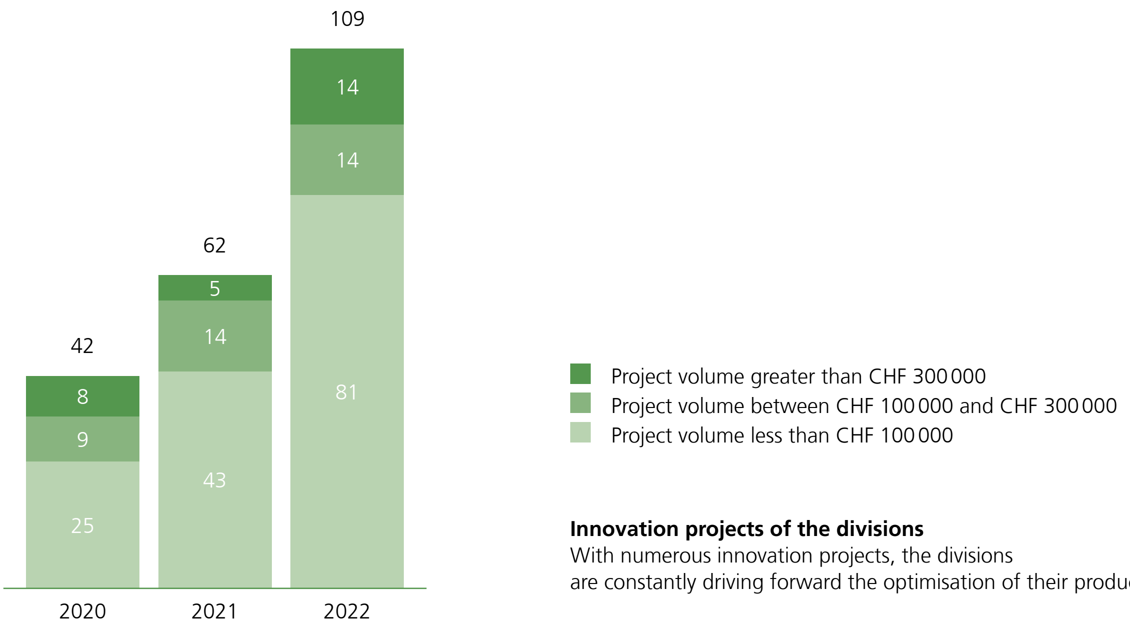
It is also advisable to purchase a storage battery (power storage system) for sunny days in order to conserve excess current. At night or on a very cloudy day, this supplies current to the power sockets again via the inverter. This allows a house to be self-sufficiently supplied with current and heat via renewable energies even if the sun is not shining.

The HVAC Division of Arbonia offers a large portion of the products for this environmentally friendly heating system. These include, among others, heat pumps and heat storage units, battery storage, underfloor heating, radiators, convectors, as well as ventilation units and air filters.



Innovative products and solutions

Our product strategy is based on optimising existing production processes and existing products as well as developing innovative solutions. In doing so, we focus on energy efficiency. We expect further impulses and leaps in development from green technologies. This is our reaction to the increasing demands of customers, residents, and legislators. At the same time, these innovations allow customers to reduce energy consumption and thus save money. We collect data on the revenues that result from the new products and use this to analyse the success of our product innovations. Feedback from customers and end users significantly contributes to a qualitative assessment as well.



Innovation projects of the divisions
With numerous innovation projects, the divisions are constantly driving forward the optimisation of their products.

Heating, Ventilation and Air Conditioning Division

Energy efficiency thanks to new products
The HVAC Division is continually expanding its existing portfolio with environmentally friendly and energy-saving products and solutions. Traditional heat transfer media as well as modern indoor climate solutions reduce the CO_2 emissions of buildings, benefit from European subsidy programmes, and are strongly in demand in new construction as well as in renovation. A current example of a product innovation is a newly developed heat pump radiator that was placed on the market in the reporting year. This product allows the heating system to be operated at low temperatures, increasing the efficiency of the heat pump. Due to the great demand, further sizes with an additional cooling function will be launched in 2023.

At the HVAC Division, the development of a new heat pump generation and its own storage battery proceeded as planned. In the reporting year, air/water heat pumps for outdoor use with an output of 7 kW and 11 kW as well as a storage battery with a capacity of 6 kWh were introduced to the market. For 2023, an air/water heat pump with an output of 18 kW and a storage battery with a capacity of 10 kWh are also planned in order to be able to equip larger properties. The development of innovative heat pumps and the storage battery enjoy a high priority at the division due to their sustainability. In addition to the actual product development, this also concerns the further process optimisation and system integrations.

The HVAC Division aims for additional innovation impetus through participation in trade fairs, cooperation with universities, studying specialist literature, participation in industry associations and standardisation bodies, as well as the continuous further training of employees. New developments are protected by applying for industrial property rights if possible. The systematic product optimisation is based on the regular exchange of ideas between management and production as well as a professional deadline and cost monitoring.

Action instead of reaction
The HVAC Division continues to orient its product portfolio according to sustainability criteria that are compatible with the economic balance of the company. The declared aim is to identify changed market requirements – for example, due to new regulations and laws – early on and to offer new solutions proactively. A good example of this are energy-efficient and resource-saving product solutions for the renovation of existing buildings. The heat pump radiator allows existing radiators to be replaced by efficient low-temperature radiators without major interventions in the existing piping systems. The division therefore expects further revenue growth in this area.

Key figures of innovative products and solutions: HVAC Division

	2022	2021	2020
Employees in research & development (FTE)	80	72	58
Expenditure on research & development (TCHF)	9323	10 649	8 986
Expenditure on research & development as a share of revenues	1.4%	1.7%	1.7%
Share of net revenues from third parties with new products[1]	12.3%	10.8%	13.3%
Expansion investments in % of total investments	65.7%	25.3%	41.3%

[1] New products are defined as products introduced during the last three years.

Doors Division

Complete offer according to individual customer requirements
The innovative products and solutions of the Doors Division are very important for the pursuit of new market shares. The emphasis is on mass production as well as the manufacturing of wooden and glass doors according to individual customer requirements. The division is also pushing the development and manufacturing of technical doors and fire protection doors as part of a joint project within the entire Wood Solutions Business Unit. The production is supplemented by various service solutions. Intensive support of customers during the construction phase is thus just as natural as preserving the value of manufactured products. This is done, for examplre, by providing specific cleaning agents and maintenance instructions/work.

Customer-oriented products
The development of high-quality products with optimised material use is based on in-depth market observation: Through regular customer surveys, the division ensures that the requirements and demands of customers are taken into account and reflected in the innovation process. In product development, it not only concentrates on the technical progress but also on an innovative design that aims to convince users and fitters equally. The exchange of experience between the companies of the division as well as the contact with research centres establish solid foundations for this.

The division aims to expand its leading position in the European doors market by developing customer-oriented products, optimising the existing portfolio, reducing delivery times through targeted investments, and strengthening customer relationships. Important drivers for this progress are digitisation and the reduction of packaging material – as well as the development of new product groups. A good example is the PU edging system at the Roggwil (CH) site, which can be used to produce long-lasting doors for the hospital area. The robust edge contributes to a longer use of the doors. The same effect is achieved by the aluminium frames. A further market innovation is DigiDoor. This technology is based on a digital twin and allows a fast access to product-specific information. This accelerates the process with maintenance and repair work in particular.

Success monitoring for new developments is ensured with a systematic project management and regular reporting to management. The companies of the division make an important contribution to establishing future standards and regulations through their active participation in bodies and committees. This also makes it possible to identify trends early in order to adjust the strategic orientation.

Key figures of innovative products and solutions: Doors Division

	2022	2021	2020
Employees in research & development (FTE)	51	50	44
Expenditure on research & development (TCHF)	4469	4950	4610
Expenditure on research & development as a share of revenues	0.8%	0.9%	0.9%
Share of net revenues from third parties with new products[1]	16.5%	21.4%	18.4%
Expansion investments in % of total investments	58.7%	48.6%	50.9%

[1] New products are defined as products introduced during the last three years..

CO_2 and energy

The topic of "CO_2 and energy" is important to Arbonia in two respects: With a share of over 30%, buildings have a great potential for reducing greenhouse gases; they are the largest source of CO_2 emissions in Europe after mobility. Accordingly, there is a great demand for products that reduce the energy consumption in buildings and ensure a pleasant indoor climate at the same time. Arbonia identified this trend early on and makes a substantial contribution with its products. Improvements can be achieved in new buildings as well as in renovations – especially through the use of integrated system solutions, as well as through the use of individual components from the HVAC Division. Furthermore, the interior doors made of wood and glass also help to lower the energy consumption of buildings thanks to their insulation capacity.

We are also aware that conventional energy generation consumes finite resources that contribute to climate change. At the same time, we aim to operate with the lowest possible emissions at our own company, in production and in the area of transport and logistics. In particular the emissions of the upstream and downstream value-added chain (Scope 3) make up a large part of the overall emissions. Arbonia is therefore in the process of identifying the greatest factors that influence the Scope 3 emissions, in order to formulate reduction targets and measures for this as well. In an initial step, the divisions determined the following categories in a materiality analysis:

– Purchased goods and services
– Capital goods
– Energy-related upstream chain
– Upstream and downstream transport
– Waste
– Commuter traffic

Environment-related activities affect all business processes – from research and development through production to logistics and transport. It is correspondingly important that contributions to reducing greenhouse gas emissions and saving energy are made at each level. As Arbonia, we have been paying special attention to this issue for many years and are continually taking new measures to further improve our environmental impact. The optimisation of energy consumption – and thus the improvement of the CO_2 balance – has long since become a task of all companies, departments, and areas. Specifically, everyone has the possibility to work towards this goal and make their own contributions in the form of improvement suggestions. All targets in the area of energy efficiency are defined annually and advanced with corresponding measures.

One decisive measure for more energy efficiency are certifications of various production sites according to the ISO standard 50001, which requires a complete monitoring of energy key figures, among other things. The monitoring and assessment of energy efficiency within Arbonia are therefore standard. For this purpose, clear competencies and in-house energy officers have been designated. These officers from the areas of production and logistics continuously monitor the target achievement.

On the basis of the Science Based Targets Initiative, we have determined a path for reducing our own CO_2 emissions (Scope 1 and 2) and defined corresponding targets and measures. We aim for an average annual reduction of 4.2% (incl. growth) by the year 2035 (reference year 2020). Initial measures include increasing the share of electricity from renewable energies by expanding the photovoltaic systems, enlarging the fleet of electric cars, and increasing energy efficiency with new machines. A certified energy and environmental management reviews the target achievement and the effectiveness of the implemented measures.

A complete monitoring of the key figures in energy management is the most important instrument for Arbonia to continue to pursue the strategic targets relating to energy efficiency and CO_2 emissions. This also makes it possible to measure the share of renewable energy. The main objective of all companies is to grow responsibly and to aim for maximum energy efficiency.

In the reporting year, Arbonia already succeeded in increasing the share of renewable energy in the total energy consumption to 46.9% (previous year 41.0%). Together with large amounts of green energy, Arbonia was able to increase the overall share of renewable electricity in the total electricity consumption from 32.7% to 43.3%. A further success was the reduction in heating oil consumption for heat production by 24.4%. In total, Arbonia thereby succeeded in reducing its greenhouse gas intensity (greenhouse gas emissions in $kgCO_2e$/CHF net revenue) by 9.1% (Scope 1–2).

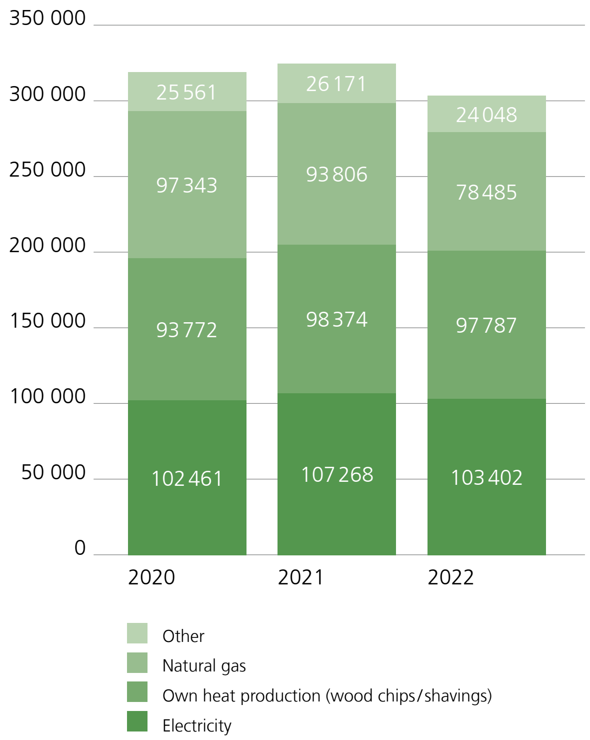
Arbonia's commitment in the area of CO_2 and energy benefits the company by enabling it to meet rising customer expectations regarding sustainability as well as increasing legal requirements.

Key environmental figures

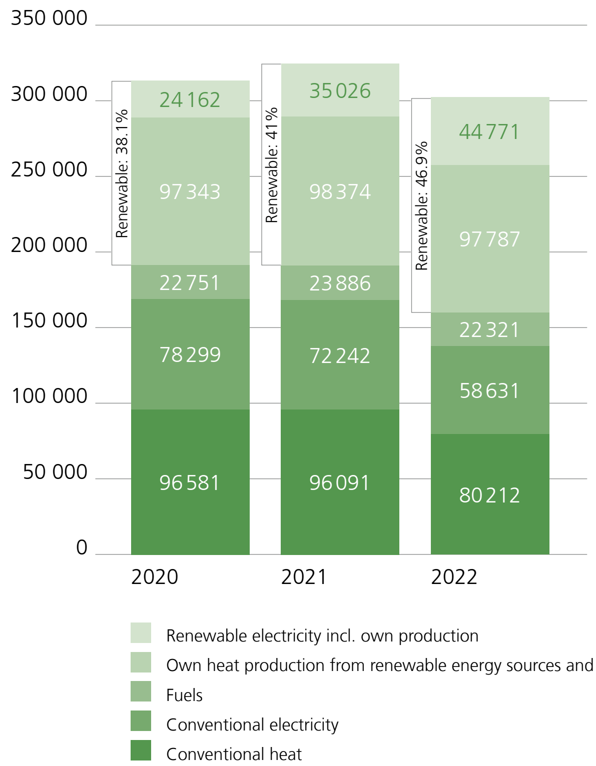
	2022	2021	2020
Energy consumption in MWh	**303 721**	**325 618**	**319 136**
Thereof renewable	46.9%	41.0%	38.1%
Electricity	**103 402**	**107 268**	**102 461**
Own electricity production[1]	12.9%	12.2%	10.6%
Total renewable electricity	43.3%	32.7%	23.6%
Heat	**177 999**	**194 464**	**193 924**
Own heat production (wood chips/shavings)	97 787	98 374	97 343
Natural gas	78 485	93 806	93 772
Heating oil	1 727	2 285	2 810
Fuels	**22 321**	**23 886**	**22 751**
Diesel	21 534	22 624	21 402
Petrol and Liquified Petroleum Gas (LPG)	786	1 262	1 349
Energy consumption in kWh/CHF Net revenues	**0.25**	**0.28**	**0.31**
Greenhouse gas emissions (Scope 1 + 2) in tCO_2e	**60 588**	**65 759**	**65 046**
Scope 1	**23 858**	**27 719**	**27 530**
Own heat production (wood chips/shavings)[2]	1 480	1 520	1 504
Natural gas	15 847	19 227	19 220
Heating oil	461	611	751
Diesel	5 805	6 049	5 722
Petrol and Liquified Petroleum Gas (LPG)	266	312	332
Scope 2	**36 730**	**38 040**	**37 516**
Electricity	36 730	38 040	37 516
Greenhouse gas emissions (Scope 1 + 2) in $kgCO_2e$ / CHF Nettoumsatz	**0.050**	**0.055**	**0.063**
Scope 3[3]	**–**	**–**	**–**
Energy-related upstream chain	15 038	15 104	–
Commuting of employees	11 733	11 822	–

[1] The company's own electricity is produced by means of photovoltaic systems and a wind turbine. These plants do not cause any CO_2 emissions during operation.
[2] Direct emissions due to the production of the greenhouse gases methane and nitrous oxide, which are not absorbed during growth. Biogenic CO_2 emissions are reported outside of scopes according to the GHG protocol and amounted to 34 616 t CO_2e in 2022 and 34 782 t CO_2e in 2021.
[3] Scope 3 emissions will only be fully calculated for the next reporting year. The calculation of the emissions for the present categories was according to the information from the Arbonia Sustainability Report 2021..

Energy consumption by energy source (MWh)



Energy consumption composition (MWh)



Data and calculation basis
The calculation of the greenhouse gas inventory follows the guidelines of the WRI/WBCSD Greenhouse Gas Protocol.

Scope 1: Emissions from fuels.

Scope 2: Emissions that result from the production of purchased electricity. Country-specific emission factors are used here ("location-based approach").

Scope 3: The categories 3.3 Fuel- and energy-related emissions and 3.7 Employee commuting are reported in accordance with the Greenhouse Gas Protocol. Country-specific emission factors are also used here ("location-based approach").

Used emission factors: EEA 2022, DBEIS, LfU Bavaria, and DEFRA.

Heating, Ventilation and Air Conditioning Division

Saving energy – and producing it ourselves
The HVAC Division is continually expanding its capacities for generating its own electricity and heat from renewable energies. A photovoltaic system at the production site in Kladovo (RS) generates around one third of the site's own power requirements (114.82 MWh in the reporting year). This share is to increase to 50% through a more efficient network supply. The heat production and cooling take place through heat pumps with higher capacities, so that the need for gas is eliminated entirely. The Corbetta (IT) production site is also continually increasing the share of self-generated electricity. Currently, over half of the power requirements are covered by photovoltaics. Further investments are planned in order to further increase this share. In addition, charging stations for electric cars are being installed.

At the Dilsen (BE) site, a wind power generator with an output of two megawatts provides for an improved energy balance. Additionally, the offices were ecologically renovated in the reporting year. Heat pumps were installed here as well, so that gas is no longer needed to generate heat. Furthermore, a new company policy stipulates that only electric cars may be used starting in 2023.

At the Plattling (D) site, the division put a CHP system into operation in 2022 that will lead to CO_2 savings of at least 425 tonnes annually. In Opočno, Czech Republic, the most modern energy standards were taken into account in the new construction of a heat pump plant and in the investment in new compressors (see introductory interview for the chapter, p. 46–47). The reduction of the energy consumption is analysed and monitored at these sites in the framework of Six-Sigma projects, a management system for process optimisation.

Improvement of the CO_2 footprint as a target
The division wants to decrease travel in logistics by optimally bundling loads together. In addition, the division uses telematics data to review and optimise driving behaviour and driving distances. High-emission vehicles are replaced by new ones, for example, at the Corbetta (IT) site, where the fleet was switched to the "Euro 6" emissions standard.

Provision of green areas at local sites
Maintaining biological diversity is closely connected to engagement in the area of CO_2 and energy. After an analysis of the biodiversity at the Plattling (D) site, initial measures were initiated to protect and strengthen the flora and fauna. The creation of green spaces and planting of additional trees on the company premises will promote biodiversity at the local sites of the division.

In addition to greening, efficient production and sales processes also play a decisive role in promoting biodiversity. Despite volume growth, the division is committed to manufacturing in existing or reduced spaces to consolidate production. Intensively built areas in the production plant are compensated for by organically cultivated compensation areas.

Doors Division

Numerous measures for greater environmental protection
The measures of the Doors Division for increasing efficiency are reviewed and ensured by a consistent energy management. At the Deggendorf site, all consumption is called up in real time with a state-of-the-art energy management system. An automated reporting system makes it possible to take countermeasures when defined limit values are exceeded. An annual budget is available for measures to increase efficiency. In addition, a majority of the companies regularly carry out certification audits according to the standards ISO 9001, 14001, and 50001. Energy efficiency is an important factor especially in the modernisation of production lines and peripheral systems because it allows significant reductions in power consumption. Further investments in reducing power consumption concern entrance gates, a planned hall roof with new insulation, as well as a photovoltaic system, LED lighting, and the replacement of a filter system. Of course, attention is also paid to the use of energy-saving technology in new buildings and renovations at the operating sites. In addition, a project for energy efficiency analysis is being carried out from which new measures will be derived.

And the degree of self-sufficiency will ultimately be continually increased through the construction of new or the expansion of existing energy generation systems. At the Prüm doors plant, residual materials from production are used to generate heat and electricity: The 30-year-old CHP system there has reached the end of its life cycle and is currently being replaced by a more modern and more efficient system. The new CHP system, which will be commissioned in 2023, can produce more than double the amount of electricity from biomass waste as the old system. This means that the Weinsheim (D) site will be able to generate up to 60% of the power requirements internally. The Garant production plant in Amt Wachsenburg (D) will take a similar path: In 2021, the planning phase started for a state-of-the-art CHP system, which will commence operations in 2024. Likewise, this system will also cover around 50% of the power requirements of the production plant.

In addition to the above-mentioned objectives, the division is also optimising its production processes – as for example with the implementation of shop floor management at various sites. Furthermore, packaging material will no longer contain any foils whatsoever in the future. This will save 60 t of packaging foil as well as additionally 280 m³ of gas per year by dispensing with a foil shrink machine.

Conservation of biodiversity
The Doors Division is implementing concrete measures and is driving innovations to maintain biological diversity. It has reduced the total solvent emissions for the manufacture of doors by one third in the past ten years, for example, and is now increasingly relying on water-based coating materials. The share of solvents is currently only around 7.4% in this regard. By changing over the painting process, Prüm and Garant have also succeeded in achieving considerable savings in paint consumption. They have reduced the consumption by 18 and 40 tonnes respectively to less than 100 tonnes of paint per year. The Prüm company has contributed to the renaturation of a compensation area of 12 567 m² and guarantees the financial support of the required maintenance of the deciduous mixed forest for the next 30 years. In addition, the division is involved in the production of beehives and bee colonies in the framework of their wood training workshop.

The Garant company used the proceeds from a raffle on the occasion of their 30-year anniversary to initiate a tree-planting campaign to reforest a nearby forest. Over an area of around two hectares, numerous spruces that were befallen by bark beetles had to be felled. In cooperation with the forest conservation organisation Schutzgemeinschaft Deutscher Wald and the Rockhausen forestry cooperative, Garant used the donated money to buy saplings that were planted with the help of numerous volunteers.

Consistently monitored goals
A certified power management system has made it possible to considerably simplify the monitoring at several companies. This has led to a greater sensitivity for energy savings. At the Plattling (D) site, for example, measurements are regularly taken in production via a state-of-the-art data acquisition system to identify any weak points and immediately replace inefficient consumers. At the Weinsheim (D) site, approximately 100 in-plant energy measurement points are in operation for the machines and the infrastructure.

At Prüm and at Garant, one energy team each is responsible for the current status and initiates improvements. Both companies determine energy key figures defined on a monthly basis and have their energy management systems externally checked and certified (TÜV and ICG) according to ISO 50001 on an annual basis. At Prüm and Garant, the energy and environmental management is also evaluated as part of the annual management review. The power consumption during operation at the Invado site in Poland is also regularly monitored and compared with the figures for the previous year. To check the effectiveness of the measures taken, the power consumption as well as the CO_2 emission is determined for each manufactured product. Audits are additionally carried out at regular intervals. RWD Schlatter also has an energy management system: Targeted measures are derived from the analysed energy key figures that are collected at least once a year.

Resource efficiency

At Arbonia, it is our declared objective to conserve natural resources. For this reason, we are pursuing a foresighted resource management, avoid waste, and reduce material consumption as well as rejects. We measure the quantity of waste and analyse the error costs in order to assess the effectiveness of the measures. The energy- and material-efficient production based on a good resource management simultaneously reduces manufacturing costs and thereby increases competitiveness. Arbonia therefore strives for energy and material savings in the development of new products as well as in the improvement of existing products. The waste resulting at the company is consistently separated, pretreated where necessary, and then recycled. The companies of Arbonia regularly check how resources can be used even more carefully – for example, through clever product design and a production that is as free of defects as possible. For this purpose, we have issued a water policy and a waste policy for the entire Group that went into effect on 1 January 2022.

The subject of sustainability certificates for the manufactured products is becoming increasingly relevant: More and more customers are demanding low-pollutant materials and attach importance to a certification. Furthermore, many products already go through a pollutant test nowadays and are correspondingly certified according to the guidelines of eco-INSTITUT.

On the basis of lean manufacturing, quality can be increased and thus the number of complaints reduced. An improved quality management pays off towards the overriding aim of strengthening and expanding the market position through innovative and reliable products. Improvements in manufacturing technology are equally a matter of course as a continuous modernisation of the machine park and a targeted selection of suppliers for a constantly high raw material quality. Significant factors also include a continuous improvement of personnel qualifications, cross-company implementation of all measures, and the transfer of quality responsibility to employees.

Key figures for resource efficiency

	2022	2021	2020
Error costs in % of net revenues	1.3	1.3	1.4
Waste in t	**32 295**	**41 199**	**28 936**
Non-hazardous waste	**29 198**	**32 967**	**19 916**
Incineration	15 306	9 590	4 422
Landfill	2 992	10 738	10 716
Recycling	10 900	12 639	4 777
Hazardous waste	**3 097**	**8 232**	**9 021**
Incineration	200	5 915	6 030
Landfill	1 506	863	1 086
Recycling	1 390	1 453	1 905

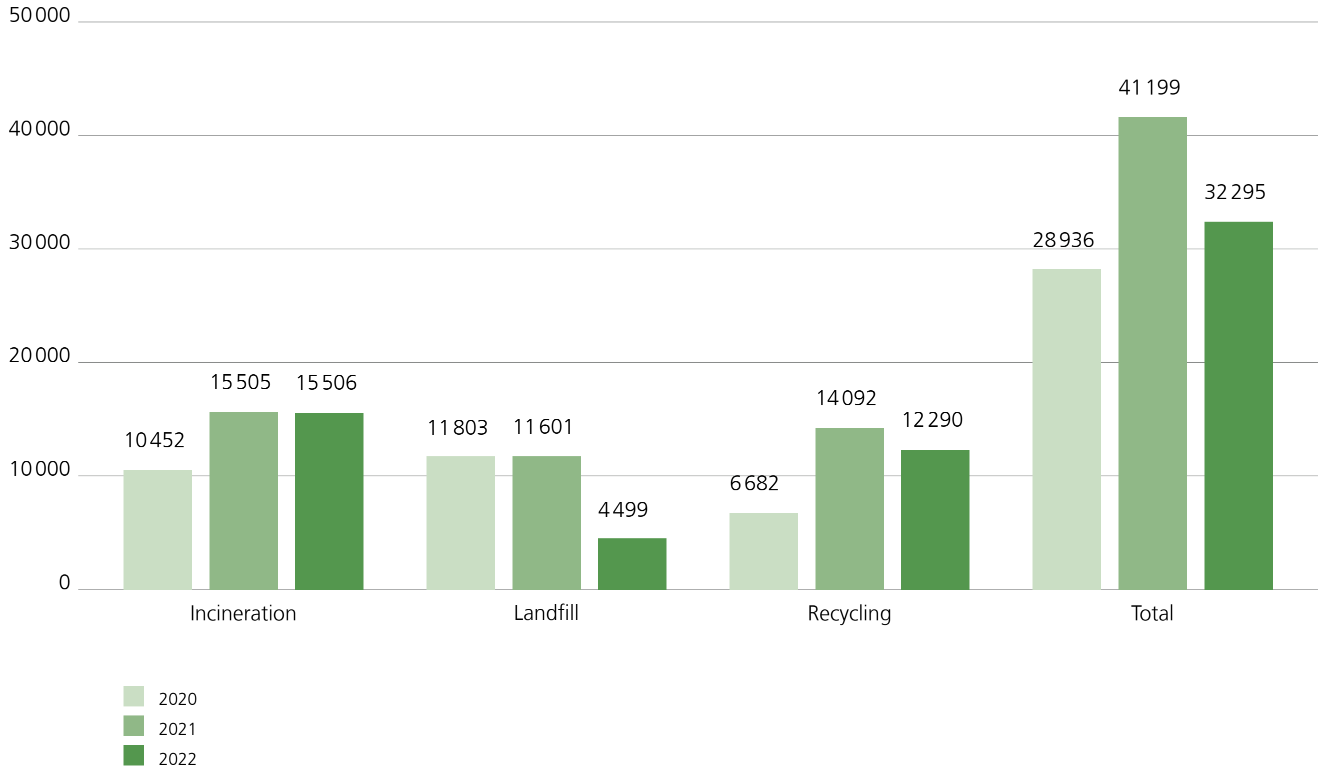
The figures for commercial and hazardous waste cover all manufacturing companies in the Arbonia Group as well as the headquarters in Arbon, Switzerland. Pure distribution companies were not included. The survey method was changed, which is why the values for 2020 and 2021 are not comparable. The waste treatment and disposal at Garant was changed in 2022, resulting in significant shifts within the survey methods.

Key water consumption values

	2022
Water consumption in m³	271 675
Water consumption in m³ / CHF net revenues	**0.23**

The water consumption was surveyed in 2022 for the first time, which is why no comparative values are given.

Waste by disposal method (in metric tonnes)



Heating, Ventilation and Air Conditioning Division

Continuous resource minimisation and recycling
The goal of the HVAC Division is to minimise material use during production. As a result, the error costs within the division are to be reduced to less than 1% of the annual turnover – while simultaneously increasing productivity. In addition, the division wants to use more recycled materials in all areas. A decrease in waste and the associated direct and indirect costs is also being pursued. The quantity of products that are disposed of through waste incineration and in landfills are also to be analysed and minimised. Last but not least, the division also makes an important contribution to the careful use of resources with its products. Steel radiators, for example, are nearly completely recyclable and can be reused at the end of their life. In the production of radiant panels, less material is now required due to an improved product design; the same holds true for heat exchangers.

Examples for an efficient use of resources
In the reporting year, it was possible to keep reject and error costs constant. In Plattling (D), the current projects for reducing panel thicknesses were advanced. The greatest challenge turned out to be maintaining the required pressure stability. At the Stříbro (CZ) site, the packaging was optimised: Instead of foil and Styrofoam, packages of recycled cardboard are now being consistently used. In Corbetta (IT), it was possible to significantly reduce the resulting copper scrap. A new ultrafiltration system allows sustainable water treatment and thus leads to a reduction in water consumption. During the reporting year, the site also introduced a consistent waste separation and recycling programme in the offices as well as in production. In Serbia, the division installed various workstations to optimise all process steps further – for example through digital solutions. The objective is to reduce waste by using scrap for production – for example for metal plates and profiles.

Doors Division

Resource efficiency along the entire value chain
Resource efficiency is also relevant for the Doors Division over the entire value chain. In the reporting year, it was possible to lower the consumption of natural gas by 33% and reduce waste by 29%. Water consumption was measured for the first time with reliable figures. To optimise the material consumption and avoid waste, a resource-friendly manufacturing is already pursued during development. The use of old or common parts is also checked in this phase. Arbonia Glassysteme (formerly GVG) collects its waste glass and delivers it to the manufacturing plant, reducing energy consumption in production.

The topic of resource efficiency is closely linked to product quality in the Doors Division – because high-quality products not only mean fewer rejects but also fewer complaints and thus higher customer satisfaction. At the division, reject and error costs are to be minimised by a continuous monitoring of resource efficiency.

An efficient use of required resources is achieved with stable, simple processes and the consistent reduction of rejects. Residual materials from production are recycled wherever possible. To improve resource efficiency, however, permanent information and training of employees – via shopfloor management or company meetings, for example – is decisive. In this way, Invado has succeeded in improving the economic and resource efficiency of the production processes with the introduction of the one-piece flow principle. The new process provides for a considerably lower time, material, and resource costs and thus a more effective production.

Ambitious targets
For the Doors Division, energy-related and environmental key figures play an important role in the planning and application of the future production technology. For example, Garant wants to lower the energy and resource consumption per manufactured part by at least 3%. This is to be achieved through greater efficiencies of the machines, preventive maintenance and continuous servicing, optimisation of the manufacturing control and minimisation of downtimes. RWD Schlatter wants to make processes more sustainable in the future. The company has already laid an important foundation for this with the state-of-the-art machinery. Particular attention is also to be paid to a further reduction of production waste and a consistent residue utilisation. Invado has set itself the goal of delivering doors and frames exclusively in cardboard packaging in the future. In addition, Invado wants to continue the principle of continuous improvement. The successful implementation of the SAP system (incl. production and fine planning as well as production control system) is to help with planning and following production processes (see introductory interview in the Cash chapter, p. 78–79). Thanks to the integrated enterprise management software, Invado can monitor the production more efficiently, identify the places that produce the most waste, and initiate data-based improvement measures. The companies of the division want to reduce their inventories and improve delivery accuracy. The targets are also monitored through monthly tracking, among other things.

Procurement and supply chain

A sustainable supply chain brings a multitude of advantages. It creates innovation and drives the development of new management and production methods forwards. In addition, it improves reputation, strengthens customer relationships, and increases the interest of investors. A sustainable supply chain furthermore provides business benefits, since it improves the control of costs and resources and can thus lead to savings.

Nevertheless, negative effects can also occur due to risks within the supply chain. This concerns ecological aspects such as Scope 3 emissions as well as human rights violations. We are conscious of this challenge and strive for a higher transparency and duty of care with our suppliers.

The COVID-19 pandemic has made us aware of further direct and indirect effects during the past two years. The tail of the COVID-19 pandemic as well as the war in Ukraine made 2022 a year with multiple challenges in respect to the supply chain as well as energy prices. In this respect, we have intensified our efforts to cover the total requirements of value added. The context of procurement and supply chain not only comprises the total direct material (all materials that enter inventory through purchasing and procurement) but also indirect material such as tools and equipment, consultation and rent.

We preferably work with suppliers from the EU or the EEA; ideally with companies from countries in which Arbonia is active with production sites. In the reporting year, 78% of the purchasing volume was procured locally. This makes it possible to shorten transport distances and minimise the environmental impact. It additionally improves the control of production means compared to a partnership with suppliers from remote regions.

The topic of procurement and supply chain at Arbonia comprises on the one hand the procurement management for the most used materials and semi-finished goods – in other words, wood, steel, glass, and aluminium. On the other hand, the assessment of suppliers according to ecological and social criteria is also a part of this. At the same time, respect for human rights in the supply chain is of decisive importance. Since more than 95% of used materials are sourced from suppliers in Europe, a high standard is enshrined in law.

As a corporate group, we continuously raise awareness for ecological and social factors in direct and indirect purchasing. For this purpose, we train the employees of our purchasing departments in relation to sustainable supply chains, and we are working on a company-wide standard for supplier assessment in accordance with ESG criteria. In a first step, all direct suppliers are checked and prioritised according to the sales volume. As soon as this process is established, indirect suppliers will also follow according to the same assessment criteria. For the assessment of suppliers, external key figures (e.g. solvency, risk indicators, ESG ratings) are collected and combined with the internally generated data into a holistic assessment. In the reporting year, we primarily used ratings from EcoVadis for this for the first time. In respect to new regulations, the focus was on the procurement market of Germany and on large suppliers with more than CHF 1 million purchasing volume. As a result, we were able to cover around three quarters of the total purchasing volume in Germany or 54% of the global purchasing volume with EcoVadis or comparable ratings. For the coming years, we aim to integrate further large as well as smaller suppliers into the rating of EcoVadis. Suppliers from countries with an increased risk in relation to violations of human rights, child labour, and slavery are under observation regardless of the purchasing volume. However, these make up less than 2% of the global purchasing volume. Suppliers without an external certificate have to guarantee in a suitable way, for example, with a code of conduct that human rights are respected and that child labour and forced labour in particular are prevented.

As Arbonia, we have also had ourselves assessed by EcoVadis in the reporting year and achieved a bronze rating. This means that we are among the top half of all assessed companies. In the medium term, we want to improve this rating especially in the area of sustainable procurement through training and new guidelines.

In Germany, the Bundestag passed the Supply Chain Due Diligence Act (LkSG) in June 2021, which provides a legal framework for the responsibility of companies along the entire supply chain. This is relevant for all Arbonia companies active in Germany. They are evaluating the specific impacts of the new legislation and initiating corresponding compliance measures. The companies active in Switzerland have also initiated a comparable process to determine the implications of the counterproposal to the corporate responsibility initiative, the provisions of which went into affect on 1 January 2022 and will be applied for the first time in the reporting year 2023.

In addition, Arbonia has developed a Supplier Code of Conduct, which is to be successively extended to all suppliers if possible and is already part of orders. In this, Arbonia expressly commits itself to the Universal Declaration of Human Rights of the United Nations, the UN Convention on the Elimination of All Forms of Discrimination Against Women, and the UN Convention on the Rights of the Child.

Heating, Ventilation and Air Conditioning Division

Increased requirements – new measures
An intensified procurement of sustainable products is a matter of course for the entire HVAC Division. The pilot project for procuring decarbonised steel (with Green Steel certificate) for the production of steel panel radiators at the Plattling (D) site was successfully implemented in the reporting year. The division is currently focused on a concerted approach between sales and marketing for a green steel panel radiator strategy.

In respect to waste management, the Corbetta (IT) site has concluded a formal agreement with the suppliers to formalise all aspects (disposal licenses, information on the type, volume, and costs of the waste etc.). At the Dilsen (BE) site, it was possible to reduce the number of lorries used through a consistent optimisation of the logistics and logistics partners. In the packaging area, Sabiana has launched programmes for different products for which the packaging has a great effect on the costs and disposal. For example, the company is trying with its suppliers to introduce reusable containers, replace conventional wooden pallets with pallets made of corrugated board, and reduce waste with component packages.

Clear responsibilities in regard to procurement and supply chain
In close coordination with the customers and the marketing and sales departments, products are to be developed that can be manufactured more sustainably. The main goal of Sabiana remains certification in accordance with ISO standard 14000, which assesses the affects of the supply chain on the environment. For this purpose, the company assigns clear responsibilities, creates regular exchange formats and develops a status report including key performance indicators (KPIs). Sabiana monitored the progress, results, and achievement in smaller projects (delivery agreement, RoHS, REACH, 3TG etc.) monthly during the reporting year and properly registered them with position reports. In this connection, the head of logistics has the objective of monitoring transport costs monthly and optimising them in relation to the value of the transported goods.

Doors Division

The companies of the division pay attention to consistent certificates of origin for wood, among other things. At RWD Schlatter, a new timber trade regulation specifies a PEFC share of 80%; for FSC-certified wood, the share is 20%. At Invado, 100% of the wooden panels are made of raw material of European origin (EUTR documents). A complete monitoring of the used chemicals is also part of the consideration. In this way, the division avoids toxic substances and replaces them with less problematic materials. Additionally, the division is gradually changing over to ecological packaging materials such as cardboard and paper and is increasingly eliminating plastic or Styrofoam. Attention is also paid to recycling of the packaging. As a result, Kermi Sanitary Equipment in Plattling (D) was able to avoid 600 km of wooden panels in the reporting year, replacing them with cardboard. At RWD Schlatter, residue from Sonitus cores was used as an intermediate layer for transport.

Measures in supplier management and in logistics
On the customer side as well, corresponding audits are increasingly being carried out to determine whether the Doors Division complies with sustainability criteria. For example, the customers of Invado regularly check what materials the company uses to manufacture doors and frames and where the raw materials come from. For this reason, the division prefers to work with suppliers who have proven themselves for years. At the same time, initiatives for avoiding or recycling production waste are becoming more and more important. Ultimately, conserving resources also has a positive effect on profitability. For this purpose, the division carries out internal as well as external audits in the areas of quality, social issues, and energy efficiency. The expansion of a strategic category management is therefore being continued. This continually collects and evaluates market information in order to react to potential risks in the supply chain early on.

Priorities and targets

Priority	Target	Status 2022	Page
By increasing occupational safety, we reduce days lost to work accidents.	By 2025: Reduction of lost days by 25% compared to 2021	Increase of 4.3% compared to the base year	68
Arbonia increases the participation rate in e-learning courses in the area of cybersecurity.	By 2025: Participation rate of 100%	Average participation rate of 68%	75

Arbonia
Annual Report 2022

Sustainability Report
Community

Community

Our employees are the driving force for the further development of our company. They simultaneously act as ambassadors for our values. As an overall objective, Arbonia promotes a resource-friendly future with energy-efficient, high-quality and durable products by outfitting highly energy-efficient new buildings and renovations. The employees show themselves to be dedicated, determined and reliable in their day-to-day work.

As an internationally operating company, Arbonia assumes 100% of its responsibility for respecting human rights and avoiding child labour. In all countries in which it operates, it adheres to the Universal Declaration on Human Rights of the United Nations, the Convention on the Elimination of All Forms of Discrimination against Women, the UN Convention on the Rights of the Child and other international standards for protecting human rights. In addition, Arbonia has joined the UN Global Compact and has committed to support the implementation of the ten principles in the sub-areas of Human Rights, Labour, Environment and Anti-Corruption.

The company as a learning organisation

Modern HR work takes into account the dynamics in the labour market and the needs of the company's own workforce. In an interview, Stefanie Klaerding (SK), Head of HR Development and Employer Branding of the Doors Division, discusses the strategy for these areas.

Employer branding is a central key to being attractive to applicants in the – sometimes highly competitive – labour market. How does the Doors Division position itself as an employer brand?
SK: At the Doors Division, we see two main challenges for our strategic HR work in respect to employer branding. The first challenge is recruiting and the associated shortage of skilled workers. This starts with trainees and ends with highly specialised IT workers. In many areas, there is an employee's market and graduates and students are very well aware of this. In the area of employer branding, our main goal is therefore to make the individual companies and in particular the Doors Division as a whole so attractive in the labour market that we attract the best. And we have to do this in a target-group-specific way via the various channels of communication – from classic printed advertisements to social media.

And what is the second challenge?
SK: We see this in the retention of our employees. We have to be so attractive as an employer that we keep our good colleagues with us over the long term. Incentives for this include interesting benefits, exciting, cross-division projects and further education as well. This is why the two areas of HR development and employer branding are closely interlinked in the Doors Division. The employees want to continue their education – and have to do this as well – to keep pace with the new developments and achieve the best performance for the company. This not only holds true in areas such as digitisation but also in respect to topics such as leadership or project management.

What demands do you perceive from the young generation in particular?
SK: Especially younger applicants place a great deal of value on the topic of corporate culture and are very different from the baby boomers and Generation X, especially in Generations Y, Z and the upcoming Alphas. For Generation Z and Alpha, meaningful and sustainable work is a focal point. Can I help to shape things? Can I contribute ideas? What is the work-life balance like? The demands go far beyond the hard facts such as salary and position. The younger ones above all want to have fun at work and feel involved. In other words, they do not want to work at a company but on and with a company.

When you think about a brand, it is about distinctiveness. What qualities make Arbonia Doors distinctive as an employer?
SK: We are currently in the process of refining our employer brand further and pushing it in a more target-group-specific way. At the Doors Division, we already cover the wishes of our target groups. On the one hand, we are locally very connected with our companies, and on the other hand, as part of the Arbonia Group we can ensure a versatile employee development with a Europe-wide training. "Work locally, think globally" characterises the brand of our division.

How flexible is such an employer branding when the demands differ between the individual generations?
SK: A company is always a living and learning entity. With each new generation that we onboard, with each trainee course, new impulses are added. For example, we are currently changing over our entire social medial channels to the new demands of the generations, improving our internal and external communication through targeted measures and developing a cross-division HR development with a focus on leadership and performance management. Our goal is for us to continually re-invent ourselves and develop further together with our employees.

How do you develop the right messages so that the employer brand stays authentic with all the adjustments?
SK: For this purpose, we speak with a lot of employees, do workshops, look into the executive programmes. I regularly meet with executives, employees, trainees, as well as trainers and we also intensively exchange ideas across divisions. In doing so, it is important to us not to approach the matter too conceptionally but pragmatically together with the employees.

You link the topic of employee retention with HR development. What opportunities and incentives do you offer employees?
SK: HR development starts in pre-onboarding and onboarding. We then accompany the employee during his or her entire career at the company. We do not see employee development as a collection of forms that are eventually deposited somewhere and whose measures, which are usually derived according to a watering-can principle, end up in some rigid programmes. While their sense and above all impact are usually not measured. Instead, we always learn through employee and feedback discussions, performance appraisals and digitally supported talent reviews precisely where employees stand and what kind of individual development they need to be able to perform their tasks even better. We do not want a talent management where we administer employees, instead we believe in talent empowerment in which employees continually develop further through us.

HR work will become even more flexible in the future and be even more strongly oriented to key performance indicators. What does that mean concretely for your day-to-day work?
SK: We work with modern digital systems which naturally monitor our key performance indicators – whether in recruiting or in development. However, we use them not only to measure the use of budgets and the return on investment but also the sustainability of the measures as well. After all, good HR work – and thus also the employer branding and the corresponding HR development – is ultimately not an end in itself but always has the central goal of improving the company's performance.

What is the goal of employer branding?
Employer branding is a strategic corporate measure to present a company as an attractive employer on the whole to existing and potential employees and to gain an edge on competitors.

The generations:

1946–1964	1965–1980	1981–1996	1997–2010	2011–2025
Baby boomers	X	Y	Z	Alpha

Occupational health and safety

As Arbonia, we ensure a health and safety culture on a high level by operating safe production plants as well as distribution and logistics sites. This involves the prevention of accidents and injuries, a continuous risk analysis with derived measures, as well as a proactive heath promotion at the workplace. This aims to lower absences, prevent illnesses and reduce mental and physical stress. Consistent occupational safety is also an important topic for us due to its impact on the operating activities of the companies: Each accident and absence causes additional costs. The consequences can be a slowdown or downtimes in production. This is associated with reputational damage and a lower work morale.

Our concept for occupational health and safety is based on a three pillar concept. The first pillar provides measures for prevention. The second pillar integrates absence management, which refers to interventions. The third pillar contains case management, which promotes integration or re-integration. All three pillars are supported and developed together with the concerned stakeholders – Group Management, managers, HR employees, business partners, as well as social partners. In the future, the effectiveness of the individual measures is to be monitored using various KPIs – the results will be reported to the above mentioned stakeholders.

Risk avoidance and health protection are central topics in all employee training of Arbonia. We continually analyse the processes internally and externally, for example, through special workplace inspections together with the responsible people. If accidents occur, they are immediately analysed and measures are initiated to minimise the future risk of accidents. To avoid and identify health risks to the employees early on, we hold leadership courses for supervisors on a regular basis.

All of our sites fulfil the legal regulations for the respective countries, so that applying for a certification according to OHSAS 18001 or ISO 45001 would be basically possible. This has not been necessary so far, though. During the ongoing COVID-19 pandemic, the health and safety of the employees was a priority topic. Thanks to preventive measures such as temperature measuring devices at the plant entrances and a code of conduct for corona measures as well as regular, free tests, it was possible to maintain regular operation at all sites in 2022. At many Arbonia sites, it was also possible to provide employees with a coordinated vaccination offer.

During the reporting year, we further expanded the company health management system and took specific measures to minimise non-occupational accidents as well. These include courses for stress management, first aid courses and psychological offers. The measures are aligned with the needs of the workforce via corresponding employee surveys and their effectiveness is evaluated via appropriate key figures.

Key figures for occupational health and safety

	2022	**2021**
Proportion of employees covered by an occupational health and safety management system	97.5%	97.0%
Absence rate	7.2%	5.5%
Acciddent frequency rate (number of accidents per 200 000 working hours)	5.9	6.9
Rate of accident severity (los days per 200 000 working hours)	70.7	67.8

The key figures for occupational safety cover the employees of all manufacturing companies of the Arbonia Group as well as the headquarters in Arbon, Switzerland. Pure distribution companies were not included. The survey method was changed, which is why no comparison value is shown for 2020.

Heating, Ventilation and Air Conditioning Division

Prevention thanks to training and process optimisation
All employees of the HVAC Division receive safety and fire protection instruction matching their workplace on an annual basis. Internal and external safety training is regularly offered by the division – the training to be a first aider and company paramedic, for example, every year. The employees also have access to all relevant training courses of their respective trade association.

Employees are consistently involved in designing the occupational safety systems through their valuable suggestions for improvement. At the Plattling (D) site, all work processes are regularly reviewed – with the aim of minimising physically difficult or stressful activities through technical support or the use of machines. In the administration area, the individual work situation is continually optimised through regular inspections by the company doctors – for example, by using height-adjustable desks. In Corbetta (IT), internal area inspections and hazard analyses are also standard for all workplaces. Employees enjoy a health insurance that provides preventative medical check-ups for the entire family.

The employees of the division are always provided with the protective equipment and work safety clothing necessary for their work free of charge. In addition, defibrillators are available at all locations. If accidents or illnesses should occur, shift paramedics and first aiders are available.

Statistics on the sickness and accident rates allow a monthly overview of the current situation at all companies. The low absences and the high productivity prove that the HVAC Division is well positioned in respect to occupational health and safety.

A wide range of measures
With the "Jobcycle" initiative, the HVAC Division provided the employees at the Plattling (D) site access to e-bikes during the reporting year as well. Numerous employees took advantage of this offer, in order to accomplish part of their personal fitness programme on their way to work and thereby improve their own quality of life and health. An opportunity to quit smoking was also offered through the health working group. A shoulder-neck screening also met with great interest by employees as well as a presentation on healthy eating at the workplace.

Doors Division

Health promotion, prevention and training
Company health programmes are also offered at the Doors Division. Examples include the "Focus on People" platform at the Glass Solutions Business Unit and a comprehensive range of courses and training. Employees can also take advantage of professional company medical care as well as preventative medical check-ups.

Various committees of the companies (occupational safety committee, health working committee, works council committee, occupational health and safety protection) hold regular meetings to analyse the current situation and develop suitable measures. The division also promises its customers in every work contract to maintain the highest standards in respect to occupational safety. External business partners who work on the business premises of the division also communicate and apply the same safety rules.

All employees of the Doors Division have access to subsidised, occupational health services and health promotion programmes such as fitness, yoga and Pilates. Health problems such as back pain are actively addressed with ergonomic workplaces.

Invado has installed an automatic unloading unit for coffered doors to avoid manual unloading of heavy material in the future. A door buffer station was also set up behind the machining centres, eliminating the manual work in this area. Such automations had been implemented at the other companies a long time ago – which has brought great relief and increased effectiveness.

Continually reviewed targets
In addition to internal reviews, the division also relies on regular feedback from external agencies to achieve targets. The division receives important feedback through area inspections by the industrial inspectorate and trade unions as well as from external safety audits.

Occupational safety is also continually checked and evaluated at Garant, Prüm, RWD Schlatter and Invado. At Invado, this check also comprises the analysis of the results of work environment tests (e.g. noise, weights) and medical examinations as well as the performance of risk assessments at the workplace. Occupational safety is further increased by continuous inspections of the work conditions and the machine efficiency as well as the ongoing safety training of the employees.

Dynamic corporate culture

As Arbonia, we live a dynamic, open corporate culture. In doing so, we always aim to create a pleasant, appreciative and supportive work environment. Wages, social benefits, employment level, contract set-up and compensation are to follow the principles of a responsible Group. For this purpose, three central leadership principles were determined: Firstly, colleagues maintain a personal and direct relationship among each other and are open to ideas or other points of view. Secondly, day-to-day business is characterised by pragmatism and realism; decisions are based on facts. Thirdly, managers take time for their employees and regard them as people, not just workers.

These principles also apply to the development of employees in addition to the day-to-day work. With our HR work, we want to help people reach their full potential and we invest in internal and external further training for this purpose.

Such a work environment is demonstrated by motivated and satisfied employees. This increases competitiveness and is reflected in a lower gross fluctuation rate (incl. retirements). In the reporting year, however, this increased slightly from 9.8% in the previous year to 10.7%. To maintain and optimise our high level as a fair employer in line with the market, we regularly compare ourselves with other internationally active companies of a similar size.

Within the corporate group, the respective HR officers of the divisions as well as of the Group are responsible for the further development of the Arbonia culture. They report to the CEOs of the divisions or the Group CFO. A regular exchange among the HR officers ensures that corresponding impulses are perceived in all companies.

We place great value on diversity among the employees. This includes values such as equal opportunity, non-discrimination, as well as equal treatment at the company – regardless of sex, citizenship, ethnic origin, skin colour, religion or impairments. Although the labour market is regulated differently in each country, the overarching guidelines of the Group and the divisions apply for Arbonia at all sites.

Close social partnership
The close cooperation with all employee representatives in all countries is a decisive factor our business success. In Switzerland, the collective labour agreement of the Swiss mechanical, electrical and metalworking industries (Swissmem) is applied at all companies, unless other mandatory collective labour agreements are in effect. The contacts with the social partners in Switzerland therefore generally take place through this association. Most of the German companies are also subject to collective labour agreements – either via an in-house wage agreement or the regional collective agreement of the trade unions.

The Arbonia Board of Directors approves all important internal frameworks and general agreements. These include the Code of Conduct (see "Ethics and integrity", p. 40), the salary system, leadership development, collective labour agreements and wage agreements, as well as the strategic guidelines for HR development over all levels down to the local sites. The divisions receive support from the Group in succession planning and management development as well as in recording key performance indicators. In addition, personnel matters are also discussed and addressed across divisions depending on their relevancy.

Employees can see the conditions of the respectively valid wage agreements on information boards and screens at the production plants at all times, in addition to through communication by the social partners themselves. At the same time, there is no uniform procedure for the entire group, since the requirements differ according to the company and local regulations. However, regular meetings take place between the managements and employee representatives from the trade unions everywhere. When an employment relationship is terminated, the divisions have a standardised process.

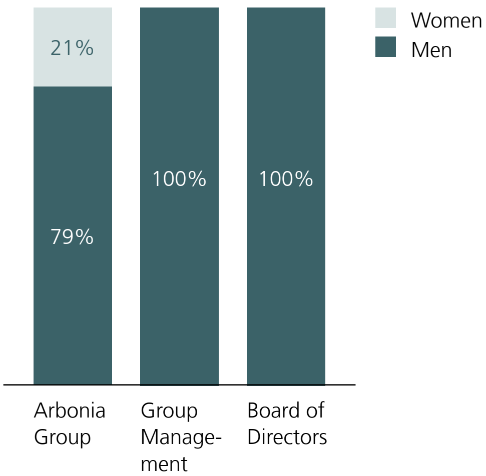
Training programmes as a matter of course
The number of trainees, who mainly work at Kermi, Prüm and Garant in Germany, declined minimally – from 156 in the previous year to 153. As Arbonia we support the vocational further development of employees with internal and external further training and contribute to the majority of costs. At some sites, we also annually offer dual study places in order to support young college students in a practical way. Employees are prepared for new requirements with internal and external training. In addition to specialist further training, this also includes seminars for strengthening methodical expertise, educational leave, advancement qualification and courses on project management. Training rooms and exhibits at the production sites offer employees the possibility to familiarise themselves with the manufacturing processes as well as with the product application. We determine the need for further training with the help of annual employee interviews as well as through the close cooperation between supervisors and the Human Resources department. In principle, any employee can take part in further training. It must follow a clear objective, however. This applies to internal as well as external programmes. The quality of further training is evaluated by employees after the completion of the programme and the supervisors and external training institutions sometimes also fill in an evaluation form.

Composition of the workforce as of 31 December

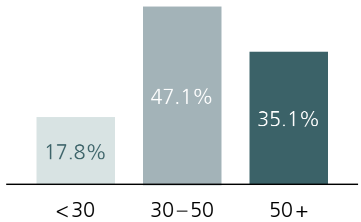
	2022[2]	Share	2021[1]	Share	2020	Share
Employees (permanent employees only; in FTE)	6132		6040		5515	
Employees (permanent employees only)	6341	97.3%	6232	97.6%	5708	97.3%
Apprentices, interns and trainees	176	2.7%	165	2.4%	160	2.7%
Employees who are not permanent[3]	203					
Employees by employment type (permanent employees only)						
Full-time		93.1%		93.0%		93.3%
Part-time		6.9%		7.0%		6.7%

[1] Without the Termovent, Cicsa and GVG companies acquired in 2021.
[2] Without the Joro and Cirelius companies acquired in 2022.
[3] Such employees were mainly employed in logistics, assembly and production in the reporting year.

Diversity by gender



Age structure



Heating, Ventilation and Air Conditioning Division

Target-oriented for higher employee satisfaction
The companies of the HVAC Division have set themselves high targets as part of their dynamic corporate culture. The aim is to quickly react to changing conditions. A low fluctuation rate and a high employee satisfaction remain core objectives. HR development measures are to contribute to this. As a further objective, the division pursues the integration of employees with a migration background.

The Corbetta (IT) site reviews the satisfaction of its employees every two years through a survey. In addition, mental health and work-related stress factors are also analysed. The evaluation is presented to the Managing Director and various measures are derived on the basis of this data.

To fill vacant positions quickly with qualified people, the division would like to place greater emphasis on employer branding. The company aims to overcome the demographic development through targeted recruiting of new employees and increased retention of existing ones. In Italy, the division intends to promote employee satisfaction with an exchange programme for highly qualified employees in partnership with a sector-related company. The success of these measures is measured based on the key performance indicators and the fluctuation rate. The division offers various work and part-time models and enables mobile working if technically possible.

Talent acquisition and retention
At the HVAC Division, vacant leadership positions are mostly filled internally with the division's own junior staff. The shortage of skilled workers, however, remains one of the greatest challenges for the division and is evident in longer recruitment processes. This problem is cushioned by the low fluctuation rate and the long periods of employment. The division always strives for non-discrimination and gender-neutral recruitment processes in personnel recruitment.

Doors Division

Corporate culture as part of corporate identity
The division regards a dynamic corporate culture as an important part of employer branding. It also reflects the social responsibility of the individual companies and has a correspondingly high priority.

Measures in the corporate culture area
Measures for retaining employees include increased efforts in the area of HR development or an improved integration of employees with a migration background. A clear employer branding aims to better emphasise the characteristics of the individual companies (see introductory interview in the chapter, p. 66–67). As a result, the Doors Division hopes to fill vacant positions more quickly with qualified employees. In addition to reducing the fluctuation rate, Garant also want to shorten the length of the filling process, among other things with professional onboarding systems as well as by developing new key performance indicators in human resources. In general, the division aims to counter changing conditions faster and more flexibly. The progress in achieving these objectives is checked using key performance indicators such as the fluctuation rate or period of employment. At Invado, the targets – which also include a further diversification of the top management, which is currently 40% women – are reviewed by external audits at regular intervals.

At Prüm, views on culture and cooperation in the workforce were surveyed as part of a psychological risk assessment. The results are discussed with the employees in workshops.

Qualified workers
In the Glass Solutions Business Unit, the shortage of skilled workers became apparent during recruitment in the reporting year. This especially affected employees in production and qualified specialist personnel. As in the past, it was possible to fill the majority of vacant leadership positions internally. The promotion of young employees and the hiring of graduates proved to be a great advantage in this respect once again. Nevertheless, the lack of skilled employees remains a challenge despite the low fluctuation rate and longer periods of employment.

Creating and securing jobs

As regional employers, the Arbonia companies have a central importance: They create and secure jobs, generate income and pay public taxes. The membership in the Swissmem collective labour agreement (GAV) and further wage agreements gives the employees additional security in respect to working conditions and legal matters. Arbonia and its companies are therefore an important employer and economic factor in the respective regions. Many companies of Arbonia have a significant influence on their environment.

At the same time, it is our stated aim to permanently secure the attractiveness of our sites, further increase employee retention and retain valuable know-how and many years of experience. Measures for this range from cooperation with schools and universities to regional activities in personnel marketing, for example, through trade fair appearances and sponsoring.

All of our companies maintain continuous relationships to their stakeholders in order to communicate to the outside world innovative strength, social commitment and a positive aura for employee recruitment. Investments in the infrastructure as well as the progressing digitisation create further synergy effects within the Group and thereby provide high efficiency gains. The growing automation of routine activities further increases the quality of jobs. We as Arbonia thus provide our employees with modern facilities and offer them attractive, future-oriented jobs as well as a wide range of development and career opportunities.

By directly addressing the regional labour market and identifying potential employees early on, for example, in the framework of internships, the quality and quantity of the workforce at the respective sites is to be strengthened further. These targets can be quickly and simply checked: They are achieved when jobs can be filled and the site remains competitive.

Various employee benefits also contribute to our attractiveness as an employer. These include a programme for e-bikes or discounted memberships in fitness studios and swimming pools. A tailored integration management allows employees with health impairments to return to the workplace.
At the same time, we have made our workplaces more flexible – among other things with a connection for mobile work. The strengthening of employer branding is currently proving to be our greatest leverage: In light of the very tight applicant market, a clear and distinctive profile will be need to recruit enough qualified employees in the future as well (see introductory interview in the chapter, p. 66–67).

Compensation structure

The compensation system of Arbonia scheme is based on the conviction that the success of a company depends to a considerable extent on the quality of work and dedication of employees. We want to use our compensation system to attract and retain employees with the necessary skills and qualities and to motivate them to deliver a consistently high level of performance. The compensation system is designed to ensure that the interests of top managers are consistent with the interests of Arbonia and its shareholders.

In developing the compensation structure, we follow common market practices of similarly situated companies that operate on the capital market. In 2020, Arbonia commissioned HCM International AG to carry out a benchmark analysis in relation to the compensation of the members of Group Management. This analysis was carried out on the basis of a comparison group with industrial companies domiciled in Switzerland with a similar stock market capitalisation and a comparison group with industrial companies domiciled in Switzerland with a similar revenue and it showed that the compensation of the members of Group Management are of a similar magnitude as those of the two comparison groups.

On the occasion of each Annual General Meeting, the Board of Directors proposes that the Compensation Report be approved by means of a non-binding consultative voting process. In the reporting year, the approval rating for this proposal was 62.65%. The Compensation Report (see p. 115) of Arbonia presents the compensation governance and the principles of the compensation system of the Board of Directors and Group Management. In addition, it contains information on the compensation of the Board of Directors and Group Management in the respective financial year, on the roles with economic purpose that the members of the Board of Directors and Group Management exercised at other companies and on the shareholding rights held by the members of the Board of Directors and Group Management.

The Compensation Report has been compiled in accordance with the regulations on compensation at companies whose shares are listed at a stock exchange in the Swiss law that supplements the Swiss Civil Code (Part Five: Code of Obligations) in the fourth section on corporate law and the directive on information relating to corporate governance (RLCG) of 18 June 2021 of the SIX Exchange Regulation.

For the financial year 2023, Arbonia will include a sustainability target in the variable compensation of Group Management for the first time. The Board of Directors determined this at the request of the Nomination and Compensation Committee in the reporting year. This is to create incentives for efforts towards a more sustainable corporate governance.

Cybersecurity

As Arbonia, we can only maintain information security together with our employees. Our aim is to protect the operating activities and competitiveness of the group against successful attacks. Otherwise, considerable damage can result for us as a company and for our customers through cyber attacks. These range from the loss of employee and customer data to a complete production standstill including high ransom demands.

For this reason, we as Arbonia have accelerated the expansion of the information Security Management System, which contains a holistic security programme. In addition, further guidelines have been issued, for example, on general IT security, password security, or the information security requirements for third parties. The security awareness programme helps employees successfully recognize real threats and potential attacks in both their business and private lives and to react to them correctly, in accordance with the motto "THINK BEFORE YOU Click.Post.Type". Various KPIs give Arbonia an overview of the implemented security measures. Stakeholders are involved in the further development of the IT security architecture through regular user surveys.

The responsibility for the information security of the entire Arbonia Group basically rests with the Chief Information Security Officer and the IT Board, which consists of the Group CIO, the division CIOs and the Group CFO as well as IT representatives of both divisions and the Group. The relevant topics are always coordinated with the division officers and Group Management. For implementing individual measures, the local IT teams and ICT security specialists provide support as interfaces to the sites and companies.

Together for more IT security
The employees of Arbonia are a central link in the security chain in the area of cybersecurity and must assume the corresponding responsibility. The most common attack tool for cyber attacks is e-mail – followed by social engineering (manipulation or influencing of a person) and the Internet. For this reason, it is extremely important to recognise, avoid and report suspicious sources.

Through targeted measures to strengthen so-called cyber resilience, we as Arbonia try to reduce the risk of successful cyber attacks to an absolute minimum. The Group pursues an integrated security approach with technical measures, processes, guidelines and standards, the compliance to and implementation of which is checked by the Chief Information Security Officer and his or her team on the Group level. Cyber attacks of any kind must be recognised early on and repelled. Accordingly, employees are increasingly being trained and made aware of this topic. The integrated security approach in the framework of the information security strategy is continually reviewed using audits and penetration tests. Cyber risks are an integral part of the risk management process and thus also the risk transfer to insurance.

THINK BEFORE YOU Click.Post.Type.
The security awareness campaigns under to the motto "THINK BEFORE YOU Click.Post.Type" contain various measures. In this context, employees are regularly invited to participate in various awareness and training units, whereby more in-depth training courses are pursued specially for IT administrators and other exposed persons. These courses provide information on the secure handling of data as well as information systems and aim to make everyday life more secure. The participation rate was 68% in the reporting year (previous year: 58%) and should increase to 100% by 2025.

On the basis of a high cyber resilience and e-mail security, Arbonia's general objective is not to experience any safety-critical incidents and thus ensure a permanently smooth course of business. For this purpose, the results of the attack simulations are used to strengthen the resilience. To control security, cyber maturity is also measured on the basis of defined standards. Further key figures are collected via SIEM incidents (security information and event management) for all companies and are used to improve cyber defence. In this process (malicious) incidents and the reaction to them are continually recorded. The management system classifies these incidents according to their type and severity and evaluates the defence measure according to filter functions and existing use cases. As a further protection level, a project for NDR (network detection response) has been implemented.

Priorities and targets

Priority	Target 2026	Status 2022	Page
Organic revenue growth (CAGR 2021–2026)	>5% p.a	5.5%	80
EBITDA (without M&A)	>CHF 200 million	CHF 108.3 million	
Investments in % of net revenue (replacement and expansion investments)	4–5%	14.5%	
Annual dividend increase from financial year 2022	15%	15%	
The HVAC Division increased its proportion of growth products[1] in relation to the total revenue.	> 67%	~ 53%	81
The HVAC Division is developing sustainably and achieving revenue growth as well as an increase in the EBITDA margin.	Revenue > CHF 800 million EBITDA > CHF 100 million EBITDA margin > 12.5%	Revenue CHF 646.2 million EBITDA CHF 59.2 million EBITDA margin 9.2%	81
The Doors Division is developing sustainably and achieving revenue growth as well as an increase in the EBITDA margin.	Revenue > CHF 725 million EBITDA > CHF 110 million EBITDA margin > 15.0%	Revenue CHF 552.7 million EBITDA CHF 62.2 million EBITDA margin 11.3%	82
Arbonia is increasing the proportion of production volume that is covered by ISO certifications.	By 2025: > 80%	81.5%	82

[1] Ventilation, heat pumps, fan coils, air-handling units, energy storage, design radiators

Arbonia
Annual Report 2022
Sustainability Report
Cash

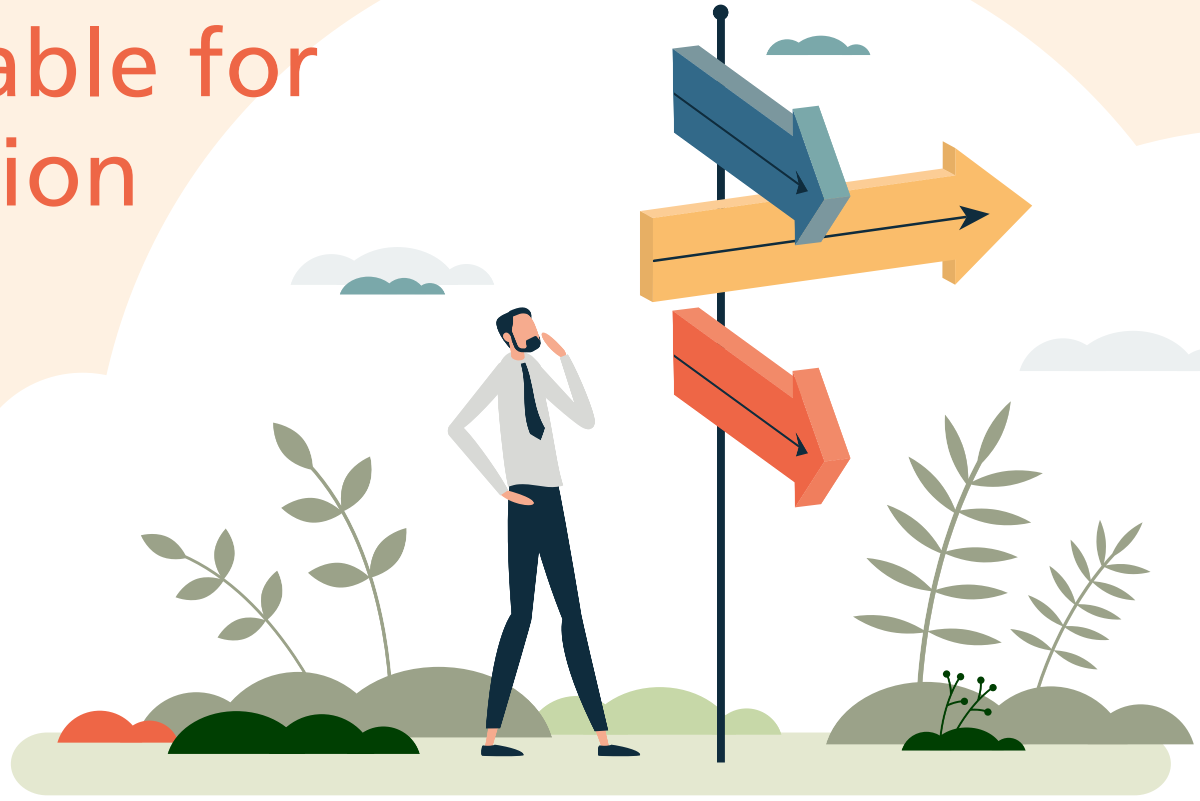
Cash

One of our important sustainability issues is the long-term economic stability of the company. The organic revenue growth and the operating profit on the EBITDA level are the central financial control parameters.

Arbonia
Annual Report 2022

Sustainability Report
Cash

A timetable for digitisation



Arbonia and its companies are becoming more and more digital. In an interview, Berkan Sezer (BS), Project Manager Digitisation of the Doors Division, and Martin Kindle (MK), Team Leader Business Applications of the Arbonia Group, explain what projects they are driving forwards at the Doors Division and how that changes the working procedure at the company.

To what extent does digitisation have an effect on reaching sustainability goals?

BS: The classic example is saving paper through digitised processes. This is quickly achieved. However, at Arbonia it is about more. Let's take our new configurator DOORIT, for example, which replaces manual calculation. This system cannot configure any doors that cannot be produced as well. Therefore, no rejects occur and consequently almost no materials have to be disposed of unnecessarily.

What role does the implementation of the uniform SAP system play in a digital value-added chain at the Doors Division?

MK: With the harmonised SAP system, we create the prerequisite for all further steps of our digital transformation. At the current time, we are gradually introducing the modern ERP system SAP S/4 HANA at our companies. Until 2019, the four companies of the Doors Division still used different systems, which made it difficult to create a common database and thus go in the direction of digitisation. Our approach is now based on an integrative system in the form of a global template on which all companies can build. Digitisation means finding a common denominator, in other words, harmonising processes and minimising interfaces.

BS: SAP is at the heart of all future projects for our digitisation. This gives us a basis with which we can design the strategy, implementation and realisation of the individual projects. These projects can also run parallel and dock onto the existing environment. This can be DOORIT, it can be a 3D rendering, or the digital door manual. Because everything is based on a common data pool.

Can you sketch out how the digitisation roadmap of Arbonia will look like and what objectives will be pursued with it?

BS: We are currently in the process of creating the above-mentioned common data pool, the so-called single point of truth, or SPOT for short. In the final expansion stage, it should be possible for us to digitise the entire value-added process – starting with the dealer who configures the door via DOORIT. The dealer can import the door to his or her merchandise management. The order is immediately transferred to the production line, which is in turn highly automated up until delivery. The entire process takes place on a digital level with very many check mechanisms and is thus hardly prone to error.

MK: The SAP integration allows us to collect, process and quickly evaluate data. This is now automatically possible, even in real time. This accelerates our processes and we increase efficiency as well as productivity. However, the pandemic has also shown that we can increase resiliency and flexibility through digitisation. Our goal is to be able to adjust our business model to the market requirements quickly and easily when framework conditions change.

The Invado company is a kind of pilot project for the transformation of the Doors Division. What has been implemented there?

MK: At Invado, we have completely restructured the web shop on the customer side. At the same time, we have further digitised the production with SAP. On the one hand, this concerns the entire production planning. On the other hand, we have implemented a manufacturing execution system, in short MES. This allows us to link the business processes in the SAP system with the machine connection.

What is going to happen with the rollout and what findings from the Invado project can help with this?

MK: The objective is to go live with PRÜM and GARANT by 2024; afterwards, our Swiss company RWD Schlatter will change over to SAP. The global template, which represents the basis for the next rollouts, will help us with all further projects. We are thereby creating a harmonised system. During the Invado project, we have improved a few things that did not run smoothly at the beginning. Processes were also optimised. All of these findings are now included in the global template.

Transformation not only concerns the use of software but the working procedures at the company. How do you inspire colleagues for the change?

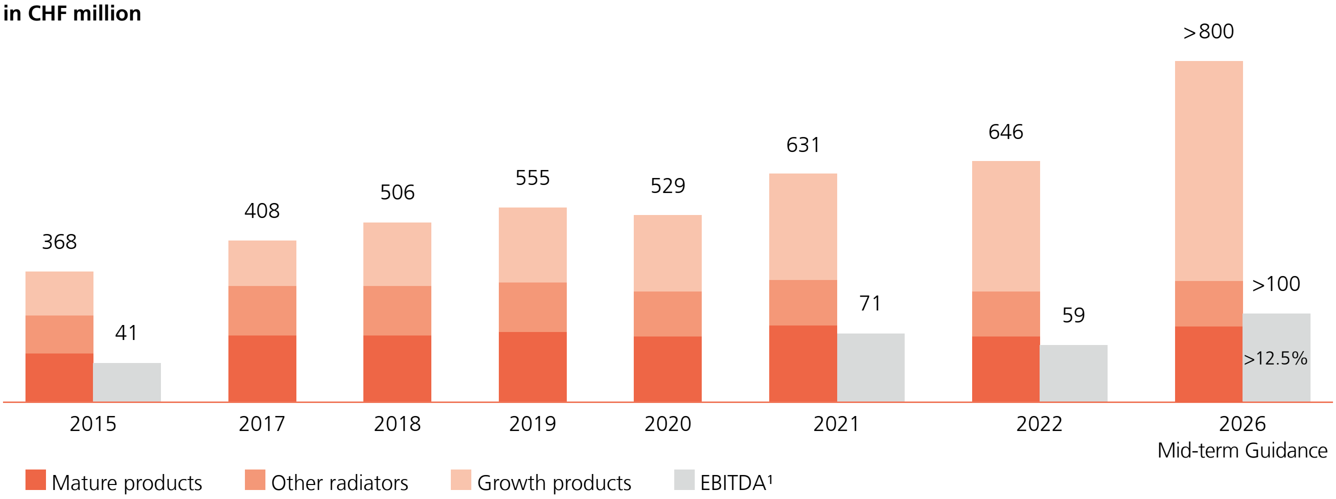
BS: At the Doors Division, we work on projects of a certain magnitude, which require agile methods and tools. Before we introduce something new, we offer the employees training and coaching. In addition, there are several stand-ups and synchronisation meetings every week in which we convey the advantages of modern working procedures directly in the project. One example: Instead of Excel, the colleagues are increasingly using tools such as Jira or Confluence for documentation. As a result, processes are streamlined and inconsistencies between different documents are minimised. Another example is the kanban board with which we display the status of a project and assign tickets to members in a project team. In our experience, the communication always remains professional, calm and constructive because all members are working with the same method and the focus is not on personal matters.

MK: I would like to add knowledge management as an important adaptation. We want to transfer the wide knowledge and the competency regarding processes that are inside people's heads to a system to which all other employees have access. With a modern ERP system, it is possible to establish a standard for this. At the same time, however, it is important to create trust in this system so that the employees also consider it their personal system.

Sustainable business strategy and market orientation

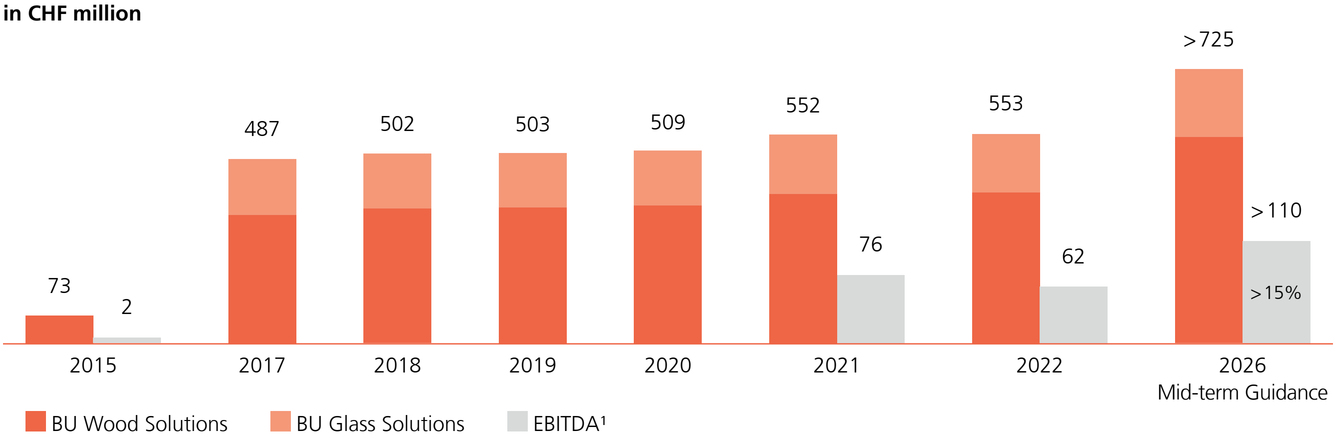
In 2021, Arbonia sold the Windows Division and integrated the Sanitary Equipment Division into the Doors Division. Since then, the product portfolio has been divided between the Heating, Ventilation and Air Conditioning (HVAC) Division and the Doors Division. In both divisions, Arbonia has been pushing the sale of projects that contribute to sustainability. Important criteria for this are energy efficiency, conserving the environment and increasing the safety for users. In addition to these general guidelines, we are pursuing quantitative goals, such as for reducing CO_2 emissions in the production as well as in the application of products.

Development of the HVAC Division
Net revenues 2015–2026
in CHF million



2015 incl. Sabiana/from 2018 incl. Tecna, Vasco/from 2021 incl. Cicsa, Termovent

Development of the Doors Division
Net revenues 2015–2026
in CHF million



From 2017 incl. Prüm, Garant/from 2018 incl. Invado, TPO/from 2021 incl. Arbonia Glassysteme/from 2022 incl. Joro

[1] Without one-time effects; EBITDA margin for 2026 according to Mid-term Guidance

Heating, Ventilation and Air Conditioning Division

The strategy of the HVAC Division is clearly oriented towards the relevant megatrends "CO_2 reduction" and "health and comfortable indoor climate". In regard to the development of the product portfolio, the focus is on growth products while simultaneously expanding the strong position in the original product groups. In the reporting year, it was possible to make targeted investments to reinforce the strategy for products and production that is based on the following four pillars:

– "Best in class" products for radiators
– Use of renewable energies with the heat pump and storage battery products
– Radiant heating and cooling for modern buildings
– Ventilation and indoor air quality

The strategy of the HVAC Division is oriented towards the climate change package of the EU Commission, which aims to reduce greenhouse gases by 55% by 2030 and a climate-neutral economic area by 2050. The division has already been pursuing a consistent strategy of further developing integrated heating systems and corresponding components with innovations for many years. This product strategy comprises modern heat generation and optimum heat transfer as well as energy storage systems for all building types and application areas. At the same time, Arbonia offers solutions for new buildings as well as the renovation market.

The division serves the market for heat pumps, which is currently growing strongly, with its new production plant in Opočno (CZ). For 2023, it is planned to install a PV system on the roof that will supply the production systems with renewable energy.

In the reporting year, the division launched a resource-friendly, highly efficient generation of the air/water pump for the lower and middle performance range. As an addition to the heat pump range, a new warm water and buffer storage tank was launched that follows a modular structure and has a high degree of pre-assembly. In addition, the division is currently developing a storage battery based on the sustainable redox flow technology that presents a future-oriented alternative to conventional lithium-ion batteries for private as well as commercial residential construction. The series production of the storage battery was started at the Stříbro (CZ) site in the fourth quarter of 2022.

In addition to the four pillars of the strategy, the HVAC Division is optimising its production footprint further. The production plant in Tubbergen (NL) was therefore closed in order to consolidate the capacities for the production of steel panel radiators. For this purpose, the highly automated Plattling (D) site was expanded to the competence centre of the division in the area of producing steel panel radiators. To make the value-added process more productive and flexible, individual press parts are marked with a lasered, unique QR code. Further projects for reducing complexity and cutting costs have also been initiated.

Doors Division

In 2021, the Sanitary Equipment Division with its shower doors and shower partitions was integrated into the Doors Division as the Glass Solutions Business Unit. In the reporting year, joint initiatives were created, in particular for market cultivation in contract sales as well as procurement.

The Wood Solutions Business Unit is pursuing a multi-year investment programme to increase productivity and expand capacities. The overarching aim is to improve delivery performance. A large part of the investments goes into expanding the capacity of the two German door plants, Prüm and Garant. Among other things, the property of the Garant production plant was purchased. Further investments concerned a second high-bay warehouse as well as a combined heat and power (CHP) plant. For the Prüm company, a new frame plant was built that was completed in the reporting year. Arbonia also invested in a spraying robot at the RWD Schlatter company and started the construction of a raw material and finished goods warehouse at this Swiss site.

After the investments that have been made, the Wood Solutions Business Unit can produce around 900 000 more doors with corresponding frames than before.

The division additionally invested in the IT and digitisation of processes. At the Invado company, the ERP system was changed over to SAP S4/HANA in the reporting year. The SAP team is currently working on the rollout for the other companies of the division (see introductory interview in the chapter, p. 78–79). The harmonisation of the ERP system will make the future cooperation between the companies more efficient and increase productivity.

In the reporting year, the division acquired 100% of joro Türen GmbH, a producer of special doors for protection against fire, smoke, noise and intruders with approvals and certifications for oversized doors. This adds to the industrial range of the division in order to meet more individual customer requirements. At the same time, this expands the contractor services business.

Product management

Our product management assigns responsibilities within the company, defines specifications for quality assurance and regulates the labelling requirement including corresponding certifications in line with technical conformity. With our measures, we especially want to extend the service life of the products. Key factors are the continuous optimisation of the quality management and the production methods, the modernisation of the machinery as well as the careful selection of suppliers with the highest standards. Corresponding training courses for employees are to continuously increase the responsibility for product quality.

The product management implements all new requirements from customers or legislators at the interface between the company and the market. These immediately flow into the product programme planning and roadmap. The sales managers of the individual markets are informed of this in close consultation. The development department implements the defined projects corresponding. The project management is additionally responsible for product compliance in regard to legal regulations and standards, ensures safety and health for (end) customers and controls the handling of problematic components such as dangerous chemicals. A large portion of our production sites operate with certifications for environmental management (ISO 14001) and energy (ISO 50001).

Key figures for product management

	2022	2021	2020
Total production volume[1] in TCHF	833 586	851 671	742 613
of which at ISO 14001 certified sites	47.8%	42.7%	41.7%
of which at ISO 50001 certified sites	71.6%	64.9%	68.8%

[1] Production costs of goods produced at the site, excluding purchases.

Heating, Ventilation and Air Conditioning Division

Interface to the market
The challenge for the product management of the HVAC Division is to implement new and already existing demands with innovative products. The division is therefore active in various bodies, such as the German Institute for Standardisation (DIN) and the Federation of German Heating Industry (BDH). This cross-sector exchange enables the division to help shape technical progress and incorporate innovations into its product management early on. In the HVAC Division, the processes and product programme planning are therefore continually adjusted and the responsible employees are trained in respect to new trends and standards as early as possible. Adapted and newly developed products also have to be documented, certified and protected with patents. For a positive perception on the market, aesthetic aspects are also taken into account in the product design, which is to supplement the technical effects from use. To increase public interest, selected innovations are presented in the framework of design contests.

Products with certification and success monitoring
At all companies of the HVAC division, the product development follows a systematic process with defined milestones. In this connection, the sales development of new products as well as qualitative feedback from the market environment allow a reliable success monitoring. These new products as well as most of the other products of the HVAC Division are subject to a product certification with the quality marks RAL and NF for radiators, EHPA for heat pumps and DINCertco approvals for underfloor heating pipes. Fan coils have mostly Eurovent certifications, while chimneys have the IMQ certificate.

Guaranteed product safety
Upon delivery of the products, customers receive instructions with corresponding safety notes on use, assembly and maintenance. In addition, the customer service of the HVAC Division can be reached via a hotline and by e-mail. For electrical work, the customer service employees of the HVAC Division pass a course that enables them to perform work on electrical devices for corresponding assembly. The division has optimised the processes for the heat pump product in particular, for which ad hoc service is necessary: In the first step, the back office provides 1st level support. If the problem cannot be solved here, the office-based technical service takes over in the 2nd level and checks the heat pump via remote maintenance – up to 70% of the problems can be solved this way. In the 3rd level, a customer service technician is tasked to check the system on site, or support is alternatively provided by a specialist in the technical department.

Doors Division

Certification and quality assurance
The internal product management of the Doors Division ensures that even highly specialised customer requirements are fulfilled in every detail and all legal regulations and common standards are observed without compromise through standards-compliant production. In this way, the sales volume for certified products can be successively increased.

Product quality is ensured at the Doors Division with the quality management system ISO 9001 as well as further certifications bodies such as ift and SIPIZ. Quality assurance monitors the materials used during manufacturing, supervises the production control and checks the manufactured parts. The assurance of the highest quality standards – the heart of the standard EN ISO 9001 – makes it possible to maximise customer satisfaction. The building products manufactured by the Doors Division are subsequently placed on the market in accordance with valid legal regulations and standards. This requires an in-house production control; the corresponding documentation is performed by the respective department of quality control at the individual companies.

Quality characteristics and conformity
The innovative spirit of the division is based on active participation in various bodies as well as on the division-wide exchange of know-how and experience. As a result, customers always receive innovative, high-quality and durable products. The shower stalls of the Glass Solutions Business Unit, for example, are characterised by exceptional durability. These products are tested in accordance with the strict standards EN 14428 (CE) and PPP 53005 (TÜV/GS). This covers characteristics such as sturdy materials, seals and easy-care use. The use of single-pane safety glass up to ten millimetres thick is documented in accordance with the standard EN 12150.

The Ciasna (PL) and Roggwil (CH) sites are certified according to the ISO standard 9001: Standardised procedures not only ensure the quality of the products but also the delivery reliability and the correct product labelling. Further seals of approval are relevant certificates for wood from sustainable forestry, the pollutant test by eco-institut, the Environmental Product Declaration (EPD) and the RAL quality mark of the German Institute for Quality Assurance.

The production controls in the factories of the individual companies are verified once a year as part of external audits. Invado, for example, successfully received the certification for sustainable forestry PEFC in the operating year. RWD Schlatter, Prüm and Garant each passed the audits of FSC, PEFC, WPK ift and WPK SIPIZ in the reporting year.

Digitisation

Digitisation brings us many advantages as Arbonia. Amongst others, it simplifies the cooperation at construction sites – for example, thanks to building information modelling (BIM) and product information management (PIM). These and other digital processes eliminate sources of error and reduce the manual effort for employees. This affects the entire value-added chain – from development to production and logistics up to administration. Basically all processes can be digitised and thereby improved. The individual companies become more competitive and attractive as a result.

Direct access to information and services as well as easier processes and shorter processing times are increasingly expected by customers, partners and employees. This helps us to work faster and more accurately and to use the time gained for activities with added value. In addition to decarbonisation, digitisation therefore impacts the operating activities the most. For example, by using all relevant SAP modules for each order, we ensure a completely automated handling process.

Digitisation therefore offers an opportunity to distinguish ourselves from the competition. The responsibility for the digitisation process lies with the divisions. Their implementation of the corresponding projects is guided by the requirements of the users. Agile working methods and the principles of lean management are applied in this process. The digitisation process already has an impact: Our digital competencies are increasingly being noticed by customers, partners and employees.

Heating, Ventilation and Air Conditioning Division

Digitisation as a competitive factor
In manufacturing, digitisation is constantly being driven forward – for example through the increased networking of the production machinery through control centre technology. Industry 4.0 and Logistics 4.0 lead to considerably increased efficiency with reduced use of resources. In product development, digitisation is also very relevant because products are increasingly networked within the division, thereby improving energy efficiency further.

In administration and sales, processes are also being gradually digitised and automated. The Kermi company, for example, is establishing a multi-channel distribution. The use of social media and the development of in-house programmed product apps is just as natural for the company as using the Intranet as a central information platform.

Digital in development and production
The Corbetta (IT) site has successfully completed the internal configuration and implementation of the new manufacturing execution system (MES) in the entire production as well as the computerised maintenance management system (CMMS). The introduction of a new production process control (digital kanban) to reduce inventories, the introduction of a warehouse management system (WMS), as well as the introduction of a new production planner and a code configurator remain objectives. By 2023, digitisation is also to be implemented in logistics. In Dilsen (BE) an upgrade of the ERP system has been

started; the go-live is planned for January 2023. Afterwards, the site intends to devote itself to implementing artificial intelligence (AI) and robotic process automation (RPA) while continuously increasing security in the area of information and communication technology at the same time. The intended objectives are checked with regular feedback from the stakeholders, comparisons with competitors and a semi-annual assessment.

Doors Division

Harmonisation of the digitisation roadmap
In addition to the comprehensive investment programme into the modern production plants, digitisation is also a focus of the Doors Division. This offers many opportunities, such as simplifying work processes and reducing errors through automation. In 2019, the Wood Solutions Business Unit initiated a digitisation roadmap along which it has since been substantially renewing the existing IT landscape, in order to make the systems ready for the future.

The core of this IT strategy is the introduction of SAP S/4 HANA as a modern and harmonised ERP system for the entire Wood Solutions Business Unit and the associated automation of the core business processes – from paper to digital. With the changeover to this uniform "foundation", the division is creating a solid basis for future growth and for further digitisation efforts (see introductory interview in this chapter, p. 78–79). A significant advantage of this uniform system is that additions and new developments only have to be created once instead of having to develop individual solutions for each company of the Wood Solutions Business Unit (e.g. MES for the production, web shop, etc.). In the reporting year, the division finished changing over the system landscape of Invado in Poland. The two German companies Prüm and Garant will now follow; their changeover was initiated in the reporting year.

Networking of machines and processes
In the course of the SAP introduction, Invado introduced a system for operating and machine data logging (MES) during the reporting year. This ensures a seamless networking of machines and business processes and increases efficiency as a result. In addition, the existing web shop of Invado is being replaced by a new, modern solution that is directly connected to the new SAP system, thereby reducing internal workload.

Efficient door calculation tool
With the introduction of DOORIT, the Prüm and Garant companies will completely digitise the offer process for their customers in the future. This is a web-based door calculation tool which is backed by up-to-date details and data. This significantly reduces error rates and time expenditure for the customer as well as for the companies (see introductory interview in the chapter, p. 78–79).

The digital twin
RWD Schlatter was able to launch a digital interface to increase customer integration in the maintenance business. The intended solution allows the customer to see the possibilities and the condition of a door online. The customer also has access to all records and documents at all times. For example, information on opening and closing cycles, moisture, vibrations and temperature can be read to determine the ideal time for maintenance.

Appendix

Report profile

With this sustainability report, Arbonia AG is publishing non-financial information on its operating activities for the third time (date of publication: 28 February 2023). It thereby enshrines ecological, social and economic sustainability in its corporate development. Arbonia documents its impacts on the climate and the environment, specifies strategic sustainability targets and reports on the degree of target achievement for the essential issues. The presentation contains overarching management approaches for the entire Group. In addition, the targets and measures are described on the level of the Heating, Ventilation and Air-Conditioning (HVAC) Division and the Doors Division.

This report has been created in accordance with the GRI Standards 2021. All information refers to the reporting period from 1 January to 31 December 2022 (in line with the financial reporting). The indicators were selected based on a materiality analysis in which various internal and external stakeholders were surveyed. As a result, twelve essential topics were defined. Four of these topics are suited as focus topics due to their high business relevance as well as their impact on the environment and people (see p. 39). Further guidelines for the content structure are ESG rating analyses, guidelines of the Sustainability Accounting Standard Boards (SASB), as well as the Sustainable Development Goals (SDGs) of the United Nations.

The key environmental figures of this sustainability report include the resource consumption of all manufacturing companies of the Arbonia Group as well as the Corporate Center in Arbon, Switzerland. Pure administration and distribution companies were not included due to their low environmental impact. The key figures in relation to employees include all companies. The key figures of the Doors Division also contain the figures of the former Sanitary Equipment Division, which was integrated in 2021, for all years. Some Arbonia sites produce for several companies, which is why the corresponding site is often given in the report instead of the brand name.

There is an annual reporting cycle – the last report was published on 2 March 2021. No significant changes were made in the reporting in comparison to the previous report. The scope of consolidation of the annual report is given on page 207 – 208.

The sustainability report has been created on behalf of Group Management and approved by the Board of Directors. It is not subject to any external audit.

GRI content index

CONTENT INDEX ESSENTIALS SERVICE 2023

The sustainability report 2022 was presented to GRI Services for performance of the "GRI Content Index – Essentials Service". It was checked that the GRI content index is presented clearly and in accordance with the standards and that the references for the disclosures 2-1 to 2-5, 3-1 and 3-2 match the corresponding contents in the report.

Use declaration	Arbonia has reported in accordance with the GRI Standards on the fiscal year 2022 starting on 01. January 2022 and ending on 31. December 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	None

Standard / Disclosure		**Location**	**Comment / Omission**
General Disclosures			
GRI 2: General Disclosures 2021			
1. 1. The organisation and its reporting standards			
2-1:	Organisational details	34, 35, 88	
2-2:	Entities included in the organisation's sustainability reporting	34, 35, 88	
2-3:	Reporting period, frequency and contact point	88, 238	
2-4:	Restatements of information	88	
2-5:	External assurance	88	
2. Activities and workers			
2-6:	Activities, value chain and other business relationships	4, 5, 11–13, 19–21, 62	
2-7:	Employees	71, 72	
2-8:	Workers who are not employees	71	
3. Governance			
2-9:	Governance structure and composition	98–113	
2-10:	Nomination and selection of the highest governance body	105–107	
2-11:	Chair of the highest governance body	38	
2-12:	Role of the highest governance body in overseeing the management of impacts	38	
2-13:	Delegation of responsibility for managing impacts	38	
2-14:	Role of the highest governance body in sustainability reporting	39, 88	
2-15:	Conflicts of interest	98–113	
2-16:	Communication of critical concerns	40	

Standard / Disclosure		Location	Comment / Omission
2-17:	Collective knowledge of the highest governance body	38	
2-18:	Evaluation of the performance of the highest governance body	33, 38, 74	
2-19:	Remuneration policies	121–131	
2-20:	Process to determine remuneration	74	
2-21:	Annual total compensation ratio		Restrictions on confidentiality: Employees' individual salaries are protected as confidential information and their disclosure, including for the purpose of statistical analysis, remains restricted accordingly.
4. Strategy, policies and practices			
2-22:	Statement on sustainable development strategy	33	
2-23:	Policy commitments	33, 38, 40, 43, 62	
2-24:	Embedding policy commitments	38, 40, 62	
2-25:	Processes to remediate negative impacts	40	
2-26:	Mechanisms for seeking advice and raising concerns	40	
2-27:	Compliance with laws and regulations	40	
2-28:	Membership associations	41	
5. Stakeholder engagement			
2-29:	Approach to stakeholder engagement	41, 42	
2-30:	Collective bargaining agreements	70, 71	
Material Topics			
GRI 3: Material Topics 2021			
3-1:	Process to determine material topics	39	
3-2:	List of material topics	39	
Innovative products & solutions			
3-3:	Management of material topics	44, 50–52	
CO_2 and Energy			
3-3:	Management of material topics	44, 53, 56, 57	
GRI 302: Energy 2016			
302-1:	Energy consumption within the organisation	54, 55	
302-3:	Energy intensity	54	
302-4:	Reduction of energy consumption	54, 55	

Standard / Disclosure		Location	Comment / Omission
GRI 305: Emissions 2016			
305-1:	Direct (Scope 1) GHG emissions	54	
305-2:	Energy indirect (Scope 2) GHG emissions	54	
305-4:	GHG emissions intensity	53, 54	
305-5:	Reduction of GHG emissions	44, 54	
Resource efficiency			
3-3:	Management of material topics	44, 58, 60, 61	
GRI 303: Water and Effluents 2018			
303-5:	Water consumption	58	
GRI 306: Waste 2020			
306-3:	Waste generated	58, 59	
Procurement and supply chain			
3-3:	Management of material topics	62, 63	
GRI 204: Procurement practices 2016			
204-1:	Proportion of spending on local suppliers	62	
GRI 308: Supplier Environmental Assessment 2016			
308-1:	New suppliers that were screened using environmental criteria	62	
GRI 414: Supplier Social Assessment 2016			
414-1:	New suppliers that were screened using social criteria	62	
Occupational health and safety			
3-3:	Management of material topics	64, 68–70	
GRI 403: Occupational health and safety 2018			
403-1:	Occupational health and safety management system	68	
403-2:	Hazard identification, risk assessment and incident investigation	68–70	
403-3:	Occupational health services	68–70	
403-4:	Worker participation, consultation and communication on occupational health and safety	69, 70	
403-5:	Worker training on occupational health and safety	68–70	
403-6:	Promotion of worker health	68–70	
403-7:	Prevention and mitigation of occupational health and safety impacts directly linked by business relationship	68	
403-8:	Workers covered by an occupational health and safety management system	68	
403-9:	Work-related injuries	68	

Standard / Disclosure		Location	Comment / Omission
Dynamic corporate culture			
3-3:	Management of material topics	70–73	
GRI 401: Employment 2016			
401-1:	New employee hires and employee turnover	70, 71	
GRI 404: Training and Education 2016			
404-2:	Programs for upgrading employee skills and transition assistance programs	71	
GRI 405: Diversity and Equal Opportunity 2016			
405-1:	Diversity in governance bodies and employees	71, 72	

Standard / Disclosure		Location	Comment / Omission
Creating and securing jobs			
3-3:	Management of material topics	73, 74	

Standard / Disclosure		Location	Comment / Omission
Compensation structure			
3-3:	Management of material topics	74	

Standard / Disclosure		Location	Comment / Omission
Cybersecurity			
3-3:	Management of material topics	64, 75	

Standard / Disclosure		Location	Comment / Omission
Sustainable business strategy and market orientation			
3-3:	Management of material topics	76, 80–82	

Standard / Disclosure		Location	Comment / Omission
Product management			
3-3:	Management of material topics	76, 82–84	
GRI 417: Marketing and Labeling 2016			
417-1:	Requirements for product and service information and labeling	82–84	

Standard / Disclosure		Location	Comment / Omission
Digitisation			
3-3:	Management of material topics	84, 85	

Glossary

Best of Reality Award: Competition for the best projects of the Czech real estate market. It evaluates and awards prizes to properties that are newly built or extensively reconstructed. Since 2019, a prize has also been awarded for the most environmentally friendly project.

BIM – Building Information Modelling: Describes a method of networked planning, execution and management of buildings and other structures using software. All relevant building data is digitally modelled, combined and collected. The building is also geometrically visualised as a virtual model.

CHP – Combined Heat and Power: The simultaneous generation of mechanical energy and usable heat that result in a joint thermodynamic process. The mechanical energy is normally directly converted into electric current. The heat is used for heating purposes. The advantage of CHP is the lower fuel requirement for the simultaneous provision of electricity and heat, which greatly reduces the emissions of greenhouse gases. CHP can be used with nearly every fuel and every heat source.

CMMS – Computerized Maintenance Management System: This software manages maintenance-relevant information in a database. This supports the daily work processes of the maintenance staff and can serve as a basis for optimisation.

Common parts: Components that can be used unchanged in different products but are not standard parts. A high percentage of common parts is the heart of the platform concept.

DEFRA – Department for Environment, Food & Rural Affairs: The British "Department for Environment, Food & Rural Affairs" is responsible for environmental protection, rural development, landscape and nature protection, sustainable development, agriculture and various aspects of animal protection.

Digital twin: A digital representative of a material or immaterial object from the real world in the digital world. Digital twins allow an overlapping data exchange. They are more than pure data, consisting of models of the represented object and can contain simulations, algorithms and services that describe characteristics of the represented object.

EcoVadis: The platform provides holistic assessments in the area of sustainability (environment, labour and human rights, ethics and sustainable procurement). On the one hand, this gives companies a better understanding of their own performance in these areas. On the other hand, companies can also see assessments of their suppliers through this platform and thereby obtain a more comprehensive picture of their supply chains.

EHPA – European Heat Pump Association: This seal of approval was created to ensure a sustainable, high quality level for heat pumps. This defines technical, planning-related, as well as service-specific quality guidelines for heat pumps in order to ensure a high energy efficiency and operational safety.

Employer branding: A strategic corporate measure to present a company as an attractive employer. The objective is essential to permanently increase the efficiency of personnel recruiting as well as the quality of applicants due to marketing effects. In addition, qualified and dedicated employees are to be retained with the company in the long term through greater identification and by establishing an emotional bond.

European Green Deal: The 27 EU member states intend to become climate-neutral by 2050 with the European Green Deal. In an initial step, the greenhouse gas emissions are to be reduced by at least 55% by 2030 compared to 1990.

EUTR – European Timber Regulation: This European timber trade regulation requires all European market participants to face their responsibility in the worldwide procurement of timber and timber products.

ESG – Environmental, Social, Governance: Environmental protection, social issues and good governance – is often equated with the term "sustainable".

FSC – Forest Stewardship Council: An international certification system for more sustainable forestry. The wood of furniture, toys, books, notebooks and pencils with the FSC symbol comes from forests that are more sustainably managed.

Green energy: Electrical energy that is generated without the climate-damaging greenhouse gas carbon dioxide (CO_2) is called green energy or eco-power. It is generated in an environmentally friendly manner, for example, with hydroelectric plants, wind turbines, or solar cells.

Greenfield approach: Stands for a completely new start with SAP S/4HANA "on a green field". This refers to complete re-engineering and the possibility of extensively simplifying processes. This is based on technological innovations.

Greenhouse Gas (GHG) Protocol Initiative: A partnership of different companies, NGOs and governments. The initiative is coordinated by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The goal of the initiative is to develop recognised standards for greenhouse gas accounting.

GRI – Global Reporting Initiative: The GRI standards for creating sustainability reports were developed to provide organisations with guidelines for creating reports on their economic, environmental and/or social impacts.

IEA – International Energy Agency: Is a cooperation platform in the area of research, development, market introduction and application of energy technologies.

ISO – International Organisation for Standardization: The International Organisation for Standardization develops international standards that help to improve the quality and safety of goods and services as well as not the least simplify trade between countries and companies.

KPIs – Key Performance Indicators: In business management, key performance indicators are defined that refer to the success, the performance, or the capacity utilisation of a company, its individual organisational units, or a machine. They show specific development opportunities and risk potentials for sustainability.

Layered buffer storage: Ensures that heat generation and heat consumption are decoupled. This means that heat can be generated independently of the time of consumption. A heat pump therefore does not have to start up each time when a radiator is turned up, for example. The layered buffer storage thus stores the thermal energy generated by the heat pump and transfers it to the heating system and to the domestic hot water.

Lean Manufacturing: Corporate philosophy that contains an effective and efficient design of production. The design of the value-added chain focuses on the areas of customer orientation and waste avoidance, which reduces costs at a company.

LkSG – Supply Chain Due Diligence Act: The German federal law controls the economic action of companies based in the Federal Republic of Germany – generally with 3 000 or more domestic employees by subjecting them to duties of care in respect to human rights within their supply chains.

MES – Manufacturing Execution System: A layer of a multi-layer manufacturing management system that operates close to the process. The MES differs from similarly effective systems for production planning, so-called ERP systems, by its direct connection to the distributed systems of the process automation and allows the guidance, steering, direction, or control of production in real time. This includes classic data collection and preparation as well as all other processes that have a prompt effect on the production process.

NDR (Network Detection and Response): describes security solutions that continuously monitor and analyse network traffic in order to identify and automatically react to suspicious data traffic. Artificial intelligence (AI) and machine learning (ML) methods are used to analyse network traffic and identify anomalies.

PEFC – Programme for the Endorsement of Forest Certification Schemes: Certification system for larger and smaller forest owners as well as wood-processing and wood-selling companies that are committed to sustainable management and fair as well as transparent trade.

PIM – Product Information Management: The provision of product information for use in different output media or sales channels as well as for different locations. The prerequisite for this is the media-neutral administration, maintenance and modification of product information in a central system in order to be able to supply each channel with consistent, accurate information without great resource expenditure.

Redox flow technology: Storage technology based on vanadium in which electrical current can be stored. This storage technology is more climate friendly because it does not require rare materials and conflict raw materials, is completely recyclable and also has a high operational safety and durability

SASB – Sustainability Accounting Standards Board: The purpose of the SASB is to develop and disseminate standards for sustainability accounting that help public companies to disclose essential, decision-relevant information for investors. It is an independent, non-profit organisation.

Scopes: To distinguish between direct and indirect emission sources, the GHG Protocol defines three areas of validity for reporting and accounting greenhouse gases.
Scope 1: All emissions that we directly cause
Scope 2: Indirect CO_2 emissions from purchased energy such as electricity, steam, district heating or cooling
Scope 3: All indirect emissions that occur along our value-added chain.

SBTi – Science Based Targets Initiative: Is an initiative of different organisations that specifies reduction targets for greenhouse gas emissions. It specifies how much and how quickly a company has to reduce its greenhouse gas emissions to limit global warming to less than 1.5 °C in line with the Paris Agreement.

SDGs – Sustainable Development Goals: The 17 goals for sustainable development are political objectives of the United Nations (UN) which are to ensure sustainable development on an economic, social, as well as ecological level throughout the world. With the Agenda 2030, all UN member states – as well as Switzerland – have committed to achieving these goals by 2030. The basic principle of the agenda is "Leave no one behind", because a sustainable development can only be successful and efficient when the poorest and most neglected populations are reached first.

SIEM – Security Information and Event Management: Performs a real-time analysis of security alarms from various sources, applications and network components and thereby serves the computer security of an organisation.

Six Sigma: A method for process improvement, statistical quality objective and at the same time a method of quality management. Primarily a procedure model for eliminating deviations. Sigma stands for the Greek letter used to represent the standard deviation in a statistical normal distribution.

Social engineering: Interpersonal influencing with the goal of provoking certain behaviours in people, for example, motivating them to reveal personal information, buy a product, or release financial resources.

Sonitus core layer: The inside of a door is also called the core and is enclosed by the frame and cover plates. Sonitus cores are primarily used with sound insulated doors. The residue of the relatively soft material is also well suited to protecting doors from scratches during transport. This makes it possible to save other protective material, or residue can be reused instead of disposed of.

UN Global Compact: A worldwide compact concluded between companies and the UN to make globalisation more social and ecological. These companies commit to observing certain social and ecological minimum standards.

Corporate Governance

This report complies with the Corporate Governance Directive (CGD) of the SIX Exchange Regulation dated 18 June 2021. Unless otherwise indicated, the disclosures apply as of 31 December 2022.

1. Group structure and shareholder base

1.1. Group structure

Board of Directors
Alexander von Witzleben Executive Chairman of the Board of Directors
Peter Barandun Vice Chairman
Peter E. Bodmer
Markus Oppliger
Heinz Haller
Michael Pieper
Thomas Lozser
Dr. Carsten Voigtländer

Konzernleitung
Daniel Wüest Group Chief Financial Officer
Alexander Kaiss CEO Heating, Ventilation and Air Conditioning (HVAC) Division
Claudius Moor CEO Doors Division

1.1.1. Operational Group structure

As of 31 December 2022, the operational Group structure of Arbonia AG comprises (1) the Heating, Ventilation and Air Conditioning Division and (2) the Doors Division with the Wood Solutions Business Unit and the Glass Solutions Business Unit (see divisional structure on page 9). Together with the Finance/Controlling/Reporting area, the two divisions form the Group's operational structure as of 31 December 2022.

As of 31 December 2022, Arbonia Group Management comprises the Group Chief Financial Officer ("Group CFO") and the CEOs of the two divisions (1) Heating, Ventilation and Air Conditioning and (2) Doors. Group Management is headed by the Executive Chairman of the Board of Directors, who is not a member of Group Management himself. Group Management is supported by Corporate Functions.

The company reports in line with IFRS on the basis of the above divisional structure. Descriptions of the divisions as of 31 December 2022 can be found on pages 9–25.

1.1.2. Scope of consolidation

The scope of consolidation of Arbonia AG, headquartered in Arbon TG ("Arbonia" or the "company") comprises the Group companies listed in the financial report on page 207 (collectively the "Group"). The name, registered office and share capital of the Group companies, as well as the interests held by the Group, are also detailed on these pages. Arbonia shares are listed at the SIX Swiss Exchange in Zurich under securities number 11 024 060 (ISIN CH0110240600). Information about market capitalisation can be found in the Supplementary Information for Investors on page 233. Other than Arbonia, none of the other Group companies included in the scope of consolidation are listed at any stock exchange in Switzerland or abroad.

1.2. Major shareholders

	31/12/2022		31/12/2021
	Voting and capital shares	Shareholding notification	Voting and capital shares
	In %		In %
Artemis Beteiligungen I AG	22.10	17/12/2016	22.09
Leo Looser	3.03	17/04/2019	3.03
UBS Fund Management AG	<3.00	16/02/2022	3.004

On 17 December 2016, Artemis Beteiligungen I AG, which is controlled by Michael Pieper, reported a shareholding of 20.02% (www.six-exchange-regulation. com/en/home/publications/significant-shareholders. html). As of 31 December 2022, the shareholding of Artemis Beteiligungen I AG amounted to 22.10%.

On 16 February 2022 UBS Fund Management (Switzerland) AG reported a shareholding of <3% (www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

On 24 March 2022 Credit Suisse Funds AG reported a shareholding of 3.02% and on 26 May 2022 a shareholding of <3%. On 26 October 2022 Credit Suisse Funds AG furthermore reported a shareholding of 3.38% and on 1 November 2022 a shareholding of <3%.

Arbonia is not aware of any shareholders' agreements among its shareholders.

1.3. Cross-shareholdings
No cross-shareholdings of more than 5% of the votes or the capital exist between Arbonia and other companies.

2. Capital structure
2.1. Capital
As of 31 December 2022, the ordinary capital of Arbonia is CHF 291 787 620.60, the conditional capital is CHF 29 148 000.00, and the authorised capital is also CHF 29 148 000.00.

The ordinary capital results from note 48 of the notes to the consolidated financial statements on page 194.

	Quantity	Nominal value	Share capital
Registered shares 31/12/2021	69 473 243	4.20	291 787 620.60
Registered shares 31/12/2022	69 473 243	4.20	291 787 620.60

2.2. Authorised and conditional capital
Authorised capital
The General Meeting on 22 April 2022 authorised the Board of Directors to increase the share capital by a maximum amount of CHF 29 148 000 by issuing a maximum of 6 940 000 fully paid-up registered shares with a par value of CHF 4.20 each at any time until 22 April 2024.

In certain circumstances, the Board of Directors can exclude in whole or parts the preferential subscription right of shareholders in favour of third parties. Shares can be issued in one or multiple stages.

The authorised and conditional capital are available on an alternative instead of a cumulative basis. If new shares are issued based on the authorised capital, the conditional capital shall also decrease by the same amount as the authorised capital.

No changes related to the authorised capital took place in 2022 (cf. 2.3).

Conditional capital
The share capital can be increased by a maximum of CHF 29 148 000 by issuing a maximum of 6 940 000 fully paid-up registered shares with a nominal value of CHF 4.20 each. These registered shares are to be issued upon exercise of option rights granted in conjunction with convertible bonds, bonds with option rights or similar forms of financing offered by Arbonia or one of its subsidiaries. Shareholders' subscription rights are excluded.

If new shares are issued based on the conditional capital, the authorised capital shall also decrease by the same amount as the conditional capital.

No changes related to the conditional capital took place in 2022 (cf. 2.3).

Group of beneficiaries, conditions, and modalities
The group of beneficiaries and the terms and conditions for issuing shares from the authorised and conditional capital are described in Article 3a and Article 3b of the Articles of Association, which can be viewed at www.arbonia.com/en/company/corporate-governance.

2.3. Changes in capital
In the last three reporting years (2020 – 2022), the share capital of CHF 291 787 620.60, which is fully paid-up and divided into 69 473 243 registered shares of a par value of CHF 4.20 each, remained unchanged.

2.4. Shares and participation certificates
The company has issued 69 473 243 registered shares at a nominal value of CHF 4.20. Each registered share grants the same entitlement to receive dividends and represents one vote at the General Meeting. No preferential rights have been granted. The company has not issued any participation certificates.

2.5. Dividend right certificates
The company has not issued any dividend right certificates.

2.6. Limitations on transferability and nominee registrations
2.6.1. Limitations on transferability
On request, purchasers and beneficiaries of registered shares are registered in the share register as shareholders with voting rights if they expressly declare that they have purchased the shares in their own name and for their own account.

2.6.2. Granting of exceptions
The company's Articles of Association do not permit any exceptions to the rule described above in section 2.6.1. Accordingly, the Board of Directors did not grant any exceptions in the reporting year.

2.6.3. Nominee registrations
Nominees are persons who, on applying for registration, do not explicitly declare that they hold the shares for their own account and with whom the Board of Directors has signed an agreement to this effect. As a matter of principle, a nominee is not entered in the share register with voting rights for more than 3% of the registered share capital entered in the Commercial Register. Beyond this limit, a nominee is only entered in

the share register with voting rights insofar as they disclose the names, addresses, and shareholdings of the persons for whose account they hold 0.5% or more of the registered share capital entered in the share register. In the event of such a disclosure, the nominee concerned is entered in the share register with voting rights up to a maximum of 8% of the registered share capital entered in the Commercial Register.

2.6.4. Procedure and requirements for limitations on transferability

Under Article 13 para. 3 of the Articles of Association (www. arbonia.com/en/company/corporate-governance), limitations on the transferability of registered shares require the approval of at least two thirds of the voting shares represented and the absolute majority of the nominal share value represented.

2.7. Convertible bonds and options

There are no outstanding convertible bonds or options issued by Arbonia.

3. Board of Directors

The Board of Directors of Arbonia consists of experts who cover the key subject areas of Arbonia as a focused building components supplier. The Board of Directors attaches due importance to the diversity of the body, reflecting one of the Group's corporate principles. When positions on the Board of Directors are filled in the future, the legal gender quotas will be taken into account.

3.1. Members of the Board of Directors

As of 31 December 2022, the Board of Directors consisted of the following members:

Alexander von Witzleben

1963, German citizen, resident in Erlenbach ZH, degree in business management, from 17 April 2015 to 30 June 2015 Chairman of the Board of Directors, from 1 July 2015 to 22 April 2022 Chairman, Delegate of the Board of Directors, and interim CEO, and since 22 April 2022 Executive Chairman of the Board of Directors (cf. 3.5). 1990–1993 KPMG Deutsche Treuhand Gesellschaft, Munich (D); 1993–1995 Head of Central Finance/Controlling JENOPTIK AG, Jena (D); 1996–2003 member of the Board of Directors, CFO, JENOPTIK AG, Jena (D); 2003–2007 Chairman of the Board of Directors, CEO, JENOPTIK AG, Jena (D); 2007–2008 member of the Board of Directors of Franz Haniel & Cie. GmbH, Duisburg (D); since 2009 Chairman of the Board of Directors at Feintool International Holding AG, Lyss and interim CEO in 2009. Since 15 June 2015, Alexander von Witzleben has been a member of the Board of Directors of Artemis Holding AG, Hergiswil. This company has a shareholding of 22.10% in Arbonia and a shareholding of 50.1% in Feintool International Holding AG, Lyss. Alexander von Witzleben was a member of the executive management of Arbonia on an interim basis until 22 April 2022. Aside from this, he has no material business relationships with Arbonia or its subsidiaries.

Other activities and vested interests: member of of the Board of Directors of KAEFER Management KG, Bremen (D); Chairman of the Supervisory Board of PVA TePla AG, Wettenberg (D); Chairman of the Supervisory Board of VERBIO Vereinigte BioEnergie AG, Leipzig (D); member of the Supervisory Board of Siegwerk Druckfarben AG & Co. KGaA, Siegburg (D); member of the Board of Directors of Artemis Holding AG, Hergiswil NW; Chairman of the Board of Directors of Feintool International Holding AG, Lyss BE.

Peter Barandun

1964, Swiss citizen, resident in Einsiedeln SZ, Executive MBA HSG, non-executive Vice Chairman of the Board of Directors since 17 April 2015 (2014–2015 non-executive member of the Board of Directors). 1985–1990 Deputy Head of Sales at Grossenbacher AG, St. Gallen; 1990–1995 Head of Sales Eastern Switzerland at Bauknecht AG, Lenzburg; 1995–1996 Head of Sales Switzerland/member of the management of Bauknecht AG, Lenzburg; 1996–2002 Director of the divisions Electrolux and Zanussi Electrolux AG, Zurich; since 2002 CEO Electrolux Switzerland/Chairman of the Board of Directors of Electrolux AG, Zurich. Peter Barandun has never been part of the executive management of Arbonia or its subsidiaries. He has no material business relationships with Arbonia or its subsidiaries.

Other activities and vested interests: Chairman of the Board of Directors of Electrolux Holding AG, Zurich ZH, and of Electrolux AG, Zurich ZH; Vice-Chairman of FEA (Swiss Association of the Domestic and Industrial Electrical Appliances), Zurich ZH; Vice-Chairman of the Board of Swiss-Ski (Swiss Ski Association), Muri near Bern BE; member of the Board of Directors of Fundamenta Group Holding AG, Zug ZG.

Peter E. Bodmer

1964, Swiss citizen, resident in Küsnacht ZH, lic. oec. publ., Executive MBA, IMD, non-executive member of the Board of Directors since 19 April 2013. 1993–1994 Head of Sales at Kaiser Precision Tooling Ltd., Rümlang; 1995–1998 Deputy Director, Head of Integration and CFO Europe at GKN Sinter Metals GmbH; 1998–2005 COO and CFO of Maag Holding AG; 2005–2012 member of Group Management at the Implenia Group; since 2011 various management and consulting mandates as Chairman and CEO of the BEKA Group. Peter E. Bodmer has never been part of the executive management of Arbonia or its subsidiaries. He has no material business relationships with Arbonia or its subsidiaries.

Other activities and vested interests: member of the Board of Directors of Peach Property Group AG, Zurich ZH; member of the Board of Directors of Kuratle Group AG, Leibstadt AG; member of the Board of Directors of Brütsch/Rüegger Holding AG, Urdorf ZH; Vice-Chairman of the Board of Directors of Helvetica Property Investors AG, Zurich ZH; member of the Board of Directors of INOVETICA Holding AG, Baar ZG; President of the Foundation Board of Innovation Park Zurich, Dübendorf ZH; President of the Foundation Board of Profond Pension Fund, Zurich ZH; member of the Foundation Board of the Wilhelm Schulthess-Stiftung, Zurich ZH; member of the Board of Directors of Klinik Schloss Mammern AG, Mammern TG; member of the Board of Directors of Nüssli (Schweiz) AG, Hüttwilen TG, active as an advisor for various companies, whereby his activities as an advisor do not present any conflict of interest with the Arbonia Group.

Markus Oppliger

1959, Swiss citizen, resident in Wangs SG, accounting and controlling expert with a federal diploma, auditor with a federal diploma, non-executive member of the Board of Directors since 19 April 2013. 1978–1983 Prefera Treuhandgesellschaft Sargans; 1983–1988 Bank in Liechtenstein/Prince of Liechtenstein Foundation; 1989–2013 at Ernst & Young, partner from 1996 and Quality & Risk Management Leader of the Advisory Services of Ernst & Young GSA (Germany, Switzerland, Austria) from 2009; various consulting mandates as an independent management consultant and owner of Oppliger Management Consulting since 2013. Markus Oppliger has never been part of the executive management of Arbonia or its subsidiaries. He has no material business relationships with Arbonia or its subsidiaries.

Other activities and vested interests: Chairman of the Board of Directors of Siga Ausstellung AG, Mels SG; Chairman of the Board of Directors of Pizolbahnen AG, Bad Ragaz SG; member of the Foundation Board of Stiftung Pizol mit Herz, Vilters-Wangs SG; judge at the commercial court of the Canton of St. Gallen, term of office 2023/2029; member of the Board of Directors of St. Gallisch-Appenzellische Kraftwerke AG, St. Gallen SG; active as an advisor for various companies, whereby his activities as an advisor do not present any conflicts of interest with the Arbonia Group.

Heinz Haller

1955, Swiss citizen, resident in Andermatt UR, MBA IMD, Lausanne, non-executive member of the Board of Directors since 25 April 2014. 1980 – 1994 various management positions at The Dow Chemical Company, Horgen / Frankfurt (D) / Midland MI (USA); 1994 – 1999 Managing Director of Plüss-Staufer AG, Oftringen; 2000 – 2001 Chief Executive Officer of Red Bull Sauber AG / Sauber Petronas Engineering AG, Hinwil; 2002 – 2006 Managing Director of Allianz Capital Partners GmbH, Munich (D); 2006 – 2010 Executive Vice-President Performance Products and Systems Divisions and DAS (Dow Agricultural Science Division) of The Dow Chemical Company, Midland MI (USA); 2010 – 2012 Executive Vice-President & Chief Commercial Officer of The Dow Chemical Company, Midland MI (USA); 2012 – 2018 Executive Vice-President of The Dow Chemical Company, President Dow Europe, Middle East, Africa & India (EMEAI). Heinz Haller has never been part of the executive management of Arbonia or its subsidiaries. He has no material business relationships with Arbonia or its subsidiaries.

Other activities and vested interests: member of the Board of Directors at Limmat Wealth AG, Zurich ZH; member of the Foundation Board of Innovation Park Zurich, Dübendorf ZH; Chairman of the Board of Directors of GETEC PARK.SWISS AG, Muttenz BL; member of the Board of Directors of the Hockey Club Ambri Piotta SA, Quinto TI.

Michael Pieper

1946, Swiss citizen, resident in Hergiswil NW, lic. oec. HSG, non-executive member of the Board of Directors since 17 April 2015. Owner and CEO of the Franke / Artemis Group since 1989; 1989 – 2012 CEO of the Franke Group, CEO of Artemis Holding AG and its worldwide group companies since 2013. Michael Pieper controls the largest shareholder in Arbonia (cf. 1.2). Michael Pieper has never been part of the executive management of Arbonia or its subsidiaries. He has no material business relationships with Arbonia or its subsidiaries.

Other activities and vested interests: member of the Board of Directors of Franke Holding AG, Aarburg AG; member of the Board of Directors of BERGOS AG, Zurich ZH; Vice-Chairman of the Board of Directors of Forbo Holding AG, Baar ZG; member of the Board of Directors of Autoneum Holding AG, Winterthur ZH; member of the Board of Directors of Reppisch-Werke AG, Dietikon ZH; member of the supervisory board of Duravit AG, Hornberg (D).

Thomas Lozser

1961, Swiss and US citizen, resident in Novi, Michigan (USA), degree in engineering from ETH, MBA, non-executive member of the Board of Directors since 13 December 2016. 1988 – 1992 various leadership positions at MPI International, Rochester Hills, Michigan (USA); 1992 – 1998 General Manager/President, Kautex Textron, Avilla, Indiana (USA); 1998 – 2000 Senior Vice President Operations, Kautex Textron, Troy, Michigan (USA); 2000 – 2002 President and shareholder, Magnetic USA Inc., Olney Illinois (USA); following the takeover by SKF USA Inc. 2002 – 2005 Vice President Sales Lineartechnik, SKF USA Inc. Bethlehem, Pennsylvania (USA); 2005 – 2010 CEO of the Coatings business unit at the former Looser Group, Arbon; independent entrepreneur since 2010. Thomas Lozser has never been part of the executive management of Arbonia. He has no material business relationships with Arbonia or its subsidiaries.

Other activities and vested interests: member of the Board of Directors of Mopec Inc., Oak Park, Michigan (USA); board observer of Helvetica Capital AG, Zurich; active as an advisor for various companies, whereby his activity as an advisor does not present any conflict of interest with the Arbonia Group.

Dr. Carsten Voigtländer

1963, German citizen, resident in Mühbrook (D), graduate in mechanical engineering, Dr. Ing. process engineering, INSEAD Advanced Management Programme, non-executive member of the Board of Directors since 12 April 2019. 1989 – 1994 research assistant at the Institut für Thermodynamik of the Technische Universität Braunschweig (D), 1994 – 2002 various management positions at Neumag GmbH, Neumünster (D): development, project management, Managing Director Technology, spokesman of the management board; 2002 – 2006 CEO of Neumag and member of management at Saurer GmbH & Co. KG, Neumünster (D); 2006 – 2009 CEO of Oerlikon Textile GmbH & Co. KG, Remscheid (D); 2009 – 2018 Managing Director of Vaillant GmbH, Remscheid (D): 2009 – 2010 CTO, 2011 – 2018 CEO and chairman of the management board. Since 2018 various consultancy, administration, and supervisory board mandates as well as owner of Voigtländer Board Advisory, Mühbrook (D). Dr. Carsten Voigtländer has never been part of the executive management of Arbonia or its subsidiaries. He has no material business relationships with Arbonia or its subsidiaries.

Further activities and vested interests: member of the Board of Directors of Behr Bircher Cellpack BBC AG, Villmergen AG; Senior Advisor of INNIO Jenbacher GmbH & Co. OG, Jenbach (AT); member of the Board of Directors of Electrolux Professional AB, Ljungby (SE); member of the Foundation Board of Friedhelm Loh Stiftung & Co. KG, Haiger (D); member of the Board of Directors of Stulz Verwaltungsgesellschaft mbH, Hamburg (D); Chairman of the advisory board of Oikos International GmbH, Schlüchtern (D); member of the supervisory board of Testo Management SE, Titisee-Neustadt (D); active as a consultant for various companies, whereby his activity as an advisor does not present any conflict of interest with the Arbonia Group.

The members of the Board of Directors have a wide variety of competences that enable them to execute their mandate in the highest governance body of Arbonia.

	Alexander von Witzleben	Peter Barandun	Peter E. Bodmer	Markus Oppliger	Heinz Haller	Michael Pieper	Thomas Lozser	Dr. Carsten Voigtländer
Management experience	×	×	×	×	×	×	×	×
Finance, audit, risk management	×		×	×	×	×	×	×
Compliance, regulations, legal	×		×	×	×			
Capital market, M&A	×		×	×	×	×	×	×
Competencies in related industrial sectors	×	×	×		×	×	×	×
Sector-specific experience	×	×	×	×	×	×	×	×
International business experience	×	×	×	×	×	×	×	×
Digitization, technologies		×	×	×	×			×
Strategy, transformation processes	×	×	×		×	×	×	×
Human resources, compensation	×	×	×		×	×	×	×
Environment, social issues, governance				×	×	×		×
Anchor shareholder representative	×					×	×	

3.2. Number of permitted mandates

Members of the Board of Directors may have a maximum of ten mandates outside the Group, of which no more than five may be with listed companies. Additionally, members of Board of Directors may exercise a maximum of five mandates for charitable organisations. Several mandates outside the Group in associated legal entities that are controlled by the same person are regarded as one mandate. More details on the rules for the number of permitted mandates can be found in Article 29 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).

3.3. Election and term of office

The Chairman of the Board of Directors and the other members of the Board of Directors are individually elected by the Annual General Meeting for a term of office of one year. Re-election is possible. The terms of office of the current members of the Board of Directors are as follows:

Director	Year of birth	First election	End of the term of office
Alexander von Witzleben, Chairman	1963	2015	2023
Peter Barandun, Vice Chairman	1964	2014	2023
Peter E. Bodmer	1964	2013	2023
Markus Oppliger	1959	2013	2023
Heinz Haller	1955	2014	2023
Michael Pieper	1946	2015	2023
Thomas Lozser	1961	13/12/2016*	2023
Dr. Carsten Voigtländer	1963	2019	2023

* The election took place on 1 November 2016 and the assumption of office took place on 13 December 2016.

3.4. Internal organisation
3.4.1. Allocation of tasks within the Board of Directors
The Executive Chairman of the Board of Directors is Alexander von Witzleben and the Vice Chairman is Peter Barandun. Markus Oppliger acts as Lead Director. The Board of Directors is supported by an Audit Committee and a Nomination and Compensation Committee. In his role as Executive Chairman of the Board of Directors, Alexander von Witzleben heads Group Management.

3.4.2. Committees of the Board of Directors
The duties, responsibilities, and working procedures of the committees are laid down in the by-laws (www arbonia.com/en/company). The Board of Directors appoints the members of the committees, with the exception of the Compensation Committee, whose members are elected by the General Meeting. The chairpersons of the committees are appointed by the Board of Directors.

3.4.2.1. Audit Committee
The Audit Committee is convened by the Chairperson as often as business requires, but at least three times a year. It consists of three members. Two members of the Audit Committee are non-executive and independent. Alexander von Witzleben is simultaneously Executive Chairman of the Board of Directors. All members of the Audit Committee have experience in finance and accounting.

The Audit Committee reviews the effectiveness of the external and internal auditors, the internal control system including risk management, the compliance with standards from a financial and legal perspective, the accounting system, the financial reports and the performance, fees and independence of the external auditors. It draws up a recommendation to the Board of Directors regarding the submission of the financial statements to the General Meeting. Within the scope of these duties, the Audit Committee has comprehensive rights of inspection and information. It may order investigations and consult external advisors.

Reporting to the Audit Committee is Internal Audit, which performs an independent, Group-wide auditing and monitoring role (cf. 3.6 below). The Audit Committee is authorised to make decisions regarding the tasks entrusted to it provided that the respective matter does not concern a non-delegable duty of the Board of Directors pursuant to Article 716a of the Swiss Code of Obligations. The committee may submit issues within the scope of its decision-making powers to the Board of Directors.

The committee consists of the following members:
– Markus Oppliger, Chairman
– Alexander von Witzleben
– Peter E. Bodmer

The Audit Committee met three times during the reporting year. Of these meetings, two were held as a video conference for some of the participants. The Group CFO, the external auditors and Internal Audit attended all three of the meetings. One of the three meetings was combined with a site visit. At the subsequent meeting of all members of the Board of Directors, the Chairman reports on the findings and resolutions of the Audit Committee. The meetings of the Audit Committee lasted two and a half hours on average. The attendance rate for all three meetings was 100%. The Chairman of the Audit Committee and the Head of Internal Audit regularly held additional meetings to discuss the findings of Internal Audit and its duties in detail. In the reporting year, the Audit Committee dealt with, in addition to the annually recurring topics, among other things the energy crisis and the corresponding measures to be taken, the new reporting obligation concerning non-financial matters and the new due diligence and reporting obligations in the areas of conflict minerals and child labour, the new Swiss corporate law and the associated changes in the Articles of Association and the by-laws, as well as the BEPS 2.0 project of the OECD and its effects on the company.

3.4.2.2. Nomination and Compensation Committee
The members of the Compensation Committee were elected by the General Meeting, which took place on 22 April 2022. The members of the Compensation Committee also take care of the duties of the Nomination Committee. Two members of the Nomination and Compensation Committee are non-executive and independent. Alexander von Witzleben is simultaneously Executive Chairman of the Board of Directors.

The Nomination and Compensation Committee is convened by the Chairperson of the committee as often as business requires, normally two to three times a year. The Nomination and Compensation Committee gives the Board of Directors recommendations regarding the Group's salary policy and compensation system, among other things. The Nomination and Compensation Committee determines the salaries of the individual members of Group Management. It approves, in principle, bonus programmes and profit-sharing schemes for employees as well as pension fund solutions and benefit plans. The Nomination and Compensation Committee is also responsible for the preparation of the Compensation Report and the request to all members of the Board of Directors for approval of the compensation of the members of the Board of Directors and Group Management for the attention of the General Meeting. Furthermore, the Nomination and Compensation Committee determines the principles for the selection of candidates for election to the Board of Directors and Group Management. It identifies suitable candidates for the Board of Directors and Group Management and conducts the requisite selection procedures. The Nomination and Compensation Committee also determines the principles for the management and development of the members of the Board of Directors and Group Management. It assists the Board of Directors in self-assessment and assesses the performance of the members of Group Management. In the reporting year, the Nomination and Compensation Committee, in addition to the annually recurring topics in connection with the compensation, was primarily occupied with the introduction of an ESG target into the bonus system of Group Management and the legal gender quotas for the Board of Directors and Group Management.

Essentially, the Nomination and Compensation Committee fulfils a supporting and preparatory function for the benefit of all members of the Board of Directors.

The Nomination and Compensation Committee is only authorised to make decisions regarding the tasks expressly delegated to it under the Group's regulation of powers. The full Board of Directors decide on matters not expressly delegated to the Nomination and Compensation Committee under the regulation of powers. The committee may submit issues within the scope of its decision-making powers to the Board of Directors.

The Nomination and Compensation Committee consists of the following members:
– Peter Barandun, Chairman
– Alexander von Witzleben
– Heinz Haller

The Nomination and Compensation Committee met twice during the reporting year. The meetings lasted for one hour on average. The attendance rate was 100% for both meetings. The Group CFO attended both meetings. At each subsequent meeting of all members of the Board of Directors, the Chairman reports on the findings and resolutions of the Nomination and Compensation Committee. The meeting minutes of the Nomination and Compensation Committee are provided to all members of the Board of Directors for inspection.

3.4.3. Working procedures of the Board of Directors

The Executive Chairman convenes the Board of Directors as often as business requires, but at least four times a year. During the reporting year, the Board of Directors met for five ordinary meetings and one extraordinary meeting. One of the five ordinary meetings was combined with a site visit, and at three ordinary meetings, some of the participants joined via video conference. The extraordinary meeting was held entirely as a video conference. In the reporting year, the Board of Directors also passed one resolution by circular letter. Ordinary meetings of the Board of Directors usually last half of a day. The extraordinary meeting lasted for one and a half hours. All six meetings in the reporting year were attended by all members of the Board of Directors.

In the reporting year, the Board of Directors performed its duties directly. The Group CFO and the members of Group Management also attended the five ordinary and the one extraordinary meeting. Managers are regularly invited to meetings to discuss issues that fall within their field of responsibility or scope of activities.

The Board of Directors reviews its operability and discusses its performance on various occasions in executive sessions that usually take place at the end of every meeting.

3.5. Regulation of powers

The Board of Directors is responsible for guiding, supervising, and monitoring management. It represents the company externally and attends to all matters that are not transferred to another body within the company on the basis of legislation, Articles of Association, or by-laws.

The Board of Directors delegated the administration of Group Management to the Chairman in accordance with Article 15 para. 2 of the Articles of Association (www.arbonia.com/en/company/corporate-governance). The therefore Executive Chairman of the Board of Directors remains solely a member of the Board of Directors and does not become a member of Group Management.

The Board of Directors enacts the necessary rules, instructions, and guidelines and establishes the organisational structure and risk policy.

The main duties of the Board of Directors as of 31 December 2022 were:
– Guidance of the Group and issuing of necessary instructions;
– Establishment of the Group's organisational structure;
– Appointment and dismissal of persons entrusted with management;
– Supervision of persons entrusted with management of the company, specifically with regard to following legislation, Articles of Association, regulations, and instructions;
– Structuring of the accounting system, financial control, and financial planning;
– Preparation of the Annual Report and the Compensation Report, as well as preparation for the General Meeting and implementation of its resolutions;
– Preparation of compensation requests for the General Meeting;
– Determination of the capital structure of the company;
– Issue of bonds, participation certificates, convertible bonds and options, as well as determination of the terms and conditions;
– Determination of the strategy of the company, the divisions and the subsidiaries;
– Decisions concerning investments, joint ventures, real estate and participations, where these are of particular importance to the company and exceed a certain level;
– Annual risk assessment for the company;
– Notification of the court in the event of over-indebtedness.

The division of powers between the Board of Directors and Group Management is set out in detail in the by-laws (www.arbonia.com/en/company) and in the regulation of powers. Unless otherwise stated in legislation, the Articles of Association or by-laws, the Board of Directors otherwise delegates management entirely to Group Management, headed by the Executive Chairman of the Board of Directors, pursuant to Article 2.5 of the by-laws (www.arbonia.com/en/company).

The Executive Chairman of the Board of Directors is responsible for convening and presiding over the meetings of Group Management. He leads Group Management within the framework of the resolutions of the Board of Directors with a view to achieving the budget and the medium-term planning as well as the strategic goals. The members of the Board of Directors directly report to the Executive Chairman of the Board of Directors.

The Executive Chairman of the Board of Directors furthermore attends the monthly business review meetings, which are held separately for the Heating, Ventilation and Air Conditioning Division and the Doors Division. Business review meetings cover topics including the current course of business and ongoing issues in the areas of marketing & sales, operations, purchasing, research & development, as well as merger & acquisition. At the business review meetings, any proposals that the divisions intend to submit to Group Management and, where appropriate, the Board of Directors are discussed in advance.

The Executive Chairman of the Board of Directors furthermore represents or presents Arbonia together with the Group CFO and the Head of Corporate Communications & Investor Relations at investor and analyst events.

The Executive Chairman of the Board of Directors regularly reports to the Board of Directors regarding important business and without delay in the event extraordinary developments.

3.6. Information and control instruments vis-a-vis the management

Through various channels, the Board of Directors is regularly updated on the activities of Group Management and the divisions. The management information system (MIS) provides the members of the Board of Directors with key information about the financial and income situation of the Group on a monthly basis. The Executive Chairman of the Board of Directors reports regularly to the Board of Directors during ordinary meetings of the Board of Directors and without delay in the event of extraordinary developments. The members of Group Management regularly attend ordinary meetings of the Board of Directors and report on the course of business in their areas. As a rule, the members of the Board of Directors may request any additional information required to carry out their tasks.

The external auditors provide the Audit Committee with information on the main findings of the audit. Regular contact also takes place between the Chairperson of the Audit Committee, the Group CFO, and the Head of Internal Audit (cf. 3.4.2.1). Where required, the Chairman of the Audit Committee also informs the other members of the Board of Directors regarding his findings.

The principal role of Internal Audit is to monitor processes and structures throughout the Group. In addition, Internal Audit is also responsible for the riskmanagement process. Internal Audit summarises the audits it is to carry out in an annual audit plan. This audit plan also incorporates the identified risks as part of the risk management process that is performed every year in both divisions and in Corporate Functions. Each audit plan is approved by the Audit Committee. The Audit Committee also assigns special audit mandates to Internal Audit as and when required. The respective audit findings are discussed with the Audit Committee and communicated to the Board of Directors in writing. During the reprorting year, the Internal Audit provided the members of the Board of Directors with 10 audit reports. If material risks are identified, measures are defined to reduce them. Internal Audit adopts a systematic approach to monitoring risks and measures and carries out its work in accordance with the international standards governing internal auditors' professional duties. It regularly reports to the Audit Committee and Board of Directors on the scale of risks and any changes to the risk situation as well as the status of measures implemented. The Board of Directors received a total of four written reports on the implementation of measures during the reporting year. The external auditors also have access to all audit reports and the reports from the ongoing monitoring of risks and measures. Additionally, Internal Audit issued three Internal Audit status reports informing the Audit Committee and the Board of Directors about the key findings from the audits and the current status of the internal control system (ICS).

Furthermore, the Audit Committee and Board of Directors receive information concerning the results of the risk management process.

The Audit Committee is also informed about incoming whistleblowing reports. Three internal reporting offices are available for reports of this kind. All Arbonia employees are requested to report any violations of the Code of Conduct of which they become aware (www.arbonia.com/en/company/corporate-governance).

4. Group Management

4.1. Members of Group Management

As of 31 December 2022, Group Management consisted of the following members:

Daniel Wüest

1970, Swiss citizen, Master of Arts (lic. oec. publ.) in economics with specialisation in Finance and Banking, Group Chief Financial Officer (Group CFO) since 2019; 2014 – 2019 Head of Mid-Market Advisory Switzerland, UBS Switzerland AG, Zurich; 1997 – 2014 various positions at UBS Investment Bank Zurich: most recently from 2009 – 2014 as Managing Director Investment Banking.

Further activities and vested interests: board member of SwissHoldings, the Federation of Swiss-based Multinational Enterprises, Bern BE; board member of the Association of Swiss CFOs, Zurich ZH.

Alexander Kaiss

1969, German citizen, graduate mechanical engineer, Chief Executive Officer of the Heating, Ventilation and Air Conditioning Division since 1 July 2021, 2018 – 2020 Chief Operating Officer of the Heating, Ventilation and Air Conditioning Division, 2013 – 2017 Head of Technology of the Heating Technology Business Unit, 2001 – 2012 plant manager Kermi s.r.o., 1997 – 2001 Head of Engineering Department Shower Stalls Kermi GmbH; 1995 – 1997 production scheduling engineer for airbag control units (automobile technology division) SIEMENS AG.

Other activities and vested interests: member of the board of directors of the Federation of German Heating Industry (BDH), Cologne (D); chairman of the board of directors of the Quality Association Steel Radiators, Cologne (D).

Claudius Moor

1983, Swiss citizen, Master in Information, Media and Technology Management, University of St. Gallen (HSG), Chief Executive Officer of the Doors Division since 2020 and since 2019 Managing Director Sales & Marketing Prüm and Garant, 2017 – 2020 member of the Doors Division management; 2015 – 2017 Head of Group Strategy and Company Development; 2010 – 2015 business consultant and project manager at the Boston Consulting Group; 2005 – 2010 founder and owner of Moor Business Support; 2002 – 2005 financial accounting clerk at General Dynamics European Land Systems – Mowag GmbH.

Other activities and vested interests: chairman of the advisory board of KIWI.KI GmbH, Berlin (D).

4.2. Number of permitted mandates

Members of Group Management may have a maximum of five mandates outside the Group, of which no more than one may be with a listed company. More details on the regulation for the number of permitted mandates can be found in Article 29 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).

4.3. Management contracts

Arbonia has not signed any management contracts with companies or natural persons outside the Group.

5. Compensation, shareholdings, and loans

5.1. Content and determination procedure for compensation and the shareholding programme

The basis and elements of compensation and the shareholding programmes as well as the procedure for their determination are presented in the Compensation Report on pages 122 – 1274 (cf. 3 and 4 of the Compensation Report).

5.2. Principles of performance-related compensation, the allocation of shares, and the determination of the additional amount

The variable compensation of members of Group Management depends on the company results. The success criteria comprise business-related targets. If the targets are achieved in full, 100% of the nominal bonus agreed in individual contracts is paid out. If the targets are exceeded, the variable compensation may exceed the nominal bonus determined by individual agreement up to a maximum amount. If achievement of the targets lies below a particular threshold, no variable compensation is paid. The variable compensation amounts to a maximum of 150% of the fixed compensation. According to Article 23 and Article 24 para. 2 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), the Board of Directors is authorised in special situations to award additional compensation to a member of Group Management that can be paid in cash and/or in the form of shares blocked for four years. Further explanations are found in the Compensation Report on page 124 – 127 (cf. 4 of the Compensation Report).

The Board of Directors determines the details of the assignment of shares to the members of the Board of Directors and Group Management in a share-based payment programme. Article 25 of the Articles of Association contains information on what the share-based payment programme covers www.arbonia.com/en/company/corporate-governance).

An additional amount is available for the compensation of newly appointed members of Group Management or members of the Board of Directors who take on new management tasks corresponding to a member of Group Management if the compensation already approved for the period involved is insufficient. This additional amount may not exceed 80% of the approved total compensation for Group Management for the person who is in charge of management and 40% each for every other person entrusted with management tasks for the period involved. This rule can be found in Article 27 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).

5.3. Loans, credit, and pension benefits

According to Article 26 of the Articles of Association, Arbonia shall no grant the members of the Board of Directors and Group Management any loans, credit, or pension benefits outside the occupational pension scheme or securities. Exempt from this are advances of social security and tax charges for persons subject to withholding tax (www.arbonia.com/en/company/corporate-governance).

5.4. Rules concerning voting at the General Meeting on compensation

Based on Article 23 para. 2 of the Articles of Association, the Board of Directors allows the General Meeting to approve the maximum compensation of the Board of Directors for the year of office ending at the corresponding General Meeting as well as the maximum fixed and variable compensation for Group Management for the past financial year retrospectively. Every year, the Board of Directors submits the Compensation Report for the past financial year to the General Meeting for consultative (non-binding) approval. More details on compensation voting can be found in Article 23 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).

6. Shareholders' participation right

The Articles of Association do not contain any regulations that deviate from the law with regard to participation in the General Meeting and exercise of voting rights. Each share registered in the share register entitles the holder to one vote. Every shareholder may be represented at the General Meeting by a proxy furnishing written power of attorney or by the independent proxy (with written or electronic power of attorney).

According to Article 12 of the Articles of Association, the Board of Directors determines the requirements for the power of attorney and instructions for the independent proxy. Under this regulation, the Board of Directors is also entitled to determine the requirements for electronic voting (www.arbonia.com/en/company/corporate-governance).

6.1. Statutory quorums

Under Article 13 item 9 of the Articles of Association, registered shares may only be converted into bearer shares by a resolution at the General Meeting, approved by at least two thirds of the voting shares represented and the absolute majority of the nominal share value represented. Under Article 12 para. 6 of the Articles of Association, in the event of votes which do not produce a result in the first round, the relative majority shall decide in the second round. Apart from this, the Articles of Association do not contain any regulations that deviate from the law (www.arbonia.com/en/company/corporate-governance).

6.2. Convocation of the General Meeting

The Articles of Association do not contain any regulations that deviate from the law.

6.3. Inclusion of items on the agenda

Shareholders who individually or together hold CHF 1 000 000 of nominal share capital are entitled to submit a written request for inclusion of an item on the agenda. Such requests must be submitted to the Board of Directors in writing, specifying the motions, at least 40 days before the date of the General Meeting.

6.4. Entries in the share register

When sending invitations for the General Meeting, the Board of Directors will announce the date up to which entries can be made in the share register with regard to participation in the General Meeting.

7. Change of control and defence measures

7.1. Duty to make an offer

A purchaser of company shares must make a public offer as stipulated by Article 135 para. 1 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinfraG). There is no opting-out clause (Article 125 para. 3 and para. 4 of the FinfraG) or opting-up clause (Article 135 para. 1 of the FinfraG).

7.2. Change-of-control clauses

Arbonia has no agreements or plans for the benefit of members of the Board of Directors and/or Group Management or other members of senior management that contain change-of-control clauses. However, the share-based payment programme for members of Group Management and the Board of Directors allows the Board of Directors to cancel the vesting period for the transfer of the granted shares in the event of a change of control.

8. Statutory auditors

8.1. Duration of the mandate and term of office of the lead auditor

8.1.1. Date of assumption of the existing mandate

On 28 April 2017, the General Meeting elected KPMG AG, St. Gallen, as the new statutory auditor. It audited the 2022 Financial Statements and the consolidated financial statement of Arbonia.

8.1.2. Assumption of office of the lead auditor

Kurt Stocker has held the position of lead auditor since 28 April 2017.

8.2. Auditing fees

In 2022, the various statutory auditors billed a total of CHF 1 072 000 (previous year: CHF 1 220 000) for auditing the financial statements and consolidated financial statement of Arbonia and the financial statements of the Group companies. Of this amount, the statutory auditor KPMG AG accounted for CHF 964 000 in 2022 (previous year: CHF 1 082 000).

8.3. Additional fees

In 2022, the statutory auditor KPMG AG and other statutory auditors of Group companies billed CHF 351 000 (previous year: CHF 1 093 000) for additional services, of which CHF 338 000 (previous year: CHF 1 076 000) was attributable to KPMG AG. Of the additional services provided by KPMG AG in 2022, CHF 281 000 was for tax advice, and CHF 57 000 was for other services.

8.4. Informational instruments pertaining to the external auditors

The external auditors attended a total of three meetings of the Audit Committee in the reporting year. The Audit Committee monitors the qualification, independence, and performance of the external statutory auditors on behalf of the Board of Directors and reports to the Board of Directors on its findings. In the reporting year, the Audit Committee oversaw the activities of the external statutory auditors by having the reports on the Financial Statements, consolidated financial statement and the comprehensive report explained directly by the statutory auditors (cf. 3.4.2.1). The external auditors and Internal Audit also regularly discuss the methodology and further development of the internal control system (ICS). The internal and external auditors closely cooperate in assessing the substance of the ICS under Article 728a of the Swiss Code of Obligations and evaluating the effectiveness and efficiency of the ICS. The following factors are considered in the choice of external auditors: professional expertise, international network (representation in the relevant countries), value for money, industry experience as well as continuity, and rapid availability of the audit team.

At the request of the external statutory auditor, the Audit Committee approves the audit fees and reviews them in light of developments in the previous year and an assessment of performance to ensure that they are appropriate. In accordance with the law, the external auditors' lead auditor is rotated at least once every seven years.

9. Information policy

Arbonia pursues an open information policy towards the public and financial markets, based on the principles set out in the SIX Exchange Regulation listing rules and directives and in the Swiss Code of Best Practice for Corporate Governance. By means of the Annual Report, Arbonia provides information about business performance, organisation, and strategy. Integral parts of the Annual Report are the Management Report starting on page 3, the Sustainability Report starting on page 27, and the Compensation Report starting on page 115. Arbonia's First Semester Financial Report contains the consolidated income statement, statement of comprehensive income, balance sheet, cash flow statement, and statement of changes in equity. During the reporting year, Arbonia published four press releases. In addition to this, Arbonia gives comprehensive reports on its operating activities at its annual financial media and analyst conference. Arbonia also fosters dialogue with investors and the media at special events and roadshows.

Arbonia's contact details are as follows:

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Amriswilerstrasse 50, 9320 Arbon, Switzerland
T +41 71 447 41 41
holding@arbonia.com

All company information is available on the website www.arbonia.com. Interested parties can subscribe to press releases at www.arbonia.com/en/press-releases/susbscribe-to-press-releases, and Arbonia publications can be ordered at www.arbonia.com/en/downloads/order-publications. All published press releases can be found at www.arbonia.com/en/press-releases.

The calendar of events is provided on page 238 of the annual report and on the Arbonia website at www.arbonia.com/en/investors.

10. Blackout periods

Arbonia regulates the ordinary and extraordinary blackout periods in the Guidelines on the Prevention of Insider Trading and Market Manipulation. The ordinary blackout periods are ordered before the publication of the annual and half-year results respectively. The members of the Board of Directors, Group Management and division management, including their assistants as well as all other employees who have access to the financial figures of Arbonia, in particular, employees in the areas of controlling, investor relations, and communications, are informed by e-mail of 1.) the beginning of a blocking period, 2.) its duration, 3.) the trading ban on Arbonia securities, and 4.) the prohibition against providing tips to third parties. At total of around 55 persons are affected by the ordinary blocking periods. The blocking period in respect to the publication of the annual results begins on the Friday before Christmas and lasts up to and including the day of publication. The blocking period in respect to the half-year results begins on 30 June and lasts up to and including the day of publication.

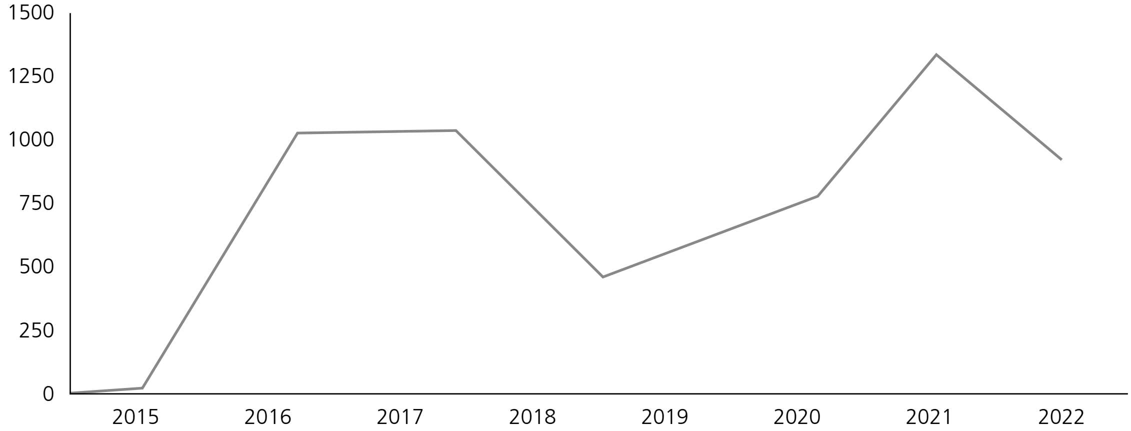
Compensation Report

This Compensation Report presents the compensation governance, the principles of the compensation system, as well as the structure of the compensation of the Board of Directors and Group Management of Arbonia AG (in the following "Arbonia"). In addition, this report contains information on the compensation of the Board of Directors and Group Management in the financial year 2022, on the roles with economic purpose that the members of the Board of Directors and Group Management exercise at other companies, and on the shareholding rights held by the members of the Board of Directors and Group Management.

The information contained in the Compensation Report on the compensation of the Board of Directors and Group Management in the financial year 2022 has been reviewed by the statutory auditor. The audit report is found on pages 134–135.

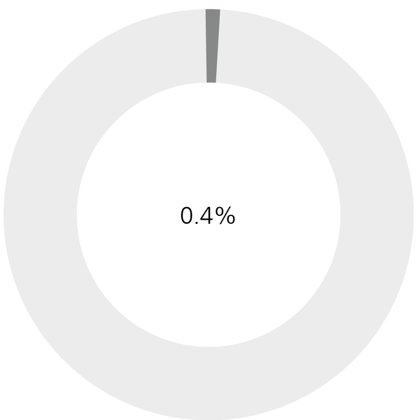
The Compensation Report has been compiled in accordance with the regulations on compensation at companies whose shares are listed at a stock exchange in the Swiss law that supplements the Swiss Civil Code (Part Five: Code of Obligations) in the fourth section on corporate law (in the following "Code of Obligations") and the directive on information relating to corporate governance (RLCG) of 18 June 2021 of the SIX Exchange Regulation. The information relates to the reporting year 2022 unless otherwise indicated.

Market capitalisation
In CHF million as of 31 December

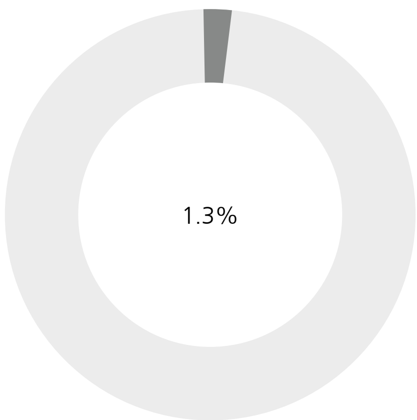


Total compensation¹

Share of the total costs of the Group²



Share of personnel expenses of the Group



¹ Members of the Board of Directors and of Group Management
² Personnel costs, material costs, other expenses

Motions to the General Meeting 2023
in 1 000 CHF

Total compensation
Board of Directors
2 165

Total compensation
Group Management
3 147

1. Governance

1.1. Membership of the Nomination and Compensation Committee

According to the Articles of Association of Arbonia www.arbonia.com/en/company/corporate-governance; in the following "Articles of Association") and the by-laws (www.arbonia.com/en/company/corporate-governance), the Nomination and Compensation Committee is comprised of two or more members.

The members of the Nomination and Compensation Committee are elected by the General Meeting for one year of office each time. The Chairman of the Nomination and Compensation Committee is appointed by the Board of Directors at the request of the committee members.

At the ordinary General Meeting of 22 April 2022, Peter Barandun, Alexander von Witzleben, and Heinz Haller were re-elected as members of the Nomination and Compensation Committee. At the constituent meeting of the Board of Directors on 22 April 2022, Peter Barandun was again appointed Chairman of the Nomination and Compensation Committee.

In the year of office 2022/2023, the Nomination and Compensation Committee consisted of the following:

Members	Roles
Peter Barandun	– Chairman of the Nomination and Compensation Committee – Vice Chairman of the Board of Directors
Alexander von Witzleben	– Member of the Nomination and Compensation Committee – Member of the Audit Committee – Executive Chairman of the Board of Directors from 22 April 2022
Heinz Haller	– Member of the Nomination and Compensation Committee – Member of the Board of Directors

The Chairman as well as a further member of the Nomination and Compensation Committee are independent and non-executive members of the Board of Directors. Alexander von Witzleben was the delegate of the Board of Directors and interim CEO until 22 April 2022 and has been Executive Chairman of the Board of Directors since 22 April 2022.

1.2. Responsibilities

The Nomination and Compensation Committee is responsible for the Group's compensation policy, especially at the top corporate level. In addition, the committee assists the Board of Directors in identifying and selecting candidates for the Board of Directors and Group Management. The duties and powers of the Nomination and Compensation Committee are set out in the Articles of Association (www.arbonia.com/en/company/corporate-governance), in the by-laws (www.arbonia.com/en/company) as well as in the regulation of powers. The committee submits motions to the Board of Directors for decision and makes proposals and recommendations.

The responsibilities of the Nomination and Compensation Committee include, i.a.:

- Periodic review of the salary policy and the compensation system
- Yearly review of the compensation of the Board of Directors and Group Management
- Assessment of the performance of the members of Group Management
- Identification of candidates for the Board of Directors and Group Management
- Determination of the principles for managing and developing the members of the Board of Directors and Group Management

The responsibilities for the most important compensation issues at the level of the General Meeting, the Board of Directors, and Nomination and Compensation Committee are presented in the following table:

Topic	**General Meeting**	**Board of Directors**	**Nomination and Compensation Committee**
Development and periodic review of the salary policy and the compensation system		Decision	Motion
Determination of a bonus- and share-based payment programme		Decision	Motion
Determination of the compensation of the Board of Directors (Chairman, Vice Chairman, members of the Board of Directors, committee chairman, committee members)		Decision	Motion
Individual determination of the compensation of the Executive Chairman of the Board of Directors and the members of Group Management		Decision	Motion
Definition of the targets for the current financial year		Decision	Motion
Individual assessment of the performance of the Executive Chairman of the Board of Directors and the members of Group Management and determination of the variable compensation based on the respective target achievement		Decision	Motion
Retrospective approval of the total compensation of the Board of Directors and Group Management	Approval	Motion to the General Meeting	Motion
Compensation Report	Advisory voting	Motion to the General Meeting	Motion

1.3. Meetings, information policy, and abstention regulations

The Nomination and Compensation Committee convenes as often as necessary, however, at least twice a year. In the reporting year, the members of the Nomination and Compensation Committee met for two meetings. The meetings lasted for one hour on average. The attendance rate was 100% for both meetings.

In the reporting year, the Nomination and Compensation Committee, in addition to the annually recurring topics in connection with the compensation, focused on 1.) the introduction of an ESG target to the bonus system of Group Management and 2.) the legal gender quotas for the Board of Directors and Group Management. This topic was added as a permanent item to the agenda of the Nomination and Compensation Committee from now on.

Members of the Board of Directors not on the committee are kept informed about current topics as well as any significant resolutions and measures by the Chairman of the Nomination and Compensation Committee at the subsequent meeting of all members of the Board of Directors following each committee meeting. The minutes of the meetings of the Nomination and Compensation Committee can be reviewed by the entire Board of Directors.

The Group CFO is normally invited to the meetings of the Nomination and Compensation Committee, for which he has an advisory function. The Group CFO attended all meetings in the reporting year. The Chairman of the Nomination and Compensation Committee can invite further managers to the meetings if necessary.

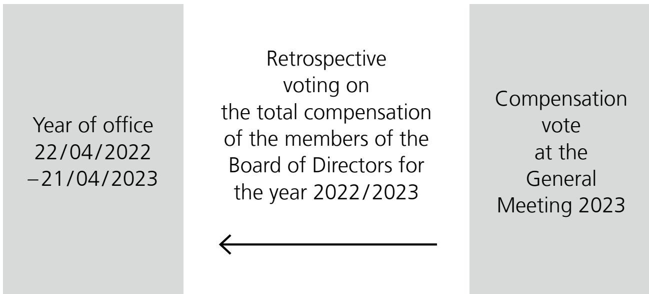
Alexander von Witzleben abstains and leaves the meeting room when his own performance or compensation in his role as Executive Chairman of the Board of Directors is discussed. The Group CFO as well as other managers present also leave the meeting room when their performance or compensation is discussed.

1.4. Involvement of the shareholders

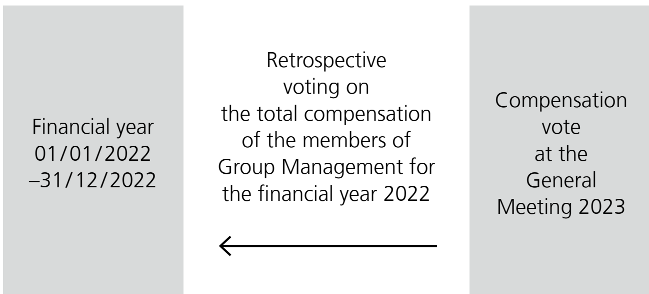
In the Compensation Report, Arbonia fulfils its legal disclosure requirements to the full extent and transparently discloses its governance in compensation issues, its compensation principles and, its compensation system as well as the specific implementation in the respective reporting year. The Board of Directors submits the Compensation Report to the shareholders according to Article 23 para. 7 of the Articles of Association (www.arbonia.com/en/company/corporate-governance) for consultative (non-binding) approval every year at the Ordinary General Meeting.

In addition to the Compensation Report, the Board of Directors submits the total compensation of the members of the Board of Directors and Group Management to the General Meeting for approval, as specified in Article 735 of the Code of Obligations and in Article 23 of the Articles of Association (www.arbonia.com/en/company/corporate-governance). The two compensation votes are made retrospectively; in other words, the shareholders approve the total amount of compensation of the members of the Board of Directors for the year of office ending at the respective General Meeting on the one hand and the total amount of compensation of the members of Group Management for the financial year prior to the General Meeting in question on the other hand.

Voting on the total compensation of the members of the Board of Directors



Voting on the total compensation of the members of Group Management



In the past, the shareholders have always approved the two compensation votes as well as the above-mentioned Compensation Report, thereby expressing their positive opinion of the compensation policy practiced by Arbonia.

2. Principles of the compensation system

2.1. Principles and statuary anchoring

The compensation system and the structure of the occupational pension scheme (cf. section 4.6) are based on the conviction that the success of a company depends to a considerable extent on the quality of work and dedication of its personnel. Arbonia wants to leverage its compensation system and the total compensation paid on this basis to attract and retain people with the necessary skills and qualities and to motivate them to deliver a consistently high level of performance. The compensation system is designed to ensure that the interests of top managers are consistent with the interests of the Group and its shareholders.

In accordance with the requirements of the Code of Obligations, the Articles of Association (www.arbonia.com/en/company/corporate-governance) contain the fundamental principles of the compensation system both in respect to the compensation of the Board of Directors as well as Group Management:

Articles of Association	Principle
Article 22 para. 1	**Compensation of the Board of Directors:** Members of the Board of Directors receive fixed compensation. If members of the Board of Directors take on management tasks corresponding to a member of Group Management – for example, when the Chairman doing so when taking charge of management – they normally receive additional variable compensation. The fixed compensation and variable compensation can include a cash portion and a portion in temporarily blocked shares pursuant to the share-based payment programme.
Article 22 para. 2	**Compensation of Group Management:** Members of Group Management normally receive a fixed as well as a variable compensation. The fixed and variable compensation can include a cash portion and a portion in temporarily blocked shares pursuant to the share-based payment programme.
Article 24 para. 1	**Variable compensation** The variable compensation depends on the company results. The success criteria comprise business-related and/or personal targets. Section 1: At the beginning of each financial year the Board of Directors determines the corporate and/or personal goals. Achievement of the goals is evaluated by the Compensation Committee after the expiry of the financial year and determined on its motion by the Board of Directors. Section 2: A bonus amount is determined in individual agreements. If the targets are achieved in full, 100% of the bonus amount determined by individual agreement is paid out. If the targets are exceeded, the variable compensation may exceed the bonus amount determined by individual agreement up to a maximum amount. If achievement of the targets lies below a particular threshold, no variable compensation is paid. Section 3: The variable compensation is a maximum of 150% of the fixed compensation.
Article 23 and Article 24 para. 2	According to Article 23 and Article 24 para 2. of the Articles of Association, the Board of Directors is authorised in special situations to award additional compensation to a member of Group Management that can be paid out in cash and/or in the form of shares blocked for four years.

(www.arbonia.com/en/company/corporate-governance)

2.2. Benchmarking and external consultants

Arbonia audits the compensation of its managers, including the members of Group Management, on a regular basis.

At the end of 2020, Arbonia commissioned HCM International AG with two analyses. The one analysis concerned the compensation of the members of Group Management, except for the compensation of the CEO, and the other analysis concerned the compensation of the CEO. Both analyses were each performed based on a comparison group of industrial companies domiciled in Switzerland with a similar market capitalisation and a comparison group of industrial companies domiciled in Switzerland with a similar revenue. The comparison group with a similar market capitalisation included the following industrial companies: Interroll, Schweiter, Kardex, Bobst, Komax, Burckhardt, Implenia, Rieter, Phoenix, Burkhalter, Zehnder, Von Roll, and Feintool. The comparison group with a similar revenue included the following industrial companies: Stadler Rail, Bucher, Geberit, Dormakaba, OC Oerlikon, SFS Group, Bobst, Conzzeta, Schweiter, Daetwyler, Rieter, Phoenix, Zehnder, Belimo, and Feintool. Along with other publicly available data, these analyses served as the basis for determining the compensation, whereby the respective job holder's individual function, qualification for and experience in the function, as well as contribution to corporate success were additionally taken into account. Arbonia always strives to set compensation within the range of the market median. Except for these two mandates, HCM International AG did not receive any other mandate from Arbonia.

In 2018, Arbonia commissioned Korn Ferry to conduct a role evaluation for management and key Group functions using the HAY assessment system. Based on the job grades, the included functions were compared on a country-specific basis with comparable functions at international companies in the Hay databases. Except for this mandate, Korn Ferry did not receive any other mandate from Arbonia.

3. Compensation structure of the Board of Directors

3.1. Fee of the Board of Directors

3.1.1. Fixed compensation and lump-sum allowances

The members of the Board of Directors receive a fee in the form of fixed compensation for their work for the Board of Directors. The members of the Nomination and Compensation Committee and the Audit Committee receive an additional fee for their work for the committee, which is also paid out in the form of a fixed compensation.

The fee – for the members of the Board of Directors as well as for the members of the committees – comprises a cash portion and a portion in the form of shares that are blocked for four years (hereinafter "blocked shares"). The share portion is at least 50% of the fee. Members of the Board of Directors and members of the committees who have their tax residence in Switzerland can receive the remaining 50% of the fee either entirely in cash or up to a maximum of a further 30% in shares and the rest in cash.

Predefined fee payment	Optional increase of the share portion up to a maximum of 80%
A minimum of 50% of the fee in blocked shares	A maximum of 80% of the fee in blocked shares
A maximum of 50% of the fee in cash	A minimum of 20% of the fee in cash

For members of the Board of Directors who have their tax residence outside of Switzerland – but within the European Union or the European Economic Area (EEA) – the share portion is also at least 50% of the fee. In regard to the remaining 50% of the fee, the percentage that can be paid out in shares instead of in cash is limited to a maximum of 15%. Thus, at most 65% of the fee can be received in the form of shares, whereby in this case 35% of the fee is paid out in cash.

Members of the Board of Directors who have their tax residence outside of Switzerland, the European Union, or the European Economic Area (EEA) are paid the entire fee in cash. For this reason, a member of the Board of Directors received the entire fee in cash in the reporting year.

The statutory contributions to the social insurance were paid from the cash portion of the fee.

Alexander von Witzleben waived a fee for his work as a member of the Nomination and Compensation Committee and the Audit Committee.

In addition to the fixed compensation (fee), the members of the Board of Directors receive lump-sum allowances. These allowances cover minor expenses and travel costs within Switzerland and are contained in the "other compensation" listed in the table in section 5.2. Costs of foreign travel and overnight stays are borne by the company.

In the financial year 2022, the structure and amount of the fee of the Board of Directors as well as the amount of the lump-sum allowances (both without the office of Executive Chairman of the Board of Directors, cf. 3.2) was as follows:

Role	Compensation in CHF	Form of payment
Chairman [1]	240 000	cash and blocked shares
Vice Chairman	80 000	cash and blocked shares
Member of the Board of Directors	60 000	cash and blocked shares
Chairperson of the NCC[2]/AC[3]	20 000	cash and blocked shares
Member of the NCC/AC	10 000	cash and blocked shares
Lump-sum expense allowances of the Chairman	15 000	cash
Lump-sum allowances of members residing in Switzerland	6 000	cash
Lump-sum allowances of members residing outside of Switzerland	12 000	cash

[1] The office of Executive Chairman of the Board of Directors is compensated in addition to the office of Chairman (cf. 3.2).
[2] NCC = Nomination and Compensation Committee
[3] AC = Audit Committee

The members of the Board of Directors do not receive any attendance fees. No additional compensation is paid for preparing and attending the ordinary and extraordinary meetings of the Board of Directors, the Nomination and Compensation Committee, and the Audit Committee. No signing bonus or termination benefits are paid to the members of the Board of Directors.

The members of the Board of Directors – except for Alexander von Witzleben in his role as Executive Chairman of the Board of Directors (cf. 4.6) – are not insured in the pension scheme of Arbonia.

3.1.2. Variable compensation

The members of the Board of Directors, including the members of the Nomination and Compensation Committee and the Audit Committee, do not receive any variable compensation.

For the variable compensation that Alexander von Witzleben receives in his role as Executive Chairman of the Board of Directors, see the explanations in 3.2.3.

3.1.3. Services and in-kind benefits as well as privileges

The members of the Board of Directors do not receive any services or in-kind benefits. Like employees, however, they can profit from discounts when purchasing Arbonia products.

3.1.4. Board Member Share Plan

Making the Board of Directors partly take their fees in the form of restricted shares is designed to ensure that the incentive system is consistent with the long-term prosperity of the company, encourage a management philosophy which takes due account of risk, and reflect shareholder interests.

The Board of Directors determines the details of the allocation of shares to the members of the Board of Directors in a share-based payment programme according to Article 25 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).

In accordance with the Board Member Share Plan approved by the Board of Directors, the fair market value will be ascertained in order to determine the number of shares. The calculation of the fair market value begins two trading days following the publication of the annual results achieved by Arbonia in the reporting year. The VWAP is calculated daily for 20 trading days based on the volume-weighted average share price. The fair market value results from the average of the VWAPs of these 20 trading days. The gross amount of the ordinary dividend is then subtracted from the fair market value if this is approved by the General Meeting, and a deduction of 20% is made for the four-year restriction period of the shares.

The shares are allocated after the record date for the dividend payment, at the latest 20 days after the General Meeting. The shares allocated in this way carry all associated rights. They are subject to a restriction period of four years, however, during which they cannot be disposed of.

If a member leaves the Board of Directors, the restriction period continues to apply, although the Board of Directors has the discretion to waive the restriction period. If a member leaves the Board of Directors due to invalidity or death, the restriction period automatically lapses.

In the case of a change of control, it is at the discretion of the Board of Directors to decide whether the restriction period will continue to apply or be lifted.

There is no option programme for the members of the Board of Directors.

3.2. Compensation of the Executive Chairman of the Board of Directors

3.2.1. Office of Executive Chairman of the Board of Directors

At the General Meeting of 22 April 2022, Arbonia introduced the office of Executive Chairman of the Board of Directors, which has been held by Alexander von Witzleben since then. As Executive Chairman of the Board of Directors, Alexander von Witzleben is responsible for heading Group Management, although he is not a member of this committee himself. In addition to the fee for Directors described in 3.1, Alexander von Witzleben has received an additional fixed and variable compensation for his office as the Executive Chairman of the Board of Directors according to the compensation structure valid for Group Management (cf. Section 4) since 1 May 2022.

3.2.2. Fixed compensation

The annual fixed compensation of Alexander von Witzleben is CHF 600 000 and is paid in cash. In the reporting year, the fixed compensation was paid from 1 May 2022 to 31 December 2022 on a pro rata temporis basis.

3.2.3. Variable compensation

The contractually agreed nominal bonus of Alexander von Witzleben is CHF 400 000 (for 100% target achievement) and is paid to him in the reporting year on a pro rata temporis basis for the period between 1 May 2022 and 31 December 2022, depending on the achievement of the financial targets. The variable compensation is based on Article 24 para. 1 of the Articles of Association and is subject to the regulations applicable to Group Management (cf. 4.3). Accordingly, 50% of the variable compensation is a cash portion and 50% is a portion in shares blocked for four years.

3.2.4. Lump-sum allowances

In his role as Executive Chairman of the Board of Directors, Alexander von Witzleben receives lump-sum allowances in the amount of CHF 550 per month in accordance with the current allowance rules.

3.2.5. Terms and conditions of employment

The employment contract of Alexander von Witzleben has been concluded for an indefinite term and with a notice period of six months.

3.3. Compensation for restraint of competition

No member of the Board of Directors received compensation for restraint of competition in lieu of a competition prohibition in the reporting year.

4. Compensation structure of Group Management

4.1. Overview

The compensation of the members of Group Management consists of the following components:

Articles of Association	Form of compensation
Art. 22 para. 2	Fixed compensation
Article 24 para. 1	Variable compensation accoridng to the regulations based on the nominal bonus determined by in individual agreement
Where appropriate, compensation according to Article 23 and Article 24 para. 2 of the Articles of Association	In special situations

(www.arbonia.com/en/company/corporate-governance)

4.2. Fixed compensation

The members of Group Management receive a fixed compensation.

Alexander von Witzleben belonged to Group Management in his role as delegate of the Board of Directors and interim CEO until the General Meeting on 22 April 2022. In the reporting year, Alexander von Witzleben received CHF 280 000 (annual cash portion of the fixed compensation) on a pro rata temporis basis from 1 January 2022 to 30 April 2022 and 60 000 shares blocked for four years for exercising this role.

The fixed compensation of the other members of Group Management was paid exclusively in cash.

4.3. Variable compensation

The members of Group Management receive a variable compensation based on the nominal bonus determined by individual agreement. This consists of 50% in cash and 50% in shares blocked for four years.

Alexander von Witzleben belonged to Group Management in his role as delegate of the Board of Directors and interim CEO until the General Meeting on 22 April 2022. He waived the payment of a variable compensation in this role.

The variable compensation of Group Management was thus paid as follows in the reporting year:

Role	Payment form
Delegate of the Board of Directors and interim CEO (until 22 April 2022)	waiver of variable compensation
Members of Group Management	cash and blocked shares (50%)

The nominal bonus determined by individual agreement that is paid in the case of a 100% target achievement is at most 70% of the fixed compensation.

The amount of the variable compensation depends on the achievement of financial targets.[1]

In the reporting year, the financial targets at the Group level and the division level based on the following key performance indicators (KPIs) with the following weighting as a percentage of the nominal bonus:

Targets		Weighting in percentages of the nominal bonus	
		CEOs of divisions[2]	Executive Chairman of the Board of Directors / Group CFO[3]
Group level	EBITDA margin	10%	30%
	Free cash flow (without divestments)	10%	20%
	Group result	–	20%
	Holding / Corp. services costs	–	15%
	Return on capital employed (ROCE)	–	15%
Division level	EBITDA margin	30%	–
	Operative cash flow (without investments / divestments)	15%	–
	Organic growth (NU / net revenue)	20%	–
	Return on capital employed (ROCE)	15%	–

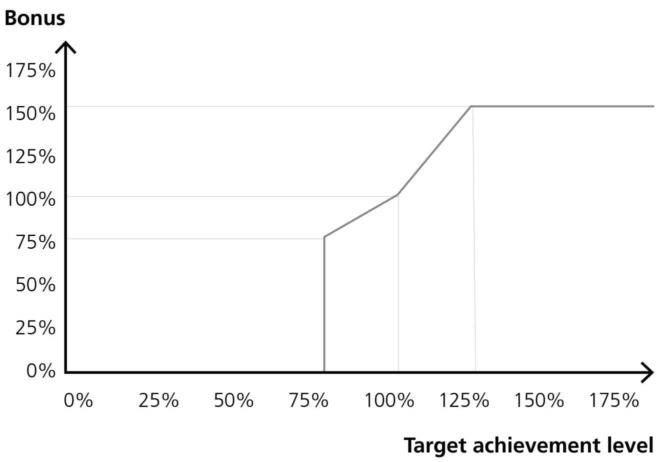
[2] The CEO of the Doors Division and the CEO of the Heating, Ventilation and Air Conditioning Division receive targets on the Group level as well as on the division level. The target values expected on the division level are based on the budget of the respective division and are consequently defined separately for the CEOs of the two divisions.
[3] The Executive Chairman of the Board of Directors (cf. 3.2.3) and the Group CFO only receive targets on the Group level.

[1] In the reporting year, the Board of Directors decided at the request of the Nomination and Compensation Committee to set a sustainability target – in addition to the financial targets – for the first time for the financial year 2023.

A certain percentage of the nominal bonus (100%) is allocated to each financial target. The weighting of the individual financial targets as a percentage of the nominal bonus varies and is given in the above table.

At the request of the Nomination and Compensation Committee, the Board of Directors determines an expected target value for each financial target at the beginning of the financial year. This value is based on the budget approved by the Board of Directors for the respective financial year.

After the end of the financial year or after the audited annual results are available, the financial targets are rated according to their effective degree of achievement. In the case of a 100% achievement of all targets, a member of Group Management receives the nominal bonus determined by individual agreement. In the best case, 125% of the expected target value of a financial target can be achieved. In the case of a 125% target achievement, 150% of the nominal bonus is paid out pro rata for the corresponding target value – in accordance with its percentage share of the nominal bonus and its weighting. As a general rule, if at least 75% of a financial target is not met, the degree of achievement of the corresponding financial target is assessed at 0%.



100% corresponds to the nominal bonus agreed in individual contracts

The highest variable compensation that is achieved in the reporting year is in ratio of 24.33% to the fixed compensation of the corresponding member of Group Management

4.4. Special compensation

According to Article 23 and Article 24 para. 2 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), the Board of Directors is authorised in special situations to award additional compensation to a member of Group Management that can be paid in cash and/or in the form of shares blocked for four years. In the reporting year, no compensation was paid on this basis.

4.5. Lump-sum allowances, services and in-kind benefits, as well as privileges

Several members of Group Management receive lump-sum allowances amounting to CHF 21 600 a year.

In his role as delegate of the Board of Directors and interim CEO, Alexander von Witzleben received lump-sum allowances in the amount of CHF 550 per month in accordance with the current allowance regulations.

The members of Group Management are provided with a company car and a mobile phone. The private use of the company car is offset for members of Group Management according to the respective tax regulations applicable in the country. The above also holds true for Alexander von Witzleben in his role as Executive Chairman of the Board of Directors.

Like all other employees, the members of Group Management can take advantage of various employee benefits, e.g., REKA cheques up to CHF 600 with a discount of 20% (only members with Swiss employment contracts) or discounts on Arbonia products. The above also holds true for Alexander von Witzleben in his role as Executive Chairman of the Board of Directors.

4.6. Pension

Group Management members with Swiss employment contracts are insured according to the occupational pension scheme regulations and according to the senior management pension scheme of Arbonia. The Arbonia senior management pension scheme covers the fixed salary not covered under the basic scheme and 80% of the contractual nominal bonus against old age, death, and incapacity risks. According to the Swiss Occupational Pensions Act (OPA), the maximum salary including bonus to be considered is limited to CHF 860 400 (as of 1 January 2022, corresponds to ten times the upper limit amount specified by the OPA), and the insured salary including bonus element is limited to CHF 648 320 (as of 1 January 2021). The employer contribution is the same for all three available plans and amounts to 25% of the insured salary (according to the regulations, in force since 1 January 2019). Alexander von Witzleben is also insured in the Arbonia senior management pension scheme in his role as Executive Chairman of the Board of Directors. The member of Group Management with a German employment contract has a pension solution with a German insurance company.

4.7. Arbonia Group Share Plan

The Board of Directors determines the details for allocating shares to the members of Group Management in a share-based payment programme according to Article 25 of the Articles of Association (www.arbonia. com/en/company/corporate-governance).

In accordance with the Arbonia Group Share Plan approved by the Board of Directors, the fair market value of shares is ascertained in order to determine the number of shares. The calculation of the fair market value begins two trading days following the publication of the annual results achieved by Arbonia in the reporting year. The VWAP is calculated daily for 20 trading days based on the volume-weighted average share price. The fair market value results from the average of the VWAPs of these 20 trading days. The gross amount of the ordinary dividend is then subtracted from the fair market value if this is approved by the General Meeting, and a deduction of 20% is made for the four-year restriction period of the shares.

The shares are allocated after the record date for the dividend payment, at the latest 20 days after the General Meeting. The shares allocated in this way carry all associated rights. They are subject to a restriction period of four years, however, during which they cannot be disposed of.

If an employment relationship is terminated, the restriction period continues to apply, although the Board of Directors has the discretion to waive the restriction period if necessary. If the employment relationship ends due to the attainment of retirement age, the restriction period automatically lapses. The restriction period also automatically lapses in the event that the employment relationship is terminated due to invalidity or death.

In the case of a change of control, it is at the discretion of the Board of Directors to decide whether the restriction period will continue to apply or be lifted.

There is no option programme for the members of Group Management.

4.8. Terms and conditions of employment

The employment contracts of the members of Group Management have been concluded for an unlimited term and with a notice period of six months. All employment contracts contain a recovery clause that requires members of Group Management to repay compensation that has been paid to them in full or in part but has not been approved by the General Meeting. No member of Group Management is entitled to a signing bonus, termination benefit, or compensation due to a change of control ("golden parachute").

4.9. Compensation for restraint of competition

No member of Group Management received compensation for restraint of competition in lieu of a competition prohibition in the reporting year.

5. Compensation of the Board of Directors for the year 2022 (audited)

5.1. Changes in the Board of Directors

In regard to the personnel composition of the Board of Directors, which continues to consist of eight members, there was no change compared to the previous year. Since the ordinary General Meeting on 22 April 2022, Alexander von Witzleben has also held the office of Executive Chairman of the Board of Directors in addition to the office of Chairman. Peter Barandun is the Vice Chairman of the Board of Directors.

Compared to the previous year, the total compensation of the Board of Directors has increased by the compensation for the office of Executive Chairman of the Board of Directors held by Alexander von Witzleben.

5.2. Table

in 1000 CHF	Roles exercised in 2022	Fee – in cash	Fee – in shares	Annual salary – in cash	Variable compensation – in cash[1]	Variable compensation – in shares[1]	Pension expenses[2]	Other compensation[3]	Total 2022
Alexander von Witzleben[4]	Chairman until 30/04/2022 Interim CEO until 30/04/2022 Exec. CBD[5] from 01/05/2022 Member of AC[6] Member of NCC[7]	120	150	400	58	72	168	25	993
Peter Barandun[8]	Vice Chairman Chairman of NCC	20	100				0	6	126
Peter E. Bodmer[9]	Member Member of AC	14	70				0	6	90
Markus Oppliger	Member Chairman of AC	40	50				6	6	102
Heinz Haller	Member	14	70				3	6	93
Michael Pieper	Member	12	60				2	6	80
Thomas Lozser	Member	60	0				5	12	77
Carsten Voigtländer	Member	21	49				0	12	82
Total compensation to members of the Board of Directors		**301**	**549**	**400**	**58**	**72**	**184**	**79**	**1643**

[1] The amount of the variable compensation – both in respect to the cash portion and the share portion – depends on the degree of achievement of the financial targets set for the financial year 2022.
[2] Employer contributions to social insurance policies
[3] Lump-sum allowances
[4] The compensation to Alexander von Witzleben in 2022 as Executive Chairman of the Board of Directors is included in this table. The compensation as interim CEO totalling CHF 1 477 835 is included in the compensation of Group Management in chapter 6.2.
[5] Exec. CBD = Executive Chairman of the Board of Directors
[6] AC = Audit Committee
[7] NCC = Nomination and Compensation Committee
[8] The compensation to Peter Barandun for the term of office 2022/2023 is paid to Peter Barandun AG, which is responsible for the deduction and payment of social contributions.
[9] The compensation to Peter E. Bodmer for the term of office 2022/2023 is paid to Beka-Küsnacht AG, which is responsible for the deduction and payment of social contributions.

in 1000 CHF						2021
	Roles exercised in 2021	Fee – in cash	Fee – in shares	Pension expenses[1]	Other compensation[2]	Total
Alexander von Witzleben[3]	Chairman interim CEO Member of AC[4] Member of NCC[5]	120	150	15	15	300
Peter Barandun[6]	Vice Chairman Chairman of NCC	20	100	0	6	126
Peter E. Bodmer[7]	Member Member of AC	14	70	0	6	90
Markus Oppliger	Member Chairman of AC	40	50	5	6	101
Heinz Haller	Member	14	70	4	6	94
Michael Pieper	Member	12	60	2	6	80
Thomas Lozser	Member	60	0	4	12	76
Carsten Voigtländer	Member	24	45	3	12	84
Total compensation to members of the Board of Directors		**304**	**545**	**33**	**69**	**951**

[1] Employer contributions to social insurance policies
[2] Lump-sum allowances
[3] The compensation to Alexander von Witzleben in 2021 as Chairman of the Board of Directors is included in this table. The compensation as interim CEO totalling CHF 3 573 468 is included in the compensation paid to Group Management in chapter 6.2.
[4] AC = Audit Committee
[5] NCC = Nomination and Compensation Committee
[6] The compensation paid to Peter Barandun for the period of office 2021/2022 is paid to Peter Barandun AG, which is responsible for the deduction and payment of social contributions.
[7] The compensation paid to Peter E. Bodmer for the period of office 2021/2022 is paid to Beka-Küsnacht AG, which is responsible for the deduction and payment of social contributions.

Compensation paid to former members of the Board of Directors
In 2022 as well as in 2021, no direct or indirect compensation was paid to former members of the Board of Directors in connection with their previous governing body activity.

Compensation paid to persons close to members of the Board of Directors
In 2022 as well as in 2021, no direct or indirect compensation was paid to persons close to current or previous members of the Board of Directors.

6. Compensation of Group Management for the year 2022 (audited)

6.1. Changes in Group Management

Alexander von Witzleben resigned from Group Management in his role as delegate of the Board of Directors and interim CEO of Group Management on 22 April 2022.

Since 22 April 2022, Group Management has consisted of Daniel Wüest, Group CFO, Claudius Moor, CEO of the Doors Division, and Alexander Kaiss, CEO of the Heating, Ventilation and Air Conditioning (HVAC) Division.

The total compensation of Group Management has decreased compared to the previous year. This decrease is especially due to the fact that no compensation was paid according to Article 23 and Article 24 para. 2 of the Articles of Association www.arbonia.com/en/company/corporate-governance) and the variable compensation in the reporting year was lower on the whole.

6.2. Table

in 1000 CHF	2022		2021	
	Group Management[1]	of this paid to Alexander von Witzleben, interim CEO	Group Management[1]	of this paid to Alexander von Witzleben, interim CEO
Annual salary (cash)	1 145	93	1 962	280
Annual salary (shares)	1 270	1 270	900	900
Variable compensation (cash portion)[2]	109		1 410	
Variable compensation (shares)[2]	136		2 576	2 133
Pension expenses[3]	410	109	872	246
Other compensation[4]	76	5	123	14
Total	**3 147**	**1 478**	**7 843**	**3 573**
Number of members	4[5]		8[6]	

[1] The compensation of Alexander Kaiss is paid in euros. The exchange rate used is 1.01 for 2022 and 1.08 for 2021.
[2] Comprises special compensation for 2021 (c.f 4.4)
[3] Employer contributions to social insurances, occupational pension schemes, accident and health insurance
[4] Comprises lump-sum allowances, private use of the company car/car allowance and other services and in-kind benefits
[5] Includes the previous interim CEO until 30 April 2022.
[6] Includes the previous head of the Sanitary Equipment and Windows Division until 30 June 2021 as well as the new head of the Windows Division until 31 August 2021, includes the previous head of the HVAC Division until 30 June 2021 and the new head of the HVAC Division from 1 July 2021.

Compensation paid to former members of Group Management
In 2022 as well as in 2021, no direct or indirect compensation was paid to former members of Group Management in connection with their previous governing body activity.

Compensation paid to persons close to members of Group Management
In 2022 as well as in 2021, no direct or indirect compensation was paid to persons close to current or former members of Group Management.

7. Loans and credit (audited)

According to Article 26 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), no loans, credit, or pension benefits outside the occupational pension scheme or collateral are granted to the members of the Board of Directors and Group Management. Exempt from this are advances of social security and tax charges for persons subject to withholding tax. Alexander von Witzleben exercised this exemption in the reporting year, with no advance payments outstanding as of 31 December 2022.

As of 31 December 2022 and as of 31 December 2021, there were no loans or credit to current or former members of the Board of Directors and Group Management or to persons close to current or former members of the Board of Directors and Group Management.

8. Roles with economic purpose of the members of the Board of Directors at other companies

According to Article 29 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), members of the Board of Directors may have a maximum of 10 mandates/activities outside of Arbonia, of which no more than 5 may be with listed companies. Several mandates/activities outside of Arbonia in associated legal entities that are controlled by the same person are regarded as one mandate.

As of 31 December 2022, the members of the Board of Directors exercised the following roles with economic purpose at other companies:

Alexander von Witzleben
Member of the Board of Directors of KAEFER Management SE; chairman of the supervisory board of PVA TePla AG; chairman of the supervisory board of VERBIO Vereinigte BioEnergie AG; member of the supervisory board of Siegwerk Druckfarben AG & Co. KGaA; member of the Board of Directors of Artemis Holding AG; chairman of the Board of Directors of Feintool International Holding AG; member of the advisory board of C. Illies & Co. GmbH & Co. KG.

Peter Barandun
Chairman of the Board of Directors of the subsidiary Electrolux AG of Electrolux Holding AG, at which he is also chairman of the Board of Directors[1]; vice president of the Swiss Association for Electrical Domestic and Commercial Appliances (FEA); member of the Board of Directors of Fundamenta Group Holding AG; member of the Board of Directors of Peter Barandun AG; Managing Director of Sulegl Immobiglias Scrl.

Peter E. Bodmer
Member of the Board of Directors of Peach Property Group AG; member of the Board of Directors of Kuratle Group AG; member of the Board of Directors of Brütsch/Rüegger Holding AG and member of the Board of Directors of the associated Novus Holding AG[2]; vice president of Helvetica Property Investors AG; member of the Board of Directors of INOVETICA Holding AG; chairman of the foundation board of the Innovationspark Zürich foundation, and member of the Board of Directors of the associated IPZ Property AG[3]; member of the Board of Directors of Klinik Schloss Mammern AG; member of the Board of Directors of Nüssli (Schweiz) AG; Managing Director of BB's Pure GmbH; Chairman of the Board of Directors and Managing Director of Beka-Küsnacht AG.

1–3 count as one mandate each (associated legal entities) according to Article 29 para. 5 of the Articles of Association.

Markus Oppliger
Chairman of the Board of Directors of Siga Ausstellung AG; Chairman of the Board of Directors of the subsidiaries Pizol Gastro and Sport AG and Berggasthaus Pardiel AG of Pizolbahnen AG, at which he is also chairman of the Board of Directors [1]; member of the Board of Directors of St. Gallisch-Appenzellische Kraftwerke AG; owner of Oppliger Management Consulting.

Heinz Haller
Member of the Board of Directors of Limmat Wealth AG; Vice Chairman of the foundation board of the Innovation Park Zürich foundation; Chairman of the Board of Directors of GETEC PARK SWISS AG; member of the Board of Directors of the Hockey Club Ambri Piotta SA.

Michael Pieper
Chairman of the Board of Directors of the subsidiary Centinox B AG as well as CEO of the subsidiary Artemis Holding AG as well as member of the Boards of Directors of the subsidiaries Franke Holding AG, Artemis Real Estate AG, Artemis Immobilien AG, Artemis Beteiligungen I AG, Artemis Beteiligungen III AG, Artemis Beteiligungen V AG, and Franke Technology and Trademark Ltd. of Centinox Holding AG, at which he is also Chairman of the Board of Directors[2]; Vice Chairman of the Board of Directors and member of the compensation committee of Forbo Holding AG; member of the Board of Directors of Autoneum AG; member of the Board of Directors of Bergos AG; member of the Board of Directors of Reppisch-Werke AG; member of the supervisory board of Duravit AG; deputy chairman of the supervisory board of Ettlin Aktiengesellschaft.

Thomas Lozser
Member of the Board of Directors of Mopec Inc.; board observer of Helvetica Capital AG.

Dr. Carsten Voigtländer
Member of the Board of Directors of Behr Bircher Cellpack BBC AG; member of the Board of Directors of Electrolux Professional AB; member of the foundation board of Friedhelm Loh Stiftung & Co. KG; member of the Board of Directors of Stulz Verwaltungsgesellschaft mbH; chairman of the advisory board of Oikos International GmbH; member of the advisory board of VR Equitypartner GmbH; member of the supervisory board of Testo Management SE; member of the Board of Directors of Modern Electron LLC; managing director of CaDo Invest GmbH.

9. Roles with economic purpose of the members of Group Management at other companies

According to Article 29 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), members of the Group Management may have a maximum of 5 mandates/activities outside of Arbonia, of which no more than 1 may be with listed companies. Several mandates/activities outside of Arbonia in associated legal entities that are controlled by the same person are regarded as one mandate.

As of 31 December 2022, the members of the Group Management exercised the following roles with economic purpose at other companies:

Daniel Wüest
Member of the Board of Directors of SwissHoldings, the federation of Swiss-based multinational enterprises.

Alexander Kaiss
Member of the board of directors of the Federation of German Heating Industry (BDH); chairman of the board of directors of the Quality Association Steel Radiators.

Claudius Moor
Chairman of the advisory board of KIWI.KI GmbH.

1–2 count as one mandate each (associated legal entities) according to Article 29 para. 5 of the Articles of Association.

10. Shareholdings as of 31 December 2022

The current members of the Board of Directors and Group Management (including persons close to them) held the following number of shares as of 31 December 2022:

	31/12/2022 Number of registered shares	31/12/2021 Number of registered shares
Alexander von Witzleben (Executive Chairman of the BoD)	718 784	650 209
Peter Barandun (Member of the BoD)	70 169	62 452
Peter E. Bodmer (Member of the BoD)	39 671	35 669
Markus Oppliger (Member of the BoD)	37 826	34 967
Heinz Haller (Member of the BoD)	130 000	124 233
Michael Pieper (Member of the BoD)	15 350 370	15 346 940
Thomas Lozser (Member of the BoD)	366 074	366 074
Carsten Voigtländer (Member of the BoD)	16 124	13 337
Daniel Wüest (Group Management)	58 979	41 901
Claudius Moor (Group Management)	24 047	15 249
Alexander Kaiss (Group Management)	31 189	24 437
Total	**16 843 233**	**16 715 468**

KPMG

Report of the Statutory Auditor

To the General Meeting of Arbonia AG, Arbon

Report on the Audit of the Compensation Report

Opinion

We have audited the Compensation Report of Arbonia AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the sections 5.2, 6.2 and 7 on pages 128 to 131 of the Compensation Report.

In our opinion, the information on compensation, loans and advances in the attached Compensation Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Compensation Report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the sections 5.2, 6.2 and 7 in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the Compensation system and defining individual Compensation packages.

Auditor’s Responsibilities for the Audit of the Compensation Report
Our objectives are to obtain reasonable assurance about whether the information on Compensation, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

David Grass
Licensed Audit Expert

St. Gallen, 21 February 2023

KPMG AG, Bogenstrasse 7, CH-9001 St. Gallen

Financial Report

Consolidated Financial Statements

Financial Statements

Financial commentary of Daniel Wüest (CFO)

General
The financial year 2022 was once again characterised by a dynamic, complex, and simultaneously challenging environment. Continuously changing framework conditions as well as existing and new exogenous factors had both a positive and negative impact on Arbonia's operational and financial course of business. At the beginning of the year, the markets and companies started off full of confidence because of initial signs that the direct and indirect negative effects of COVID-19 would stabilise and even already ease to some extent. However, this optimistic mood was brought to an abrupt stop by the Russian invasion of Ukraine at the end of February.

In the first half of the financial year, there were further increases in material costs and energy prices, and the supply chains for various materials, especially electronic components, were not completely functioning yet, which delayed and increased the cost of production processes. The implemented price increases had still also not achieved their full impact. The second half-year was characterised by further sharp increases in energy costs and an unprecedented destocking by wholesalers in Germany, especially in the fourth quarter, which negatively impacted the sales of radiators, shower enclosures, and standard doors in particular. As a result of consistently applied price increases, it was possible to maintain the revenue for radiators compared to the previous year, for example, despite a volume decrease of over 20%. Nevertheless, the missing volume had a substantial negative effect on profitability and the underlying margins. The massive increase in energy costs (especially electricity and natural gas) over the course of the year led to higher prices compared to the previous year of around CHF 14 million in the Group, most of which had to be borne by the HVAC Division, and lowered the EBITDA margin of the Group by more than 1 percentage point and that of the HVAC Division by around 2 percentage points.

In mid-July 2022, the Doors Division acquired joro türen GmbH in order to expand its product range with high-quality special doors for contract sales. The purchase price amounted to CHF 23.1 million. In the financial year 2022, Joro contributed CHF 4.3 million to the net revenue and CHF 1.1 million to the Group profit. Otherwise, the net revenue would have been CHF 8.7 million and the net profit CHF 1.5 million for the entire year. At the beginning of December 2022, the HVAC Division acquired the Portuguese company Cirelius S.A., a distributor of HVAC system solutions, for a purchase price of CHF 26.4 million, in order to expand its geographic, product and customer presence on the Iberian Peninsula. Since the acquisition took place at the end of the year, the income statement of Cirelius was not consolidated for the financial year. Had the acquisition taken place on 1 January 2022, the net revenue would have been CHF 23.2 million and the net profit CHF 2.9 million.

In the financial year 2022, one-time effects impacted the consolidated financial statement with net CHF –4.1 million on the EBITDA level and with CHF –3.2 million on the net profit level. A large part of this concerned the Glass Solutions Business Unit of the Doors Division in connection with the closure of the Vlotho site in Germany.

Since 2020, a subsidiary of Arbonia has operated a steel panel radiator plant in Russia, which has a capacity of around 650 000 steel panel radiators per year for the Russian market. Until the outbreak of the war against Ukraine, there was a high demand for radiators and the production therefore ran at full capacity. Since the outbreak of the war, demand has declined by more than 50% and the partial lack of personnel and the limited financing possibilities within the Group has impaired operations. Arbonia is intensively observing and evaluating the situation.

Revenue development
In the reporting year 2022, Arbonia achieved a net revenue of CHF 1202.1 million, which represents an increase of 1.3% compared to the previous year (CHF 1186.2 million). When adjusted for currency and acquisition effects (organic), growth was 5.5% compared to the previous year. This means that the guidance of > 5% organic growth for the financial year 2022 and the med-term guidance of an organic growth of 5% per year by 2026 were achieved despite a demanding environment. The HVAC Division thus achieved an impressive organic growth of 7.0% (previous year: 16.1%) in view of the sharp volume decrease of over –20% for radiators and even around –25% for steel panel radiators, which was more than offset by growth products (ventilation, heat pumps, and underfloor heating). Meanwhile, the Doors Division grew organically by 3.8%, slightly below the medium-term target value of 5% (previous year: 6.9%) while the organic growth of the Wood Solutions Business Unit (standard and functional doors) was 6.1%, and Glass Solutions (primarily shower enclosures) negatively affected the organic growth of the division with a decrease of –1.9%. In both divisions, price effects considerably outweighed volume effects in respect to organic growth.

At Group level, organic growth was 1.1% in the second half of the year compared to 9.8% in the first half of the year. The decline in organic growth recorded in the second half of the year is due to the massive inventory reduction ("destocking") of traditional products (radiators, shower enclosures, and standard interior doors). This could not be offset by the price increases for these products, which were sometimes substantial, and the strong demand for growth products in the HVAC area (heat pumps, underfloor heating, ventilation units). The HVAC Division therefore recorded a decrease in organic growth of –1.2% in the second half of the year, while the Doors Division achieved a positive organic growth of 4.0%.

The distribution of revenue according to markets (countries) did not change significantly in the reporting year compared to the previous year. In 2022, Germany accounted for around half, exactly 49% (previous year: 50%), of the revenue, followed by Switzerland with 14% (previous year: 14%), Southern Europe with 10% (previous year: 9%), Eastern Europe with 8%

(previous year: 8%), and Benelux with 7% (previous year: 8%), as well as the remaining countries with 12% (previous year: 11%).

Special factors impact profitability
The Group result without one-time effects decreased by 42.0% to CHF 23.9 million compared to the previous year (CHF 41.1 million). The reported Group result (with one-time effects) decreased from CHF 27.5 million to CHF 20.7 million compared to the previous year, which means a decline of –24.9%. The comparable profit per share thus amounted to CHF 0.30 (previous year: CHF 0.40).

On the cost side, there were higher prices for raw materials and semi-finished goods, which caused the materials cost ratio to increase by 3.1 percentage points from 46.3% to 49.4% in the reporting year. In addition, the other operating expenses ratio (without one-time effects) increased by 0.4 percentage points from 14.6% to 15.0% but also included massively increased energy costs compared to the previous year. Further increased productivity, which caused the personnel ratio (without one-time effects) to decrease by 1.5 percentage points from 30.8% to 29.3%, was able to partially cushion the negative effect on the EBITDA margin. It also helped that material price increases could be passed on to customers. Nevertheless, EBITDA without one-time effects declined from CHF 134.3 million to CHF 112.4 million in the reporting year, which corresponds to a decrease of –16.3%. The EBITDA margin decreased from 11.3% to 9.4%. The one-time effects of CHF –4.1 million incurred on the EBITDA level were mostly due to personnel expenses (closure of the Vlotho site). For this reason, EBITDA with one-time effects amounted to CHF 108.3 million (previous year: CHF 124.7 million), which corresponds to a margin of 9.0% (previous year: 10.5%). The strong appreciation of the Swiss franc against nearly all European currencies relevant to the Arbonia Group had a negative effect of around CHF –7 million on EBITDA.

Both divisions suffered a decline in EBITDA and the EBITDA margin without one-time effects. While the Doors Division achieved EBITDA of CHF 62.2 million (previous year: CHF 76.3 million) and a margin of 11.3% (previous year: 13.8%), the HVAC Division reported EBITDA of CHF 59.2 million (previous year: CHF 70.6 million) and an EBITDA margin of 9.2% (previous year: 11.2%). Both divisions suffered from the inventory reduction of wholesalers, with the HVAC Division in particular unable to realise a double-digit CHF million amount of EBITDA from steel panel radiators, since around 600 000 fewer steel panel radiators were sold than in the previous year. In addition, the HVAC Division was affected by an increase of around CHF 13 million in energy costs, which was also reflected in EBITDA. At the Doors Division, EBITDA was negatively affected not only by the negative quantity effects for shower enclosures and standard doors but also by the high raw material prices in combination with a time-delayed transfer of price increases.

Due to the lower EBITDA and the higher depreciations and amortisations of around CHF 4 million compared to the previous year, EBIT without one-time effects fell by CHF 25.6 million from CHF 67.0 million to CHF 41.4 million, which corresponds to a percentage decrease of –38.2%. As a result, the EBIT margin fell by 2.2 percentage points to 3.4%. Taking into account one-time effects, the reported EBIT decreased by CHF 16.3 million from CHF 53.3 million to CHF 37.0 million compared to the previous year.

The net financial expense figure was significantly lower compared to the previous year with CHF 7.2 million vs. CHF 9.4 million. Although larger but non-cash currency losses affected the inter-Group loans, the financial result was relieved by the positive profit contribution of the KIWI investment as well as the absence of leasing interest and compounding costs from the early repurchase of the Corporate Center. Towards the end of the year, higher interest costs were incurred due to temporary drawing on the revolving credit facility and bilateral credits. As of 31 December 2022, EUR 55 million of CHF 250 million was drawn on the syndicated loan.

The reported tax expense decreased to CHF 9.1 million (previous year: CHF 16.4 million) due to the lower operating profit and thus also a lower Group result before taxes (EBT) in the reporting year. The effective tax rate therefore significantly decreased to 30.7% compared to 37.3% in the previous year. In the medium term, tax rates are anticipated to decrease to the expected target range of 25 – 27%.

Increase in net working capital and investment rate are shown in free cash flow
The investment rate of 12.4% (14.5% incl. early repurchase of the Corporate Center) of net revenue, which was in line with the strategy and has been this high for the last time in the financial year 2022, the increase in net working capital of CHF 117 million and the purchase price of around CHF 44 million for the two acquisitions of Joro and Cirelius resulted in a high negative free cash flow of CHF –245.5 million, compared to a free cash flow of CHF 252.7 million in the previous year. However, it should be noted that the cash inflow of CHF 334.1 million from the sale of the Windows Division had a positive impact on the free cash flow in the last financial year.

In line with the strategy, the majority of investments were made in the "production plant of the future" of the Doors Division, which will cause investments and consequently the investment rate to substantially decrease when this project is completed in 2023.

The cash flow from operating activities was negatively affected by the increase in net working capital of CHF 117 million and the lower operating result and was even negative in the financial year 2022 with CHF –25.8 million (previous year: CHF 92.8 million).

Decreased total assets and shareholders' equity, increase in net debt and unchanged dividend of CHF 0.30
As of 31 December 2022, Arbonia's total assets decreased compared to the previous year by around CHF 104 million to CHF 1519.5 million (previous year: CHF 1623.3 million). The reduction occurred on the one hand due to the cash outflow for investments, acquisitions, and dividend payments and on the other hand due to currency-related devaluations of balance sheet items as a result of the strong Swiss franc. In absolute terms, shareholders' equity decreased by around CHF 57 million to CHF 988 million, but in relative terms the equity ratio increased from 64.3% to 65.0% by the end of 2022, which means that Arbonia still has a strong equity base.

The net liquidity position of CHF 93.2 million at the end of the financial year 2021 became net debt to the amount of CHF –184 million due to the cash outflow in the financial year. In addition to investments totalling CHF 174 million, in particular the acquisitions of CHF 44 million, the cash outflow from operating activities, and the dividend were the main contributors to net debt. In the reporting year, Arbonia also exercised the second extension option granted as part of the renewal of the firmly committed syndicated credit facility of CHF 250 million to extend the facility by an additional year to 2027.

For the financial year 2022, the still strong balance sheet and the achieved net profit allow an unchanged dividend payment of CHF 0.30 per registered share (CHF 0.30 for the financial year 2021) to be distributed to shareholders for the fourth consecutive year since the start of dividend payments. This corresponds to a distribution rate of around 108%. For this reason, the Board of Directors will propose to the General Meeting on 21 April 2023 to distribute a cash dividend of CHF 0.30 per registered share for the financial year 2022, half from retained earning and half, tax-neutral for Swiss shareholders, from capital contribution reserves.

Consolidated Financial Statements Arbonia Group

Consolidated Income Statement

in 1000 CHF	Note	2022	2022 in %	2021 restated[1]	2021 in %
Continuing operations					
Net revenues	**31**	**1 202 097**	**100.0**	**1 186 177**	**100.0**
Other operating income		16 255	1.4	16 944	1.4
Capitalised own services		8 887	0.7	6 140	0.5
Changes in inventories of semi-finished and finished goods		11 142	0.9	12 005	1.0
Cost of material and goods		–593 659	–49.4	–548 875	–46.3
Personnel expenses		–355 497	–29.6	–372 892	–31.4
Other operating expenses		–180 922	–15.1	–174 801	–14.7
EBITDA	**31**	**108 303**	**9.0**	**124 698**	**10.5**
Depreciation, amortisation and impairments	37-40	–55 331	–4.6	–55 675	–4.7
Amortisation of intangible assets from acquisitions	40	–15 958	–1.3	–15 715	–1.3
EBIT	**31**	**37 014**	**3.1**	**53 308**	**4.5**
Financial income	51	2 674	0.2	621	0.1
Financial expenses	51	–9 870	–0.8	–10 005	–0.8
Group result before income tax	**31**	**29 818**	**2.5**	**43 924**	**3.7**
Income tax expense	52	–9 146	–0.8	–16 384	–1.4
Group result from continuing operations	**31**	**20 672**	**1.7**	**27 540**	**2.3**
Group result from discontinued operations after taxes	**36**	**–1 545**	**–0.1**	**111 190**	**9.4**
Group result		**19 127**	**1.6**	**138 730**	**11.7**
Attributable to:					
Shareholders of Arbonia AG		19 127		138 730	
Earnings per share from continuing operations in CHF	48	0.30		0.40	
Earnings per share from discontinued operations in CHF	48	–0.02		1.61	
Earnings per share in CHF	48	0.28		2.01	

Basic and diluted earnings are identical.

[1] see note 2 «Changes in presentation – Consolidated Income Statement»

The notes on pages 151 to 208 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

in 1 000 CHF	2022	2021
Group result	**19 127**	**138 730**
Other comprehensive income		
Items that will not be reclassified to income statement		
Remeasurements of employee benefit obligations	– 15 224	42 359
Deferred tax effect	– 567	– 6 510
Total items that will not be reclassified to income statement	**– 15 792**	**35 849**
Items that may be reclassified subsequently to income statement		
Currency translation differences	– 28 971	– 21 140
Cumulative currency translation differences transferred to the income statement		31 391
Total items that may be reclassified subsequently to income statement	**– 28 971**	**10 251**
Total other comprehensive income after taxes	**– 44 763**	**46 100**
Total comprehensive income	**– 25 636**	**184 830**
Attributable to:		
Shareholders of Arbonia AG	– 25 636	184 830
Total comprehensive income from continuing operations	– 24 090	32 377
Total comprehensive income from discontinued operations	– 1 545	152 453

The notes on pages 151 to 208 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

in 1 000 CHF	Note	31/12/2022	in %	31/12/2021	in %
Assets					
Cash and cash equivalents	32	29 196		253 870	
Accounts receivable	33	109 559		106 429	
Other current assets		29 335		29 052	
Inventories	34	226 921		182 784	
Contract assets	33	18 822		13 527	
Deferred expenses		6 509		5 315	
Current income tax receivables		2 394		2 142	
Financial assets	35	12		15	
Current assets		**422 748**	**27.8**	**593 134**	**36.5**
Property, plant and equipment	37	675 021		590 353	
Right-of-use assets	38	24 006		44 546	
Investment property	39	8 864		1 252	
Intangible assets	40	186 304		161 122	
Goodwill	40	182 395		178 621	
Deferred income tax assets	46	4 386		6 905	
Capitalised pension surplus	47	4 879		39 704	
Financial assets	35	10 909		7 659	
Non-current assets		**1 096 764**	**72.2**	**1 030 162**	**63.5**
Total assets		**1 519 512**	**100.0**	**1 623 296**	**100.0**

in 1 000 CHF	Note	31/12/2022	in %	31/12/2021	in %
Liabilities and shareholders' equity					
Accounts payable		92 970		133 574	
Contract liabilities	33	9 799		8 759	
Other liabilities		20 700		21 211	
Financial debts	42	121 586		1 843	
Lease liabilities	55	6 990		7 415	
Accruals and deferred income		61 980		73 480	
Current income tax liabilities		10 993		17 842	
Provisions	45	12 230		20 491	
Current liabilities		**337 248**	**22.2**	**284 615**	**17.5**
Financial debts	42	69 851		132 267	
Lease liabilities	55	15 129		19 127	
Other liabilities		1 803		16 560	
Provisions	45	10 618		11 812	
Deferred income tax liabilities	46	54 985		52 199	
Employee benefit obligations	47	42 336		62 374	
Non-current liabilities		**194 722**	**12.8**	**294 339**	**18.1**
Total liabilities		**531 970**	**35.0**	**578 954**	**35.7**
Share capital	48	291 787		291 787	
Share premium		485 968		496 340	
Treasury shares	49	–15 514		–5 382	
Other reserves	50	–127 430		–98 459	
Retained earnings		352 731		360 056	
Shareholders' equity		**987 542**	**65.0**	**1 044 342**	**64.3**
Total liabilities and shareholders' equity		**1 519 512**	**100.0**	**1 623 296**	**100.0**

The notes on pages 151 to 208 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

in 1000 CHF	Note	2022	2021
Group result		**19 127**	**138 730**
Depreciation, amortisation and impairments	37 – 40	71 290	71 391
Profit / loss on disposal of non-current assets / subsidiaries	36 – 38	– 395	– 99 969
Changes in non-cash transactions	55	11 802	30 854
Net interest expense		3 760	5 689
Income tax expense		9 146	23 338
Changes in working capital	55	– 55 940	– 99 181
Changes in current liabilities	55	– 61 481	47 762
Interest paid		– 3 055	– 4 299
Interest received		255	40
Income tax paid		– 20 268	– 21 570
Cash flows from operating activities - net		**– 25 759**	**92 785**
To investment activities			
Purchases of property, plant and equipment	37	– 158 015	– 145 113
Purchases of investment properties	39	– 3 296	
Purchases of intangible assets	40	– 13 161	– 4 011
Acquisition of subsidiaries (net of cash acquired)	41	– 44 207	– 27 681
Issuance of financial assets	35	– 2 346	– 721
From divestment activities			
Proceeds from sale of property, plant and equipment	36, 37	1 220	1 128
Proceeds from sale of investment properties	36		2 197
Disposal of subsidiaries (net of cash disposed)	36		334 064
Repayment of financial assets		16	24
Cash flows from investing activities - net		**– 219 789**	**159 887**

in 1 000 CHF	Note	2022	2021
From financing activities			
Proceeds from financial debts	42, 55	64 202	68 266
To financing activities			
Repayments of financial debts	42, 55	– 1 078	– 73 634
Lease liability payments	55	– 8 218	– 13 405
Dividend and distribution from capital contribution reserves		– 20 743	– 32 486
Purchase of treasury shares	49	– 12 698	– 6 266
Cash flows from financing activities - net		**21 465**	**– 57 525**
Effects of translation differences on cash and cash equivalents		– 591	75
Change in cash and cash equivalents		**– 224 674**	**195 222**
Reconciliation of change in cash and cash equivalents			
Cash and cash equivalents as of 01/01 continuing operations	32	253 870	52 107
Cash and cash equivalents as of 01/01 discontinued operations	36		6 541
Cash and cash equivalents as of 31/12 continuing operations	32	29 196	253 870
Cash and cash equivalents as of 31/12 discontinued operations	36		
Change in cash and cash equivalents		**– 224 674**	**195 222**

The notes on pages 151 to 208 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

in 1 000 CHF	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total share-holders' equity
Balance at 01/01/2021		**291 787**	**512 583**	**–2 456**	**–108 710**	**200 011**	**893 215**
Group result						138 730	138 730
Total other comprehensive income after taxes	50				10 251	35 849	46 100
Total comprehensive income					**10 251**	**174 579**	**184 830**
Distribution from capital contribution reserves and dividend			–16 243			–16 243	–32 486
Changes in treasury shares	49			–6 266			–6 266
Share based payments	56			3 340		1 709	5 049
Total transactions with owners			**–16 243**	**–2 926**		**–14 534**	**–33 703**
Balance at 31/12/2021		**291 787**	**496 340**	**–5 382**	**–98 459**	**360 056**	**1 044 342**
Group result						19 127	19 127
Total other comprehensive income after taxes	50				–28 971	–15 792	–44 763
Total comprehensive income					**–28 971**	**3 335**	**–25 636**
Distribution from capital contribution reserves and dividend			–10 372			–10 372	–20 744
Changes in treasury shares	49			–12 698			–12 698
Share based payments	56			2 566		–288	2 278
Total transactions with owners			**–10 372**	**–10 132**		**–10 660**	**–31 164**
Balance at 31/12/2022		**291 787**	**485 968**	**–15 514**	**–127 430**	**352 731**	**987 542**

The notes on pages 151 to 208 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

A Accounting principles

1. General information

Arbonia Group (Arbonia) is a focused building components supplier. Arbonia is divided into two main divisions, namely HVAC (Heating, Ventilation and Air Conditioning) and Doors. Manufacturing plants are located in Switzerland, Germany, the Czech Republic, Italy, Poland, Belgium, Russia and Serbia. Arbonia owns major brands such as Kermi, Arbonia, Prolux, Koralle, Sabiana, Vasco, Brugman, Superia, RWD Schlatter, Prüm, Garant and Invado and possesses a strong position in its home markets in Switzerland and Germany. The Group focuses on the development of existing markets in Central and Eastern Europe. Arbonia is represented in over 70 countries worldwide.

The ultimate parent company, Arbonia AG is a corporation organised under Swiss law incorporated and domiciled at Amriswilerstrasse 50, CH-9320 Arbon (Canton Thurgau). Arbonia AG is listed on the SIX Swiss Exchange in Zurich under the valor number 11024060/ISIN CH0110240600.

These consolidated financial statements have been approved for issue by the Board of Directors of Arbonia AG on 21 February 2023 and require approval from the Annual General Meeting on 21 April 2023. The publication of the consolidated financial statements occurred on 28 February 2023 at the media and analyst conference.

2. General principles and basis of preparation

The consolidated financial statements of Arbonia have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 30.

Amendments to significant published standards

The accounting policies adopted in the preparation of the annual consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021.

The new or amended standards had no material impact on the Group’s financial statements.

Published standards that are not yet effective nor adopted early

The published but as of the balance sheet date not yet effective significant new or amended standards will not have a material impact on the Group’s financial statements.

Changes in presentation – Consolidated Income Statement

External services in the area of assembly, which were previously shown mainly for the Wood Solutions Business Unit of the Doors Division under «personnel expenses», are now shown under «other operating expenses». Arbonia believes that the restated presentation more appropriately reflects the underlying business transactions. The comparative figures for 2021 with an effect of CHF 13.8 million have been restated accordingly.

3. Reporting entity

The consolidated financial statements are based on the financial statements of the individual Group companies prepared as of 31 December. Subsidiaries are fully consolidated from the date on which control is transferred to Arbonia (generally where the interest in votes and share capital is more than 50%). They are deconsolidated from the date that control ceases.

Investments in associated companies, over which Arbonia exercises significant influence but does not control, are initially recognised at cost. The cost comprises the share in net assets and a possible goodwill. After the date of acquisition, the investment is accounted for using the equity method. A significant influence is generally assumed by a shareholding of between 20% to 50% of the voting rights.

The following material changes occurred in the Group:

In the financial year 2022
- As of 16 July 2022, Arbonia acquired 100% of Joro Türen Gmbh, DE-Renchen (see note 41).
- As of 5 December 2022, Arbonia acquired 100% of Cirelius S.A., PT-Avintes (see note 41).

In the financial year 2021
- As of 30 March 2021, Arbonia acquired 100% of CICSA Industriales del Calor S.L., ES-Coslada (Madrid) (see note 41).
- As of 22 July 2021, Arbonia acquired 100% of Termovent Komerc d.o.o., RS-Belgrade (see note 41).
- As of 31 August 2021, Arbonia acquired 100% of Glasverarbeitungsgesellschaft Deggendorf mbH (GVG), DE-Deggendorf (see note 41).
- As of 31 August 2021, Arbonia sold the Windows Division (see note 36).

An overview of the material Group companies is included in note 60.

4. Full consolidation

In line with the full consolidation method, 100% of all balance sheet and income statement items are included in the consolidated financial statements. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

For each acquisition the non-controlling interest in the acquiree is either measured at fair value or the proportionate acquired net assets. Non-controlling interests are disclosed in the balance sheet as part of shareholders' equity, provided that no purchase commitment exists. The result attributable to non-controlling interests in the income statement and the statement of comprehensive income forms part of the Group result for the period.

5. Capital consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to Arbonia. The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Contingent considerations are measured at fair value and are included in the purchase price. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement unless the consideration is an equity instrument. Directly attributable acquisition-related costs are expensed.

If the acquisition is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest is remeasured to fair value at the acquisition date. Gains or losses arising from such remeasurement are recognised in the income statement.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Companies which are sold are deconsolidated from the date that control ceases. The difference between the consideration received and the net assets is recognised in the income statement as other operating income/expenses.

B Summary of significant accounting policies

6. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below, from notes 7 to 29.

These consolidated financial statements are based on the annual financial statements of the Group companies prepared in accordance with the Group's uniform accounting policies. Balance sheet items are generally stated at cost as modified by the revaluation of financial instruments at fair value through profit or loss. Assets held for sale and disposal groups are measured at the lower of its carrying amount and fair value less costs to sell. Investments in associated companies are measured at cost at the time of acquisition and subsequently at the proportionate share of equity.

7. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the company operates (the functional currency). The consolidated financial statements are presented in Swiss francs (CHF).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in comprehensive income as qualifying net investment hedges.

Group companies

The results and financial position of all the Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Income and expenses for each income statement as well as the cash flow statements are translated at average exchange rates. All resulting exchange differences are recognised as a separate component of comprehensive income under other reserves.

Exchange differences arising on intercompany loans of an equity nature that essentially form part of the company's net investment in the foreign entity are classified in comprehensive income under other reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

When a foreign operation is sold or liquidated, exchange differences that were recorded in comprehensive income are recognised in the income statement.

The following foreign currency rates have been applied:

Currency	Unit	2022		2021	
		Year-end rate	Average rate	Year-end rate	Average rate
EUR	1	0.9897	1.0053	1.0372	1.0812
CZK	100	4.1041	4.0939	4.1722	4.2161
PLN	100	21.1028	21.4807	22.5508	23.6956
CNY	100	13.3331	14.2048	14.3662	14.1683
RUB	100	1.2829	1.4206	1.2355	1.2402
RSD	100	0.8385	0.8559	0.8800	0.9200

8. Maturities

Assets realised or consumed within 12 months in the ordinary course of business or held for trading purposes are classified as current assets. All other assets are classified as non-current assets.

Liabilities to be redeemed in the ordinary course of business, held primarily for the purpose of trading, falling due within 12 months from the balance sheet date or do not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date are classified as current liabilities. All other liabilities are classified as non-current liabilities. If a binding commitment to extend an expiring financial liability has been received as of the balance sheet date, the new maturity is also taken into account in the classification.

9. Financial instruments

A financial instrument is a transaction that results in the creation of a financial asset for one party and simultaneously in the creation of a financial liability or equity instrument for the other party. Accounts receivable and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are divided into the following three categories: (1) Financial assets measured at amortised cost (FA AC), (2) Financial assets measured at fair value through profit or loss (FA FVTPL), (3) Financial assets measured at fair value through other comprehensive income (FA FVTOCI). The classification depends on the company's business model for managing financial assets and on the contractual cash flows. Management determines the classification upon initial recognition. Arbonia's financial assets include cash and cash equivalents (category 1), trade accounts receivable (1), derivative financial assets (2), other assets (1), deferred expenses (1), other financial assets (1) and loans (2).

Purchases and sales constituting a financial asset are reported in the balance sheet as of the execution date and are eliminated when the right to receive payments has lapsed or been transferred and Arbonia has surrendered control of the same, i.e. when the related opportunities and risks have been transferred or expired.

Transaction costs directly attributable to the acquisition are also reported with respect to all financial assets not carried at fair value through profit or loss in subsequent periods.

The subsequent measurement of debt instruments depends on the classification: (1) Assets held to collect contractual cash flows, for which these cash flows represent exclusively interest and principal payments, are measured at amortised cost. (2) Assets that do not meet the criteria of category 1 or 3 are classified as at fair value through profit or loss. (3) Assets held to collect contractual cash flows and to sell financial assets, where the cash flows are exclusively interest and principal payments, are measured at fair value through equity. Subsequent measurement of the equity instruments held is at fair value.

There are no financial assets designated as at fair value through profit or loss (fair value option).

At each balance sheet date, financial assets (debt securities) that are not measured at fair value through profit or loss are assessed for expected credit losses. Indications that the creditworthiness of assets is impaired include financial difficulties, breaches of contract and possible bankruptcy of the contracting party. A default with respect to a financial asset exists if it appears unlikely that the contracting party will meet its contractual payments to the Group in full.

If loans or receivables have been impaired, the company continues to enforce the receivable to recover it. Financial assets are written-off as soon as there is no reasonable expectation of recovery. Among the indicators that there is no reasonable expectation of recovery is the bankruptcy of the counterparty. Further information on the impairment of financial assets is provided in the accounting policies for the individual assets (in particular on accounts receivable and contract assets in note 13).

Financial liabilities are divided into the following two categories: (1) Financial liabilities measured at fair value through profit or loss (FL FVTPL), this category being further subdivided into financial liabilities classified as held for trading from the inception and those designated at fair value through profit or loss from the inception and (2) financial liabilities measured at amortised cost (FL AC). Arbonia's financial liabilities comprise trade accounts payable (2), other liabilities (2), lease liabilities (2), accruals and deferred income (2), financial debts (2) and derivative financial liabilities (1).

Financial assets and financial liabilities are normally reported on a gross basis. They are only reported on a net basis if there is at presence a right of offset and an intent to settle on a net basis.

10. Derivative financial instruments

The Group uses derivative financial instruments to minimise interest rate and commodity price risks resulting from operational business and financial transactions. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Arbonia does not apply hedge accounting in accordance with IFRS 9. Derivatives are measured at fair value through profit or loss and disclosed in the balance sheet as other current assets or other current liabilities.

11. Fair value estimation of financial instruments

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price, for financial liabilities the current asking price.

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques, e.g. comparison with similar at arm's length transactions, valuation using the discounted cash flow method or other established valuation methods.

Financial instruments measured at fair value are disclosed under the following hierarchy:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices).
- Level 3 – unobservable market data.

Due to its current nature, the nominal value less estimated allowance of accounts receivable is assumed to approximate their fair value. The nominal value of accounts payable is assumed to approximate their fair value. The fair value of financial liabilities disclosed in note 44 is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial debts is assigned to level 2 of the above mentioned hierarchy.

12. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with post and banks, other short-term highly liquid investments with original maturities not exceeding three months. Cash and cash equivalents are subject to the impairment provisions of IFRS 9, but as the expected losses are completely insignificant, no impairment losses have been recognised.

13. Receivables and contract assets

Accounts receivable and other current assets are measured at amortised cost using the effective interest method, less provision for impairment. Accounts receivable and contract assets are regularly monitored and expected credit defaults assessed. The expected losses are estimated as part of the determination of specific allowances. The assessment is based both on historical experience and on current circumstances, as well as on forward-looking information. This includes an assessment of the expected business and economic conditions as well as the future financial performance of the contracting party. Collateral received is taken into account when calculating the provision for impairment. Impairment losses on receivables are recognised using an allowance account.

14. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method based on normal operating capacity. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Claimed cash discounts are treated as a reduction of cost. Items with a low turnover rate are depreciated and obsolete items are fully written off.

15. Assets held for sale and associated liabilities

Non-current assets or a disposal group held for sale and liabilities associated with assets held for sale are classified as such if their carrying amount will be recovered principally through a sale transaction, not through continuing use. For this to be the case, the successful sale must be highly probable, an active search for a buyer is taking place and the asset must be available for immediate sale in its present condition. For the sale to be highly probable, management must be committed to a plan to sell the asset, the offer price of the asset is reasonable in relation to its current fair value and the sale is expected to be completed within one year. The assets are stated at the lower of carrying amount and fair value less costs to sell. Potential impairments are directly recorded within the income statement. Starting from the date of reclassification to this category, depreciation is ceased.

16. Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale and represents a separate major line of business or geographical area of operations. Such a component comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. The classification as discontinued operations occurs on the disposal of the operation or at an earlier point in time, provided the operation meets the criteria for the classification as held for sale. Discontinued operations are disclosed separately in the income statement and previous comparative periods are restated accordingly. However previous year's balance sheet is not restated.

17. Property, plant and equipment

Land is stated at cost. Buildings, plant, machinery and other equipment are stated at cost less depreciation. Depreciation is calculated using the straight-line method based on estimated useful lives as stipulated under note 21.

Impairments (see also note 20) are separately disclosed under accumulated depreciation. Repair and maintenance costs are expensed.

18. Investment property

Investment property, principally comprising land and buildings, is held for long-term rental yields or appreciation and only an insignificant portion is used for operational purposes. Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method.

The fair value of investment property, which is required for disclosure purposes, is determined using the discounted cash flow method. Based on attainable net rental income (gross rental income minus operating costs and future refurbishment costs), the discounted cash flows are calculated for the next 10 years with a residual value for the time thereafter. The fair value of undeveloped land is determined by considering current local market conditions.

19. Intangible assets

Intangible assets include goodwill, which represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary including contingent liabilities at the date of acquisition. If in case of an acquisition Arbonia grants a put option to the non-controlling interests, this obligation is recognised at the present value of the exercise price. Goodwill is seen as an intangible asset with an indefinite useful life. Impairment on goodwill (see note 20) is separately disclosed under accumulated impairment losses.

Intangible assets comprise computer software and licenses at costs incurred. They are measured at cost less accumulated amortisation, calculated using the straight-line method based on estimated useful lives as stipulated under note 21.

Intangible assets acquired in a business combination (brands, patents, technologies, client relationships, distribution channels, etc.) are carried at fair value less accumulated amortisation, calculated using the straight-line method based on estimated useful lives as stipulated under note 21.

Expenses relating to research activities are directly charged to the income statement in the period in which they are incurred. Development costs are capitalised at acquisition cost or production cost and reported under intangible assets if all criteria under IAS 38 have been met on a cumulative basis, including evidence of technical and economic feasibility, evidence of expected future economic benefit and attributability of costs and their reliable valuation. They are amortised over the expected useful life on the basis specified in note 21. Development costs not meeting the criteria under IAS 38 are directly charged to the income statement in the period in which they are incurred.

20. Impairment of assets

The recoverability of property, plant and equipment, right-of-use assets, investment properties, goodwill and other intangible assets is reviewed whenever events or changes in circumstances indicate that the carrying amounts may be overstated. Intangible assets that have an indefinite useful life, such as goodwill, are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. The value in use is based on discounted future cash flows. The applied discount rate is a pre-tax rate using the weighted average cost of capital (WACC) method. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – CGU).

21. Estimated useful lives

Asset categories	main category	Useful lives (in years)
Office buildings	Land and buildings	35–60
Factory buildings	Land and buildings	25–40
Investment properties – buildings	Investment property - buildings	25–50
Production machinery	Plant and machinery	8–20
Transport and storage equipment	Plant and machinery	8–15
Tools and moulds	Plant and machinery	5
IT-hardware	Plant and machinery	up to 5
Vehicles	Other equipment	5–10
Office furniture and equipment	Other equipment	up to 5
Capitalised development costs	Other intangible assets	up to 5
Other intangible assets (mainly IT-software)	Other intangible assets	up to 5
Intangible assets from business combinations		
– Customer relationships	Customer relationships	7–20
– Brands, technologies	Brands, Technologies	10–20
– Distribution channels	Other intangible assets from business combinations	10–20
– Order backlog	Other intangible assets from business combinations	up to 2

Land is not systematically depreciated.

22. Provisions

Provisions are recognised only when Arbonia has a present legal or constructive obligation as a result of past events, the amount has been reliably estimated and it is more likely than not that an outflow of resources will be required to settle the obligation.

Provisions for restructuring are only recognised when costs for such a programme can be reliably estimated by virtue of a detailed formal plan and Arbonia has a legal or constructive obligation or has raised a valid expectation in those affected.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in provision due to passage of time is recognised as interest expense.

23. Employee benefit obligations

Arbonia manages various pension plans within Switzerland and abroad. The plans are funded through payments to trustee-administered funds or insurance companies or are unfunded arrangements.

Based on their characteristics the pension plans qualify under IAS 19 as defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet to pay future retirement benefits is determined using the projected unit credit method, which is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. If the fair value of plan assets exceeds the present value of the defined benefit obligation, a pension surplus will only be recognised taking the asset ceiling into account. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds. Actuarial valuations are carried out on a regular basis by independent actuaries. Components of defined benefit costs are service cost, net interest result and remeasurement of pension obligations. Service cost includes the increase in current service cost, past service cost (plan amendments or curtailments) and settlements and is reported under personnel expenses. The net interest result is calculated on the net amount of the defined benefit obligation and plan assets using the discount rate and is reported in the financial result. The remeasurement of pension benefit obligations include actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and is recognised immediately in the statement of comprehensive income in other comprehensive income. Likewise, this position includes the return on plan assets and asset ceiling effects.

24. Financial debts

Current and non-current financial debts consist of promissory note loans, syndicated loans, bank loans and mortgages. Financial debts are initially recognised at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial debt, using the effective interest method.

25. Leases

An assessment is made at the beginning of the contract as to whether an agreement constitutes or contains a lease. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Arbonia uses the optional exemption not to recognise short-term and low-value leases in the balance sheet, but to recognise the corresponding lease payments as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of future lease payments during the non-cancellable period of the lease. Arbonia uses incremental borrowing rates as discount rates. On initial measurement, the right-of-use asset corresponds to the lease liability plus any dismantling costs, initial direct costs and advance payments. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life and the lease term. If it is intended to exercise a purchase option at the end of the contract period, the asset is depreciated over its useful life. The right-of-use asset is subject to an impairment test if there are indications of impairment.

If the expected lease payments change, e.g. in the case of payments based on an index or due to new estimates regarding contractual options, the lease liability is remeasured. The remeasurement to the lease liability is generally recognised as an adjustment to the related right-of-use asset without affecting the income statement.

26. Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted by the balance sheet date. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by Arbonia and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets including unused tax loss carryforwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The book value of capitalised deferred income tax assets is assessed for impairment at each balance sheet date and a loss is recognised in case of insufficient future taxable profit.

27. Share based payment

Members of the Board of Directors and Group Management as well as certain employees participate in a share based payment plan. The fair value of the equity compensation instruments granted to employees is estimated at the grant date and recorded over the service period to the income statement as personnel expenses with a corresponding offsetting entry to equity.

28. Shareholders' equity

The share premium relates to the Company going public back in 1988 and the capital increases in 2007, 2009, 2015, 2016 and 2017 reduced by previous distributions. Retained earnings include also remeasurements of employee benefit obligations.

Treasury shares are deducted from shareholders' equity. The cost of these treasury shares and the consideration received from the sale of these instruments (net of transaction cost and taxes) are recorded directly in shareholders' equity.

29. Income statement

Net revenue

The Heating, Ventilation and Air Conditioning Division (HVAC) generates its sales in the heating technology sector by selling individual product components as well as complete system solutions for residential, commercial and public construction. In the ventilation and air conditioning sector, the product portfolio includes fan coils, ceiling systems, air heaters and ventilation units, as well as systems for residential, commercial and industrial buildings. In addition, radiators, underfloor heating systems, heating walls and underfloor convectors are sold.

With its Wood Solutions Business Unit, the Doors Division generates its sales by selling interior and functional doors in a wide variety of designs and configurations. In the area of Glass Solutions, the division generates its sales through the sale of shower areas, shower enclosures and shower stalls for individual bathroom situations.

Contracts within the Division HVAC and the Business Unit Glass Solutions may include several different products which qualify as separate performance obligations. The performance obligation is generally fulfilled when the customer has received delivery. The individual products of a contract are delivered at the same time. It is therefore not necessary to allocate the transaction price to the individual performance obligations. At the time of delivery the invoice is issued and hence a recognition of a contract asset is not required. Revenue is therefore recognized at a point in time.

In the short-term series production (resale/ commercial business) of the Wood Solutions business, the transactions always consist of one single performance obligation. The performance obligation is fulfilled when the customer has received the delivery. As a result of that, an invoice is issued and hence recognition of a contract asset is not required.

The variable considerations can be reliably measured at the time the performance obligation is fulfilled and are taken into account as sales deductions. Payment periods customary in the industry are granted unless special payment periods have been agreed. There is therefore no financing component.

The Wood Solutions Business Unit and a minor part of the Division HVAC operate, in addition to the short-term series production, in the project business. The project business is characterised by long-term contracts which partially have a duration of over one year. The performance obligation in the project business is progressively satisfied over the period of the provided services (planning, production, assembly, acceptance) using the cost-to-cost method. Under the cost-to-cost method, the stage of completion is measured based on the ratio of costs incurred to date to the total budgeted costs. Revenue is recognised in proportion to the contract costs incurred. Therefore, revenue is recognised over the term of a contract. The allocation of the transaction price to separate performance obligations is not required because of the existence of only one performance obligation in the project business. Variable considerations such as discounts or construction rebates which can be measured reliably are deducted from the transaction price at the beginning of the contract term. In this way, these revenue reductions can be realised proportionally to the revenue recognition over the contract term. For reasons of materiality, it is not necessary to adjust the consideration for the time value of money or to measure non-cash consideration. If revenue is recognised as mentioned before, but the expected amount of consideration has not yet been invoiced, then a contract asset is recognised due to the conditional right to consideration. Accounts receivable from project business are recognised when the right to the consideration becomes unconditional. The right becomes unconditional when an acceptance protocol is signed and accordingly the invoice is issued to the customer. Payment periods customary in the industry are granted unless special payment periods have been agreed. The contract liability relates to contracts whose partial payments exceed the stage of completion or the revenue already recognised respectively, on a net contract-by-contract basis. Contract liabilities are recognised as revenue when the contractual performance obligation has been satisfied. Based on the analysed order durations, there are no significant financing components. The treatment of loss-making contracts occurs regardless of the stage of completion by recognising a provision amounting to the total contract loss resulting from the total budgeted costs not covered by the total amount of the transaction price.

Net revenues are reported net of sales or value-added taxes and are shown net of sales deductions.

If significant costs are incurred in the course of initiating or fulfilling a contract with a customer, these are capitalised.

The assessment of right of return, refund and similar obligations is not necessary as they do not constitute an integral part of Arbonia's business.

Revenues from contracts with customers are broken down by category in the segment reporting. Segment reporting also shows a breakdown of revenues recognised at a point in time and satisfied over time.

Other operating income

Other operating income is recognised when the service has been rendered and comprises amongst others proceeds from the sale of scrap metal, service income, rental income, insurance benefits and gains on the sale of investment property and property, plant and equipment.

EBITDA

EBITDA shows earnings before financial results, tax, depreciation and amortisation on non-current assets.

EBITA
EBITA shows earnings before financial results, tax and amortisation of intangible assets from acquisitions.

EBIT
EBIT shows earnings before financial results and tax.

Financial income
Financial income comprises amongst others interest income, minority share from associated companies and gains from derivative financial instruments. Furthermore, cumulative gains of exchange differences resulting from the disposal or the liquidation of subsidiaries, transferred from equity, are also included. Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Financial expenses
Financial expenses primarily include interest expenses, minority share from associated companies, bank charges and foreign exchange losses. Furthermore, cumulative losses of exchange differences resulting from the disposal or the liquidation of subsidiaries, transferred from equity, are also included. Interest expenses are recognised using the effective interest method. Foreign exchange gains and losses are shown on a net basis.

30. Significant accounting judgments, estimates and assumptions

All estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Arbonia makes judgments, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition
In project business, sales are realised over a period of time. Arbonia determines the stage of completion by using the cost-to-cost method. In Arbonia's opinion, this method best depicts the transfer of control of the products to the customer. Under the cost-to-cost method, the stage of completion is measured based on the ratio of costs incurred to date to the total budgeted costs. Changes due to post calculations and actively managed project controlling are taken into account when determining the stage of completion. Such changes in estimates are recognised prospectively. Revenue is recognised proportionally as costs are incurred. If the expected margin cannot be measured reliably, then revenue is recognised only in the amount of costs incurred.

Inventory provision
In order to determine the adequacy of the inventory provision, factors such as expected sales prices, inventory turnover and coverage days of inventory are considered. As of 31 December 2022, the carrying amount of inventory was at CHF 226.9 million. Therein a provision for inventories of CHF 19.7 million is included. A falling market demand or falling sales prices could lead to additional provisions needed. For further information on the inventory provision, see note 34.

Useful lives for property, plant and equipment
Arbonia has a significant amount of its assets invested in property, plant and equipment. As of 31 December 2022, the carrying amount of property, plant and equipment totalled CHF 675.0 million. At the time of the purchase useful lives for such assets are based on estimates, as technical obsolescence or competition could lead to shorter useful lives than initially anticipated. Therefore the determination of useful lives is based on stringent standards and thereafter continuously reviewed and if necessary adjusted. A change in estimate could impact the level of future depreciation charges. For further information on property, plant and equipment, see note 37.

Estimated impairment of goodwill
As of 31 December 2022, the carrying amount of goodwill was at CHF 182.4 million. Arbonia tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 20. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates such as expected future cash flows, margins, discount rates and growth rates. These estimates could change or differ from the actual outcome and therefore lead to additional impairments. For further information on goodwill, see note 40.

Intangible assets acquired in a business combination
Brands, technologies, client relationships and distribution channels are amortised over their estimated useful lives. At initial recognition, assumptions and estimates must be made about the expected cash flows such as sales prices, margins, discount rates, attrition rates of clients and technological development which of course are exposed to some uncertainties. As of 31 December 2022, the carrying amount of intangible assets acquired in a business combination amounted to CHF 155.7 million. For further information on such acquired intangible assets, see note 40.

Provisions
Provisions are recognised based on the criteria as set out under note 22. As of 31 December 2022, the carrying amount of the provisions totalled CHF 22.8 million. In estimating the amount of provision, assumptions are used and depending on the outcome of the various business transactions, the actual cash outflow and its timing could significantly differ from the booked provision. For further information on provisions, see note 45.

Employee benefit obligations
Employee benefit obligations for defined benefit plans are based on actuarial valuations, which use statistical calculations and actuarial assumptions (see note 23). Such assumptions include amongst others future salary and pension increases, probable turnover rates as well as life expectancy of plan participants. The assumptions underlying these calculations are dependent on a number of prospective factors, therefore actual results could significantly differ from the original valuations and as a consequence impact the carrying amount of capitalised pension surplus and employee benefit obligation. As of 31 December 2022, the underfunding amounted to CHF 37.4 million, thereof CHF 4.9 million recorded in the balance sheet as capitalised pension surplus and CHF 42.3 million as employee benefit obligation. For further information on employee benefit obligation, see note 47.

Income taxes
Arbonia is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Arbonia recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the period in which such determination is made. Deferred tax assets, including those on tax loss carryforwards and expected tax credits, are only recognised if it is probable that they can be used by future taxable profits. The assessment of the recoverability of those deferred tax assets is therefore based on estimates, which could differ from actual results and consequently lead to valuation allowances. As of 31 December 2022, the carrying amount of deferred tax assets before offsetting totalled CHF 22.6 million. For further information on income taxes, see notes 46 and 52.

C Explanation to certain positions of the consolidated financial statements

31. Segment information

Arbonia is organised into the divisions or segments HVAC (Heating, Ventilation and Air Conditioning) and Doors. Corporate Services which mainly include service, finance, real estate and investment companies, provides their services almost entirely to Group companies. They have not been allocated to an operating segment and are therefore shown separately.

For the monitoring and assessment of the financial performance, EBITDA, EBITA and EBIT are pivotal key measures. However, Group Management and the Board of Directors also are provided with financial data down to the line item "result after income tax" by operating segment. The segments apply the same accounting policies as the Group. Purchases, sales and services between segments are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. Income and expenses between segments are eliminated on consolidation and disclosed in "Eliminations".

Segment assets and liabilities include all assets, liabilities and intercompany transactions. Goodwill has been allocated to the respective segments.

HVAC Division

The Heating, Ventilation and Air Conditioning Division is a leading and highly integrated provider to the industry. Under the main brands – Kermi, Arbonia, Prolux, Sabiana, Vasco, Superia and Brugman – it sells its wide product range across Europe. Production takes place in Germany, the Czech Republic, Italy, Belgium, Poland, Russia and Serbia. In addition a large number of sales locations in Europe and a world-wide network of exclusive distribution partners ensure customer proximity.

Doors Division

With its Wood Solutions Business Unit and the associated companies Prüm, Garant, Invado and RWD Schlatter, the Doors Division is one of Europe's leading suppliers of interior doors and wood frames. In its domestic markets, the business unit offers its customers a comprehensive product range from standard doors to complex functional doors. With the Glass Solutions Business Unit and the well-known brands Kermi, Koralle and Baduscho, the Doors Division is also the European market leader with shower solutions for all generations and lifestyles. The Doors Division has eight production sites: five are located in Germany, two in Switzerland and one in Poland.

Corporate Services

Corporate Services mainly consists of service, finance, real estate and investment companies. These companies provide their services across divisions and almost entirely to Group companies.

in 1000 CHF						2022
	HVAC	Doors	Total reportable segments	Corporate Services	Elimina-tions	Total Group
Sales with third parties at point in time	636 650	483 442	1 120 092	3 219		1 123 311
Sales with third parties over time	9 541	69 245	78 786			78 786
Sales with other segments		51	51		– 51	
Net revenues	**646 191**	**552 738**	**1 198 929**	**3 219**	**– 51**	**1 202 097**
Segment results I (EBITDA)	**58 569**	**59 217**	**117 786**	**– 9 488**	**5**	**108 303**
in % of net revenues	*9.1*	*10.7*	*9.8*			*9.0*
Depreciation and amortisation	– 29 439	– 23 551	– 52 990	– 2 079		– 55 069
Impairment right-of-use assets		– 262	– 262			– 262
Segment results II (EBITA)	**29 130**	**35 404**	**64 534**	**– 11 567**	**5**	**52 972**
in % of net revenues	*4.5*	*6.4*	*5.4*			*4.4*
Amortisation of intangible assets from acquisitions	– 4 538	– 11 420	– 15 958			– 15 958
Segment results III (EBIT)	**24 592**	**23 984**	**48 576**	**– 11 567**	**5**	**37 014**
in % of net revenues	*3.8*	*4.3*	*4.1*			*3.1*
Interest income	675	134	809	9 667	– 10 075	401
Interest expenses	– 6 751	– 4 521	– 11 272	– 2 978	10 089	– 4 161
Minority share from associated companies		1 263	1 263			1 263
Other financial result	– 2 467	– 3 235	– 5 703	15 250	– 14 246	– 4 699
Result before income tax	**16 048**	**17 625**	**33 674**	**10 372**	**– 14 227**	**29 818**
Income tax expense	– 4 463	– 3 757	– 8 220	– 926		– 9 146
Result after income tax	**11 585**	**13 868**	**25 454**	**9 446**	**– 14 227**	**20 672**
Average number of employees	**3 239**	**3 176**	**6 415**	**117**		**6 532**
Total assets	**704 699**	**795 510**	**1 500 209**	**1 116 381**	**– 1 097 078**	**1 519 512**
thereof associated companies		10 457	10 457			10 457
Total liabilities	**441 430**	**455 184**	**896 614**	**253 775**	**– 618 419**	**531 970**
Purchases of property, plant and equipment, right-of-use assets, investment properties and intangible assets	**52 774**	**104 073**	**156 847**	**30 115**		**186 962**

in 1000 CHF						2021
	HVAC	Doors	Total reportable segments	Corporate Services	Elimina-tions	Total Group
Sales with third parties at point in time	626067	484821	1110888	3836		1114724
Sales with third parties over time	4481	66972	71453			71453
Net revenues	**630548**	**551793**	**1182341**	**3836**		**1186177**
Segment results I (EBITDA)	**61916**	**76191**	**138107**	**–13419**	**10**	**124698**
in % of net revenues	*9.8*	*13.8*	*11.7*			*10.5*
Depreciation and amortisation	–27573	–21708	–49281	–1982		–51263
Impairment property, plant and equipment/ intangible assets	–4413		–4413			–4413
Segment results II (EBITA)	**29930**	**54483**	**84413**	**–15401**	**10**	**69022**
in % of net revenues	*4.7*	*9.9*	*7.1*			*5.8*
Amortisation of intangible assets from acquisitions	–4392	–11322	–15715			–15715
Segment results III (EBIT)	**25538**	**43161**	**68698**	**–15401**	**10**	**53308**
in % of net revenues	*4.1*	*7.8*	*5.8*			*4.5*
Interest income	229	86	315	5055	–5331	39
Interest expenses	–4229	–2575	–6804	–4005	5332	–5477
Minority share from associated companies		–1060	–1060			–1060
Other financial result	–2875	–2888	–5764	13804	–10926	–2886
Result before income tax	**18663**	**36723**	**55386**	**–547**	**–10915**	**43924**
Income tax expense	–8520	–7921	–16441	57		–16384
Result after income tax	**10143**	**28802**	**38945**	**–490**	**–10915**	**27540**
Average number of employees	**3076**	**2977**	**6052**	**125**		**6177**
Total assets	**651734**	**722865**	**1374599**	**1118755**	**–870058**	**1623296**
thereof associated companies		7276	7276			7276
Total liabilities	**376241**	**369991**	**746232**	**228854**	**–396132**	**578954**
Purchases of property, plant and equipment, right-of-use assets, investment properties and intangible assets	**53889**	**106553**	**160442**	**931**		**161373**

The impairment recognised in the previous year in the HVAC Division is mainly related to machinery in connection with the relocation and closure of a production site in the Netherlands.

Information about geographical areas

in 1 000 CHF				2022
	Switzerland	Germany	Other Countries	Total
Net revenues	168 466	592 817	440 814	1 202 097
Property, plant and equipment, right-of-use assets, investment properties, intangible assets and goodwill	114 909	619 635	342 046	1 076 590

in 1 000 CHF				2021
	Switzerland	Germany	Other Countries	Total
Net revenues	162 710	591 001	432 466	1 186 177
Property, plant and equipment, right-of-use assets, investment properties, intangible assets and goodwill	101 807	551 501	322 587	975 894

Major customers

Arbonia has no customer who generates more than 10% of the Group's net revenues (see also paragraph credit default risk in note 53).

32. Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

in 1 000 CHF	31 / 12 / 2022	31 / 12 / 2021
CHF	1 382	196 408
EUR	18 638	47 709
PLN	751	3 423
CZK	1 971	1 707
RUB	3 502	1 499
Other currencies	2 952	3 124
Total	**29 196**	**253 870**

33. Accounts receivable / contract balances

Accounts receivable

in 1 000 CHF	31 / 12 / 2022	31 / 12 / 2021
Accounts receivable	117 773	115 610
Allowance for accounts receivable	– 8 214	– 9 181
Total	**109 559**	**106 429**
thereof accounts receivable project business	9 920	8 201

The allowance for accounts receivable includes expected credit losses and cash discounts.

The ageing analysis is as follows:

in 1 000 CHF	31/12/2022	31/12/2021
Not yet due	96 423	95 200
Overdue up to 30 days	7 246	6 874
Overdue more than 30, less than 60 days	2 811	2 389
Overdue more than 60, less than 90 days	1 797	542
Overdue more than 90, less than 180 days	1 003	1 178
Overdue more than 180, less than 360 days	306	366
Overdue more than 360 days	– 27	– 120
Total accounts receivable, net	**109 559**	**106 429**

Outstanding accounts receivable amounting to CHF 74.5 million (2021: CHF 62.4 million) were secured and mainly consist of credit insurances. No allowances are made on the secured receivables.

The expected credit losses on accounts receivable developed as follows:

in 1 000 CHF	2022	2021
Balance at 01/01	**– 4 206**	**– 6 816**
Foreign exchange differences	84	35
Changes in scope of consolidation	– 175	– 199
Additional allowances	– 323	– 353
Used during year	474	2 789
Unused amounts reversed	253	338
Balance at 31/12	**– 3 892**	**– 4 206**

Contract balance

in 1 000 CHF	31/12/2022	31/12/2021
Contract assets project business	18 822	13 527
Total contract assets	**18 822**	**13 527**
Contract liabilities project business	6 592	5 317
Other advance payments by customers	3 207	3 442
Total contract liabilities	**9 799**	**8 759**

The contract balances project business result from Arbonia's longer-term contracts. Revenues recognised over the term of a contract are shown as contract assets. Contract assets are presented on a net contract-by-contract basis, e.g. less the received partial payments. As soon as the acceptance protocol is signed, the final invoice is issued and the items are transferred to accounts receivable. The movement in the contract assets is as follows:

in 1 000 CHF	2022	2021
Balance at 01/01	**13 527**	**11 574**
Foreign exchange differences	– 45	– 51
Reclassification of contract assets existing at the beginning of the period to accounts receivable	– 10 424	– 9 224
Revenue recognition on projects in progress as of the balance sheet date based on percentage of completion	36 757	29 178
Offset against contract liabilities due to partial payments received	– 20 993	– 17 950
Balance at 31/12	**18 822**	**13 527**

The contract liabilities project business relate to contracts whose partial payments exceed the stage of completion. Contract liabilities are recognised as revenue when the contractual performance obligation has been satisfied. The movement in the contract liabilities project business is as follows:

in 1 000 CHF	2022	2021
Balance at 01/01	**5 317**	**1 218**
Foreign exchange differences	– 143	– 100
Revenue recognised from amounts included in the contract liabilities at the beginning of the period	– 623	– 654
Partial payments received for projects in progress at the balance sheet date	23 034	22 803
Offset against contract assets	– 20 993	– 17 950
Balance at 31/12	**6 592**	**5 317**

In 2022, there were no known default risks and therefore no need for specific allowances on contract assets. The expected credit losses are estimated to be insignificant and therefore no allowance was made.

There have been no general changes in the timeframe until an enforceable right for consideration or a performance obligation is fulfilled.

The expected revenues to be recognised on the current order backlog are as follows:

in 1 000 CHF	within 1 year	in 1-2 years	after 2 years
Revenues expected to be recognised on uncompleted order backlog as at 31/12/2022	62 799	16 401	576
Revenues expected to be recognised on uncompleted order backlog as at 31/12/2021	40 367	7 434	1 505

These amounts only include contracts of project business with an expected original duration of more than one year.

34. Inventories

in 1 000 CHF	31/12/2022	31/12/2021
Raw material and supplies	119 601	95 315
Semi-finished and finished goods	96 132	77 030
Goods purchased for resale	10 787	10 125
Prepayments	401	314
Total	**226 921**	**182 784**

A provision of CHF 19.7 million (2021: CHF 20.2 million) has been provided for obsolete and slow-moving items and is deducted from inventories. 2022 and 2021, there are no material inventories written down to the net realisable value and no material write-downs to net realisable value were recorded.

35. Financial assets

in 1 000 CHF	31/12/2022	31/12/2021
Investments in associated companies > 20 % < 50 %	10 457	7 276
Other financial assets	424	339
Loans	40	58
Total	**10 921**	**7 673**
thereof disclosed as current assets	12	15

In October 2022, Arbonia further increased its shares in the German KIWI-KI GmbH, DE-Berlin, and now holds 34.0% of the company. The purchase price amounted to CHF 2.3 million. In the cash flow statement, the cash outflow is included in the position issuance of financial assets.

In July 2021, Arbonia had acquired shares in the German KIWI-KI GmbH, DE-Berlin, for the equivalent of CHF 0.5 milion and held 24.9% of the company as at 31 December 2021.

Associated companies

in 1 000 CHF	2022	2021
Balance at 01/01	**7 276**	**8 194**
Foreign exchange differences	– 374	– 308
Increase of investment	2 292	450
Minority share from associated companies	1 263	– 1 060
Balance at 31/12	**10 457**	**7 276**

Subsequently, the financial information of the associated company is disclosed in condensed form.

Associated companies – Balance sheet

in 1 000 CHF	31/12/2022	31/12/2021
Current assets	8 348	1 751
Non-current assets	1 454	1 443
Total assets	**9 802**	**3 194**
Current liabilities	952	526
Non-current liabilities		447
Shareholders' equity	8 850	2 221
Total liabilities and shareholders' equity	**9 802**	**3 194**

Associated companies - Income statement

in 1 000 CHF	2022	2021
Net revenues	9 205	2 368
Results after taxes	3 730	– 3 938

Business transactions with associated companies

in 1 000 CHF	2022	2021
Purchase of goods and services	1	4

36. Non-current assets held for sale and discontinued operations

Sold operations 2021

Disposal of windows business
On 4 January 2021, a contract was signed between Arbonia and the Danish DOVISTA Group for the sale of the windows business. The closing of the transaction took place on 31 August 2021.

in 1 000 CHF	31/08/2021
Assets	
Cash and cash equivalents	12 741
Receivables and other assets	39 489
Inventories and contract assets	62 053
Deferred expenses	4 568
Property, plant and equipment and right-of-use assets	129 217
Intangible assets and goodwill	34 911
Deferred income tax assets	351
Capitalised pension surplus	41 295
Financial assets	29
Total assets	**324 654**
Liabilities	
Liabilities	46 889
Financial debts and lease liabilities	17 424
Accruals and deferred income	28 074
Provisions	4 763
Deferred income tax liabilities	11 323
Total liabilities	**108 473**
Net assets	**216 181**
Cash and cash equivalents disposed	– 12 741
Net assets excluding cash and cash equivalents	**203 440**
Gain on disposal	130 625
Net cash inflow from disposal	**334 065**

The sale of the windows business on 31 August 2021 resulted in a disposal gain of CHF 130.6 million. From the sale of this business unit, accumulated currency translation differences in the amount of CHF 31.5 million resulted, which have been transferred from equity to the income statement and debited to the financial result from discontinued operations. The resulting net amount of CHF 99.1 million was eliminated in the cash flow statement under the item profit/loss on disposal of non-current assets/subsidiaries.

Result from discontinued operations

in 1000 CHF	01/01 – 31/08/2021
Net revenues	**237 190**
Other operating income and capitalised own services	7 979
Changes in inventories of semi-finished and finished goods	6 513
Cost of material and goods	– 113 715
Personnel expenses	– 82 624
Other operating expenses	– 35 846
EBITDA	**19 497**
EBIT	**19 497**
Financial result	– 31 978
Result from discontinued operations before income tax	**– 12 481**
Income tax expense	– 6 954
Result from discontinued operations	**– 19 435**
Gain on disposal of discontinued operations	130 625
Net result from discontinued operations	**111 190**

The results for the reporting period 2021 comprised sales costs for the disposal of the business unit windows of CHF 3.9 million which were included in other operating expenses.

In 2022, costs of CHF 2.5 million still incurred for the sale of the windows business and provisions of CHF 1.0 million built for the sale were not used and could be released over the income statement.

In the consolidated cash flow statement 2021, the cash flows from the discontinued operations are included, however, subsequently condensed and shown separately below. Neither the cash inflows nor the sales costs from the divested business are included in the below table.

Cash flow from discontinued operations

in 1000 CHF	01/01 – 31/08/2021
Cash flows from operating activities	**8 460**
Cash flows from investing activities	**– 6 197**
Cash flows from financing activities	**– 3 138**

In 2021, an investment property in Germany was sold. The cash inflow of CHF 2.2 million had been included in the consolidated statement of cash flows under proceeds from sale of investment properties.

37. Property, plant and equipment

in 1000 CHF	Land and buildings	Plant and machinery	Other equipment	Prepayments and assets under construction	Total
Net book value at 01/01/2021	**212 743**	**181 431**	**11 225**	**86 038**	**491 437**
Cost					
Balance at 01/01/2021	**320 953**	**377 748**	**42 446**	**91 784**	**832 931**
Foreign exchange differences	–9 853	–10 054	–970	–4 673	–25 550
Change in scope of consolidation	10 376	7 237	1 167		18 780
Additions	32 485	11 218	4 891	90 879	139 473
Disposals	–377	–11 023	–2 494	–430	–14 324
Reclassification to/ from assets held for sale	3 096	501	77	7	3 680
Reclassifications	4 992	33 332	1 075	–40 798	–1 399
Balance at 31/12/2021	**361 672**	**408 959**	**46 192**	**136 769**	**953 591**
Foreign exchange differences	–12 461	–14 709	–1 487	–5 094	–33 751
Change in scope of consolidation	2 593	1 982	255		4 830
Additions	38 442	15 338	6 477	97 728	157 985
Disposals	–1 617	–15 282	–3 015	–22	–19 936
Reclassifications	4 125	45 187	1 281	–62 734	–12 141
Balance at 31/12/2022	**392 754**	**441 475**	**49 703**	**166 647**	**1 050 578**

in 1000 CHF	Land and buildings	Plant and machinery	Other equipment	Prepayments and assets under construction	Total
Accumulated depreciation					
Balance at 01/01/2021	**108210**	**196317**	**31221**	**5746**	**341494**
Foreign exchange differences	–2997	–4296	–575	181	–7687
Depreciation	9105	25031	3605		37741
Impairment		4179			4179
Disposals	–359	–10915	–2407		–13681
Reclassification to/ from assets held for sale	388	426	62		876
Reclassifications	–12	–285	180	433	316
Balance at 31/12/2021	**114335**	**210457**	**32086**	**6360**	**363238**
Foreign exchange differences	–4098	–7527	–990	949	–11666
Depreciation	10386	28131	4500		43017
Disposals	–1223	–15162	–2877		–19262
Reclassifications	–63	7356	70	–7133	230
Balance at 31/12/2022	**119337**	**223255**	**32789**	**176**	**375557**

Net book value at 31/12/2021	**247336**	**198502**	**14106**	**130409**	**590353**
Net book value at 31/12/2022	**273416**	**218220**	**16914**	**166471**	**675021**

No borrowing costs were capitalised in 2022. In 2021, borrowing costs of CHF 0.1 million were included in assets under construction.

Capital commitments
As of the balance sheet date, Arbonia had entered into the following capital commitments for the purchase of property, plant and equipment and intangible assets:

in 1000 CHF	31/12/2022	31/12/2021
Property, plant and equipment	51976	59247
Intangible assets	124	136
Total	**52100**	**59383**

Land and buildings amounting to CHF 39.6 million (2021: CHF 48.7 million) are pledged to secure mortgages.

38. Leasing

Arbonia leases various assets, including buildings, machinery, vehicles, tools and IT equipment. The lease conditions are negotiated individually and contain a variety of different conditions. The rights-of-use assets in connection with these leases are as follows:

in 1 000 CHF	Right-of-use buildings	Right-of-use plant and machinery	Right-of-use other equipment	Total
Net book value at 01/01/2021	**44 203**	**4 318**	**7 936**	**56 457**
Cost				
Balance at 01/01/2021	**57 784**	**6 095**	**14 748**	**78 627**
Foreign exchange differences	–608	–243	–461	–1 312
Change in scope of consolidation	446		122	568
Additions	6 838	939	2 748	10 525
Disposals and remeasurements	–18 748	31	–2 246	–20 963
Reclassification to/ from assets held for sale			64	64
Reclassifications	69	–313	–290	–534
Balance at 31/12/2021	**45 781**	**6 509**	**14 685**	**66 975**
Foreign exchange differences	–909	–247	–561	–1 717
Change in scope of consolidation	1 922		12	1 934
Additions	9 307	409	2 803	12 519
Disposals and remeasurements	–31 927	–503	–2 909	–35 339
Reclassifications	–10	–749	–149	–908
Balance at 31/12/2022	**24 164**	**5 419**	**13 881**	**43 464**

in 1000 CHF	Right-of-use buildings	Right-of-use plant and machinery	Right-of-use other equipment	Total
Accumulated depreciation				
Balance at 01/01/2021	**13581**	**1777**	**6812**	**22170**
Foreign exchange differences	–163	–87	–239	–489
Depreciation	4934	887	3847	9668
Disposals	–6438	–2	–2178	–8618
Reclassification to/ from assets held for sale			29	29
Reclassifications		–156	–175	–331
Balance at 31/12/2021	**11914**	**2419**	**8096**	**22429**
Foreign exchange differences	–299	–98	–299	–696
Depreciation	3889	737	3335	7961
Impairment	262			262
Disposals	–6899	–485	–2836	–10220
Reclassifications		–208	–70	–278
Balance at 31/12/2022	**8867**	**2365**	**8226**	**19458**
Net book value at 31/12/2021	**33867**	**4090**	**6589**	**44546**
Net book value at 31/12/2022	**15297**	**3054**	**5655**	**24006**

The disposals in the right-of-use buildings include the Corporate Center in CH-Arbon for CHF 21.5 million. In the 2nd quarter of 2022, Arbonia repurchased the Corporate Center prematurely for CHF 25.1 million and thus also early terminated the lease agreement. The lease agreement had an original term until 31 August 2027. The lease liability and the purchase price obligation recognised in other non-current liabilities were derecognised against the right-of-use asset.

The disposals in the right-of-use buildings in 2021 included Arbonia's largest rental agreement, which concerned the rental of a production and office building in Germany for the Doors Division. In 2021, this property was purchased and the lease agreement with an original lease term until 31 May 2027 was early terminated.

Other operating expenses include the following expenses in connection with leases:

in 1000 CHF	2022	2021
Expenses relating to short-term leases	2 636	2 348
Expenses relating to leases of low-value assets (excluding short-term leases)	907	512
Expenses for variable lease payments	943	617
Total	**4 486**	**3 477**

Total cash outflows for leases amounted to CHF 13.2 million in 2022 (2021: CHF 14.9 million).

Some of Arbonia's rental leases include renewal options. The determination of the lease term of these leases requires judgement. The assessment of whether it is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. In its assessment, Arbonia considers the facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs. As of 31 December 2022, possible future cash outflows of CHF 0.9 million (2021: CHF 1.1 million) were not included in the lease liability as it is not reasonably certain that the lease agreements will be renewed.

39. Investment property

in 1000 CHF	Investment property – land	Investment property – buildings	Total
Net book value at 01/01/2021	**1104**	**192**	**1296**
Cost			
Balance at 01/01/2021	**1603**	**24728**	**26331**
Balance at 31/12/2021	**1603**	**24728**	**26331**
Foreign exchange differences	–66	–4	–70
Additions		3296	3296
Reclassifications	4250	236	4486
Balance at 31/12/2022	**5787**	**28256**	**34043**
Accumulated depreciation			
Balance at 01/01/2021	**499**	**24536**	**25035**
Depreciation		44	44
Balance at 31/12/2021	**499**	**24580**	**25079**
Foreign exchange differences	–1		–1
Depreciation		38	38
Reclassifications	38	25	63
Balance at 31/12/2022	**536**	**24643**	**25179**
Net book value at 31/12/2021	**1104**	**148**	**1252**
Net book value at 31/12/2022	**5251**	**3613**	**8864**
Fair values of investment properties at 31/12/2021			**8705**
Fair values of investment properties at 31/12/2022			**16994**

Rental income from investment properties amounted to CHF 0.7 million (2021: CHF 1.3 million) and is included in other operating income. Related direct operating expenses were CHF 0.3 million (2021: CHF 0.2 million) and are included in other operating expenses. The fair values of investment properties are, in the hierarchy according to IFRS 13, assigned to level 3 for non-observable market data, since they are calculated on the basis of estimates that have been determined by independent external valuers and internal assessments.

40. Intangible assets

in 1000 CHF	Brands	Customer relationships	Technologies	Other intangible assets from business combinations	Other intangible assets	Total	Goodwill
Net book value at 01/01/2021	**58 452**	**79 174**	**13 350**	**81**	**12 435**	**163 492**	**177 598**
Cost							
Balance at 01/01/2021	**84 007**	**120 010**	**20 126**	**4 506**	**29 235**	**257 884**	**208 099**
Foreign exchange differences	–3 371	–4 725	–798	–65	–809	–9 768	–6 984
Change in scope of consolidation	5 951	12 466			212	18 629	8 007
Additions					3 366	3 366	
Disposals					–2 502	–2 502	–1 500
Reclassifications					1 845	1 845	
Balance at 31/12/2021	**86 587**	**127 751**	**19 328**	**4 441**	**31 347**	**269 454**	**207 622**
Foreign exchange differences	–3 733	–5 155	–926	–89	–1 204	–11 107	–7 973
Change in scope of consolidation	5 638	19 426	4 800	653	28	30 545	11 747
Additions					13 161	13 161	
Disposals					–915	–915	
Reclassifications					8 607	8 607	
Balance at 31/12/2022	**88 492**	**142 022**	**23 202**	**5 005**	**51 024**	**309 745**	**211 396**
Accumulated amortisation							
Balance at 01/01/2021	**25 555**	**40 836**	**6 776**	**4 425**	**16 800**	**94 392**	**30 501**
Foreign exchange differences	–1 103	–1 362	–302	–66	–442	–3 275	
Amortisation	6 608	8 007	1 072	28	3 809	19 524	
Impairment					234	234	
Disposals					–2 502	–2 502	–1 500
Reclassifications					–41	–41	
Balance at 31/12/2021	**31 060**	**47 481**	**7 546**	**4 387**	**17 858**	**108 332**	**29 001**
Foreign exchange differences	–1 313	–1 701	–352	–85	–538	–3 989	
Amortisation	5 608	8 796	1 200	355	4 054	20 013	
Disposals					–915	–915	
Balance at 31/12/2022	**35 355**	**54 576**	**8 394**	**4 657**	**20 459**	**123 441**	**29 001**
Net book value at 31/12/2021	**55 527**	**80 270**	**11 782**	**54**	**13 489**	**161 122**	**178 621**
Net book value at 31/12/2022	**53 137**	**87 446**	**14 808**	**348**	**30 565**	**186 304**	**182 395**

Expenses for research and development in the amount of CHF 12.7 million (2021: CHF 15.6 million) have been charged to the income statement, since they did not fulfil the capitalisation criteria. The additions to intangible assets consist of CHF 3.3 million (2021: CHF 0.3 million) of own development costs and CHF 9.9 million (2021: CHF 3.1 million) of purchased or acquired items. Of the additions to other intangible assets, CHF 6.2 million relate to implementation costs in connection with the introduction of SAP S/4HANA in the Doors Division.

Goodwill

As of 31 December 2022 goodwill from business combinations is allocated to the Group's five cash-generating units (CGUs) Termovent, Sabiana, Joro Doors, Wood Solutions and Glass Solutions. The movements of the carrying amounts of goodwill during the reporting period were as follows:

in 1 000 CHF	Termovent	Sabiana	Joro Doors	Wood Solutions	Glass Solutions	Total
Balance at 31/12/2021	**7631**	**22641**		**133702**	**14647**	**178621**
Acquisition			11747			11747
Foreign exchange differences	–360	–1037	–132	–6444		–7973
Balance at 31/12/2022	**7271**	**21604**	**11615**	**127258**	**14647**	**182395**

Goodwill impairment tests 2022

The recoverability of goodwill is assessed annually towards year-end or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its value in use and its fair value less costs to sell.

The recoverable amount of the CGUs was determined based on value in use calculations. These calculations used cash flow projections covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimated growth rates. The underlying financial data consisting of one budget year and four plan years form part of the Group's medium term plan approved by the Board of Directors in autumn 2022 and were used for the impairment tests.

The value in use calculation for the annual 2022 impairment tests assumed the following key assumptions:

in %	Termovent	Sabiana	Joro Doors	Wood Solutions	Glass Solutions
Budgeted gross margin	40.4	40.6	72.0	54.5	67.7
Eternal growth rate	2.5	1.8	2.5	2.1	2.0
Discount rate	11.4	12.0	11.2	10.8	10.3

Budgeted gross margins are based on expectations for the market development and initiated optimisation measures. The eternal growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Based on a reasonably possible change in the key assumptions, sensitivity analyses were calculated in 2022 on higher discount rates, lower than actually expected EBITDAs, lower gross margins and lower eternal growth rates which only led to a possible impairment at the CGU Wood Solutions.

A reduction in the budgeted gross margin from 54.5% to 52.5% would result in an impairment of the CGU Wood Solutions amounting to CHF 64.8 million. At a budgeted gross margin of 53.6%, the calculated value would be equal to its carrying amount. A 10% reduction in EBITDA and a simultaneous reduction of eternal growth from 2.1% to 1.6% would lead to an impairment of CHF 51.8 million. At a reduction of 5.1% in EBITDA and a simultaneous reduction of eternal growth to 1.9%, the calculated value would be equal to its carrying amount.

Goodwill impairment tests 2021

The value in use calculation for the annual 2021 impairment tests assumed the following key assumptions:

in %	Termovent	Sabiana	Wood Solutions	Glass Solutions
Budgeted gross margin	50.3	42.1	55.6	70.1
Eternal growth rate	2.0	1.8	1.5	1.3
Discount rate	10.3	10.5	9.5	9.3

Budgeted gross margins were determined based on expectations for the market development and initiated optimisation measures. The eternal growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant CGUs.

Based on a reasonably possible change in the key assumptions, sensitivity analyses were calculated in 2021 on higher discount rates, lower than actually expected EBITDAs, lower gross margins and lower eternal growth rates which only led to a possible impairment at the CGU Wood Solutions.

A reduction in the budgeted gross margin from 55.6% to 53.6% would have resulted in an impairment of the CGU Wood Solutions amounting to CHF 63.3 million. At a budgeted gross margin of 54.6%, the calculated value would have been equal to its carrying amount. A 10% reduction in EBITDA and a simultaneous reduction of eternal growth from 1.5% to 1.0% would have led to an impairment of CHF 49.6 million. At a reduction of 5.6% in EBITDA and a simultaneous reduction of eternal growth to 1.3%, the calculated value would have been equal to its carrying amount.

41. Acquisitions

The following fair value of assets and liabilities had arisen from acquisitions as mentioned under note 3:

Acquisitions 2022

Joro Türen GmbH

in 1000 CHF	Fair Value
Assets	
Cash and cash equivalents	767
Accounts receivable	845
Other current assets	572
Inventories	1 920
Deferred expenses	29
Property, plant and equipment	1 709
Right-of-use assets	1 617
Intangible assets	10 635
Financial assets	11
Total assets	**18 106**
Liabilities	
Accounts payable	160
Other liabilities	246
Lease liabilities	1 617
Accruals and deferred income	403
Current income tax liabilities	200
Provisions	25
Deferred income tax liabilities	2 919
Employee benefit obligations	1 159
Total liabilities	**6 730**
Net assets acquired	**11 376**
Goodwill	11 747
Acquisition price	**23 123**
Cost of acquisition	
Purchase price	20 811
Deferred purchase price	2 312
Total cost of acquisition	**23 123**

Net cash outflow was as follows:	
Purchase price	20 811
Cash and cash equivalents acquired	–767
Net cash outflow on acquisition	**20 044**

As of 16 July 2022, Arbonia acquired 100% of Joro Türen GmbH, DE-Renchen. This company is a producer of special doors for the project business in the area of fire, smoke, sound and burglary protection. This acquisition gives the Doors Division access to the German project business and access to extensive approvals and certificates for oversized doors that cannot be manufactured on industrial equipment. The purchase price amounted to CHF 23.1 million which included a deferred purchase price payment of CHF 2.3 million. A first tranche of CHF 1.15 million will mature on July 2023 and a second tranche of CHF 1.15 million on July 2024. From the date of acquisition, Joro contributed CHF 4.3 million in net revenues and CHF 1.1 million in profit to the Group. Had the acquisition taken place on 1 January 2022, net revenues would have been CHF 8.7 million and profit, including amortisation charges on intangible assets from acquisitions, would have been CHF 1.5 million. The gross carrying amount of accounts receivable amounted to CHF 1.1 million, of which CHF 0.3 million were considered uncollectable. The acquisition-related costs amounted to CHF 0.1 million and are included in other operating expenses in 2022. The goodwill from this acquisition is due to the fact that certain intangible assets did not meet the criteria of IFRS 3 «business combinations» for the recognition as intangible assets at the date of acquisition. These intangible assets consisted mainly of the know-how of the workforce. Furthermore goodwill includes the expected synergy potentials within the Doors Division.

Cirelius S.A.

in 1000 CHF	Fair Value
Assets	
Cash and cash equivalents	2 899
Accounts receivable	2 054
Other current assets	97
Inventories	4 850
Deferred expenses	38
Property, plant and equipment	3 121
Right-of-use assets	316
Intangible assets	19 909
Financial assets	37
Total assets	**33 321**

Liabilities	
Accounts payable	540
Other liabilities	773
Lease liabilities	323
Accruals and deferred income	266
Current income tax liabilities	621
Deferred income tax liabilities	4 428
Total liabilities	**6 950**
Net assets acquired	**26 371**
Cost of acquisition	
Purchase price	26 371
Total cost of acquisition	**26 371**
Net cash outflow was as follows:	
Purchase price	26 371
Cash and cash equivalents acquired	– 2 899
Net cash outflow on acquisition	**23 471**

As of 5 December 2022, Arbonia acquired 100% of Cirelius S.A., PT-Avintes. Cirelius specialises in particular in the sale and distribution of HVAC system solutions for residential construction throughout Portugal and distributes, among other things, heat pumps and photovoltaic systems. For the HVAC Division, this acquisition means a significant strengthening of its activities in the Portuguese and Spanish markets, making it a leading supplier of HVAC system solutions on the Iberian Peninsular. The purchase price amounted to CHF 26.4 million. Since the acquisition took place just shortly before year-end, Arbonia has renounced to consolidate the income statement of Cirelius based on materiality reasons. Had the acquisition taken place on 1 January 2022, net revenues would have been CHF 23.2 million and profit, including amortisation charges on intangible assets from acquisitions, would have been CHF 2.9 million. The gross carrying amount of accounts receivable amounted to CHF 2.2 million, of which CHF 0.2 million were considered uncollectable. The acquisition-related costs amounted to CHF 0.2 million and are included in other operating expenses in 2022. The fair values of the acquired assets and liabilities could only be determined on a provisional basis, as the acquisition took place shortly before year-end and therefore not all valuations could be carried out or checked in detail.

Deferred purchase price payments for Tecna and CICSA of CHF 0.7 million were due and paid in 2022.

Acquisitions 2021

CICSA Industriales del Calor S.L.

in 1000 CHF	Fair Value
Assets	
Cash and cash equivalents	1 357
Accounts receivable	1 269
Other current assets	31
Inventories	1 108
Deferred expenses	12
Property, plant and equipment	110
Right-of-use assets	118
Intangible assets	8 773
Financial assets	20
Total assets	**12 799**
Liabilities	
Accounts payable	673
Other liabilities	82
Financial debts	1 455
Lease liabilities	120
Accruals and deferred income	62
Current income tax liabilities	221
Deferred income tax liabilities	2 190
Total liabilities	**4 803**
Net assets acquired	**7 996**
Cost of acquisition	
Purchase price	6 889
Deferred purchase price	1 107
Total cost of acquisition	**7 996**
Net cash outflow was as follows:	
Purchase price	6 889
Cash and cash equivalents acquired	– 1 357
Net cash outflow on acquisition	**5 531**

As of 30 March 2021, Arbonia had acquired 100% of CICSA Industriales del Calor S.L., ES-Coslada (Madrid). Cicsa is the Spanish market leader in the distribution of designer radiators and bathroom radiators. Following the 2018 acquisition of the already existing distribution partner for heating, ventilation and air conditioning equipment, TECNA S.L., the acquisition of Cicsa is intended to further strengthen the sales position of the HVAC Division in the Spanish and Portuguese markets. The purchase price amounted to CHF 8.0 million. From the date of acquisition, Cicsa contributed in 2021 CHF 5.6 million in net revenues and CHF 0.4 million in profit to the Group. Had the acquisition taken place on 1 January 2021, net revenues for 2021 would have been CHF 7.3 million and profit, including amortisation charges on intangible assets from acquisitions, would have been CHF 0.5 million. Both the gross and net book value of accounts receivable amounted to CHF 1.3 million. The acquisition-related costs amounted to CHF 0.2 million and were included in other operating expenses in 2020 and 2021.

Termovent Komerc d.o.o.

in 1 000 CHF	Fair Value
Assets	
Cash and cash equivalents	2 210
Accounts receivable	3 767
Other current assets	161
Inventories	1 895
Contract assets	595
Deferred expenses	747
Property, plant and equipment	5 472
Right-of-use assets	428
Intangible assets	9 856
Financial assets	76
Total assets	**25 207**

Liabilities	
Accounts payable	2 879
Contract liabilites	4 007
Other liabilities	519
Financial debts	3 404
Lease liabilities	430
Accruals and deferred income	402
Provisions	370
Deferred income tax liabilities	1 061
Total liabilities	**13 072**

Net assets acquired	**12 134**
Goodwill	8 007
Acquisition price	**20 142**

Cost of acquisition	
Purchase price	20 142
Total cost of acquisition	**20 142**
Net cash outflow was as follows:	
Purchase price	20 142
Cash and cash equivalents acquired	– 2 210
Net cash outflow on acquisition	**17 931**

As of 22 July 2021, Arbonia had acquired 100% of the Serbian Termovent Komerc d.o.o., RS-Belgrade. For the HVAC division, the acquisition of this established Serbian manufacturer of commercial ventilation equipment means the geographical expansion of its holistic system offering in the field of ventilation into Eastern Europe and the Europe-wide expansion of its expertise in the field of indoor air quality, in particular cleanrooms. The purchase price amounted to CHF 20.1 million. From the date of acquisition, Termovent contributed in 2021 CHF 7.0 million in net revenues and CHF – 0.5 million in loss to the Group. Had the acquisition taken place on 1 January 2021, net revenues for 2021 would have been CHF 16.6 million and the loss, including amortisation charges on intangible assets from acquisitions, would have been CHF –1.0 million. The gross carrying amount of accounts receivable amounted to CHF 4.0 million, of which CHF 0.2 million were considered uncollectable. The acquisition-related costs amounted to CHF 0.3 million and were included in other operating expenses in 2020 and 2021. The goodwill from this acquisition was due to the fact that certain intangible assets did not meet the criteria of IFRS 3 "business combinations" for the recognition as intangible assets at the date of acquisition. These intangible assets consisted mainly of the know-how of the workforce. Furthermore goodwill includes the expected synergy potentials within the HVAC Division.

Glasverarbeitungsgesellschaft Deggendorf mbH

in 1 000 CHF	Fair Value
Assets	
Cash and cash equivalents	3 489
Accounts receivable	732
Other current assets	268
Inventories	832
Deferred expenses	55

Property, plant and equipment	13 198
Right-of-use assets	22
Deferred income tax assets	603
Total assets	**19 198**

Liabilities	
Accounts payable	942
Other liabilities	227
Lease liabilities	22
Accruals and deferred income	970
Provisions	96
Employee benefit obligations	9 235
Total liabilities	**11 491**

Net assets acquired	**7 707**

Cost of acquisition	
Purchase price	7 707
Total cost of acquisition	**7 707**
Net cash outflow was as follows:	
Purchase price	7 707
Cash and cash equivalents acquired	– 3 489
Net cash outflow on acquisition	**4 218**

As of 31 August 2021, Arbonia had acquired 100% of Glasverarbeitungsgesellschaft Deggendorf mbH (GVG), DE-Deggendorf. 2022, the company was renamed Arbonia Glassysteme GmbH. By integrating the processing of the raw material glass into its own production processes, the Doors Division has increased its vertical depth of added value. The purchase price amounted to CHF 7.7 million. From the date of acquisition, GVG contributed in 2021 CHF 4.5 million in net revenues and CHF 0.5 million in profit to the Group. Had the acquisition taken place on 1 January 2021, net revenues in 2021 would have been CHF 11.8 million and the loss would have been CHF -0.3 million. Both the gross and net book value of accounts receivable amounted to CHF 0.7 million. The acquisition-related costs amounted to CHF 0.3 million and were included in other operating expenses in 2021.

42. Financial debts

On 3 November 2020, Arbonia had entered into a syndicated loan for CHF 250 million. This loan, arranged with a consortium of domestic and foreign banks, has a term of five years, with the option to extend the agreement twice for one year each. The first extension option was exercised in 2021 and the second in 2022, so that the term now runs until 2027.

The financial debts are comprised of the following:

in 1 000 CHF	31 / 12 / 2022	31 / 12 / 2021
Promissory note loan	119 754	125 501
Syndicated loan	54 434	
Mortgages	6 446	7 725
Bank loans	10 804	884
Total	**191 438**	**134 110**

The syndicated loan contains the leverage ratio as covenant. In the event of non-compliance, the banks may at any time at their option, declare the amounts then outstanding to be immediately due and payable. Arbonia was in compliance with the covenant in 2022 and 2021.

The maturities of the financial debts are as follows:

in 1 000 CHF	31 / 12 / 2022	31 / 12 / 2021
within 1 year	121 586	1 843
between 1 and 5 years	57 708	118 867
after 5 years	12 144	13 400
Total	**191 438**	**134 110**

The effective interest rates for the financial debts at the balance sheet date were as follows:

	31 / 12 / 2022
	EUR
Financial debts	2.1%

	31 / 12 / 2021
	EUR
Financial debts	1.7%

The syndicated loan and bank loans have variable interest rates, whereas the promissory note loan and mortgages have fixed interest rates.

The breakdown for the financial debts by currency was as follows:

in 1 000 CHF	31 / 12 / 2022	31 / 12 / 2021
EUR	191 438	133 974
PLN		136
Total	**191 438**	**134 110**

43. Financial instruments

The contractually agreed undiscounted interest payments and repayments of the non-derivative financial liabilities and the derivatives with a cash outflow are as follows:

in 1 000 CHF	Book value	Contractual cash flows	up to 6 months	7 to 12 months	between 1 and 2 years	between 2 and 5 years	after 5 years
							31/12/2022
Non-derivative financial instruments							
Accounts payable	92 970	92 970	92 941	29			
Other liabilities (without derivatives)	4 927	4 927	1 941	1 184	1 802		
Lease liabilities	22 119	23 305	3 884	3 525	5 502	7 102	3 292
Accruals and deferred income	40 909	40 909	40 138	771			
Financial debts	191 438	198 290	123 705	1 023	2 282	58 763	12 517
Total	**352 363**	**360 401**	**262 609**	**6 532**	**9 586**	**65 865**	**15 809**

in 1 000 CHF	Book value	Contractual cash flows	up to 6 months	7 to 12 months	between 1 and 2 years	between 2 and 5 years	after 5 years
							31/12/2021
Non-derivative financial instruments							
Accounts payable	133 574	133 574	133 396	178			
Other liabilities (without derivatives)	18 244	22 633	983	693	957		20 000
Lease liabilities	26 542	28 408	4 136	3 892	6 105	9 957	4 318
Accruals and deferred income	44 600	44 600	42 722	1 878			
Financial debts	134 110	142 529	3 730	1 137	61 088	62 637	13 937
Derivative financial instruments							
Interest rate swaps	988						
Cash outflow		988	108	102	182	385	211
Commodity swaps	58						
Cash outflow		58	58				
Total	**358 116**	**372 790**	**185 133**	**7 880**	**68 332**	**72 979**	**38 466**

Amounts in foreign currency were each translated at the respective year-end rate. Variable interest payments arising from financial instruments were calculated using the conditions prevailing at the balance sheet date. Financial liabilities which can be repaid at any time are always assigned to the earliest possible time period.

44. Additional disclosures on financial instruments

The relation between the relevant balance sheet items and the measurement categories in accordance with IFRS 9 and the disclosure of fair values of financial instruments is shown in the following table. The table does not contain information on fair value for financial assets and financial liabilities that are not measured at fair value if the carrying amount is a reasonable approximation of fair value. Similarly, no information is required on the fair value of lease liabilities.

							31/12/2022
in 1000 CHF	**FA FVTPL**	**FA AC**	**FL FVTPL**	**FL AC**	**Book value**		**Fair Value**
						Level 2	**Level 3**
Cash and cash equivalents		29196			29196		
Accounts receivable		109559			109559		
Derivative financial instruments	70				70	70	
Other current assets (without derivatives)		1208			1208		
Deferred expenses		3198			3198		
Other financial assets		424			424		
Loans	40				40		40
Assets	**110**	**143585**			**143695**		
Accounts payable				92970	92970		
Other liabilities (without derivatives)				4927	4927		
Lease liabilities				22119	22119		
Accruals and deferred income				40909	40909		
Promissory note loan				119754	119754	115761	
Syndicated loan				54434	54434		
Loans				10804	10804		
Mortgages				6446	6446	6376	
Liabilities				**352363**	**352363**		

							31/12/2021
in 1000 CHF	FA FVTPL	FA AC	FL FVTPL	FL AC	Book value		Fair Value
						Level 2	Level 3
Cash and cash equivalents		253 870			253 870		
Accounts receivable		106 429			106 429		
Derivative financial instruments	15				15	15	
Other current assets		1 533			1 533		
Deferred expenses		2 010			2 010		
Other financial assets		339			339		
Loans	58				58		58
Assets	**73**	**364 181**			**364 254**		
Accounts payable				133 574	133 574		
Derivative financial instruments			1 046		1 046	1 046	
Other liabilities (without derivatives)				18 244	18 244		
Lease liabilities				26 542	26 542		
Accruals and deferred income				44 600	44 600		
Promissory note loan				125 501	125 501	127 381	
Loans				884	884		
Mortgages				7 725	7 725	8 713	
Liabilities			**1 046**	**357 069**	**358 116**		

Abbreviations in the header of this table are explained in note 9 "Financial Instruments" on page 154.

The derivative financial instruments measured at fair value through profit or loss relate to interest rate transactions for 2022. In 2021, commodity transactions were also included. The fair value of level 2 is the present value of expected payments, which are discounted at market rates. The determination of the fair value of these transactions is made by the banks.

In 2022 and 2021, no gains/losses resulted from level 3 financial instruments. Furthermore, no reclassifications occurred between the levels 1 and 2.

45. Provisions

in 1 000 CHF	Warranty	Personnel	Restructuring	Onerous contracts project business	Other provisions	Total
Balance at 01/01/2021	**9 803**	**7 559**	**27**	**39**	**2 452**	**19 880**
Foreign exchange differences	–366	–316	–346		–86	–1 114
Change in scope of consolidation	237	229				466
Additional provisions	8 540	2 167	10 041	16	4 496	25 260
Used during the year	–7 543	–1 530	–1 033	–39	–1 199	–11 344
Unused amounts reversed	–261	–273	–27		–398	–959
Reclassification to/ from assets held for sale	114					114
Balance at 31/12/2021	**10 524**	**7 836**	**8 662**	**16**	**5 265**	**32 303**
Foreign exchange differences	–385	–352	–320		–98	–1 155
Change in scope of consolidation	25					25
Additional provisions	3 679	2 965	2 686	12	136	9 478
Used during the year	–6 097	–1 568	–6 363	–4	–685	–14 717
Unused amounts reversed	–457	–954	–290		–1 385	–3 086
Balance at 31/12/2022	**7 289**	**7 927**	**4 375**	**24**	**3 233**	**22 848**
thereof current at 31/12/2021	7 178	1 648	8 662	16	2 987	20 491
thereof current at 31/12/2022	4 750	1 700	4 375	23	1 382	12 230

The current provisions are expected to be fully utilised during 2023. The non-current provisions are expected to be utilised as follows:

in 1 000 CHF	Warranty	Personnel	Restructuring	Onerous contracts project business	Other provisions	Total
between 1 and 5 years	2 533	5 260			1 785	9 578
after 5 years	6	967			67	1 040

Warranty
Warranty provisions are assessed for each order individually. In case of a high volume of orders, such an individual assessment might be impractical and standard rates are applied based on past experience.

Personnel
Personnel provisions comprise mainly provisions for partial retirements.

Restructuring
In December 2022, the Doors Division announced that it would cease operations in Vlotho (DE). A large part of the restructuring provision recognised in 2022 is attributable to this.

At the end of November 2021, the HVAC Division announced the relocation of production and closure of the plant in Tubbergen (NL). The restructuring provision amounted to CHF 8.5 million and costs incurred of CHF 6.2 million were booked against this provision in 2022. The restructuring of the radiator business will be completed by early summer 2023.

Other provisions
Other provisions include costs for environmental risks, legal claims and various risks that could arise in the normal course of business.

46. Deferred income taxes

Deferred tax assets and liabilities arise due to differences between the group valuation and tax valuation in the following balance sheet items:

	31/12/2022		31/12/2021	
in 1000 CHF	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Assets				
Cash and cash equivalents	4			
Accounts receivable	484	226	622	150
Other current assets	6	134	168	166
Inventories	1730	635	1831	546
Property, plant and equipment and right-of-use assets	254	23162	65	22763
Investment property	67	320	65	
Intangible assets	204	39519	244	37634
Capitalised pension surplus and financial assets	130	3148		6089
Liabilities				
Current liabilities	5505	4997	5446	3376
Non-current liabilities	2874	858	2703	3233
Current and non-current provisions	938	312	1322	340
Employee benefit obligations	3966	4	9575	2
Deferred taxes from timing differences	**16162**	**73315**	**22041**	**74299**
Deferred tax assets derived from tax loss carryforwards	13658		10749	
Valuation allowance	–7104		–3785	
Net deferred taxes from timing differences	**22716**	**73315**	**29005**	**74299**
Offset of deferred tax assets and liabilities	–18330	–18330	–22100	–22100
Total deferred taxes	**4386**	**54985**	**6905**	**52199**

From the capitalised pension surplus and employee benefit obligations, CHF 0.6 million (2021: CHF 4.7 million) of deferred taxes were recorded in comprehensive income. All other changes of assets and liabilities were recorded through the income statement.

Deferred income tax assets are recognised for tax loss carryforwards, to the extent that the realisation of the related tax benefit through future taxable profits is probable.

There are temporary differences totalling CHF 59.4 million (2021: CHF 44.6 million) in conjunction with investments in subsidiaries for which Arbonia has not recorded deferred tax liabilities based on the exemption provisions of IAS 12. There are no deductible temporary differences for both 2022 and 2021 on which no deferred tax assets have been recognised.

Activity in the deferred income tax account on a net basis is as follows:

in 1 000 CHF	2022	2021
Balance at 01 / 01	**45 294**	**42 059**
Change in scope of consolidation	7 347	2 649
Changes to other comprehensive income	567	4 660
Changes to the income statement	– 962	– 2 611
Foreign exchange differences	– 1 647	– 1 463
Balance at 31 / 12	**50 599**	**45 294**

Unrecognised tax loss carryforwards in 1 000 CHF	31 / 12 / 2022	31 / 12 / 2021
Tax loss carryforwards	70 007	53 496
thereof recognised as deferred taxes	– 35 376	– 37 414
Unrecognised tax loss carryforwards	**34 631**	**16 082**
Portion expiring:		
between 1 and 5 years		2 990
after 5 years	34 631	13 092
Total	**34 631**	**16 082**
Tax effect on unrecognised tax loss carryforwards	**7 104**	**3 785**
thereof pertaining to tax rates below 15.0%	2 021	425
thereof pertaining to tax rates between 15.0% and 20.0%	59	
thereof pertaining to tax rates between 20.1% and 25.0%	4 316	2 620
thereof pertaining to tax rates between 25.1% and 30.0%	708	740

47. Employee benefit obligations

Pension plans in Switzerland

The Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), aiming to safeguard the employees against the risks of old age, death and disability. There are semi-autonomous pension plans, that is, the foundations fully bear the risk of age itself. The risks of disability and death are reinsured entirely (congruent reinsurance) or partially (stop-loss insurance) with Swiss insurance companies. The plans give plan participants a choice regarding the annual amount of contribution payments. The employees' contributions are determined as a percentage of the insured salary and are deducted monthly. The retirement pension is calculated by multiplying the retirement capital at the retirement age with the then applicable regulatory conversion rate. Plan participants can also draw all or part of the retirement pension as a lump sum. Death and disability benefits are set as a percentage of the insured salary.

The Board of Trustees are by law the supreme governing body of the foundation. The duties of the trustees are set out in the BVG and the regulations of the foundations. The Board of Trustees exercises the overall direction and has overall responsibility. It is composed in accordance with the legal provisions of an equal number of employer and employee representatives, provided the foundation offers BVG-related pension plans.

The actuarial risks of old age, death and disability as well as the investment risks are primarily borne by the foundations. If certain duties are transferred to third parties, they assume the associated risks (insurance companies, external administrator etc.).

An unfavourable development of the semi-autonomous and autonomous foundations can lead to an underfunding of the affected foundation as stipulated by the BVG. The BVG allows a temporary underfunding but the Board of Trustees has to take the necessary remedial measures to remedy the underfunding within a maximum of ten years. Additional employer and employee contributions could be incurred in case the Swiss pension plan has a significant underfunding as per BVG. In such cases, the risk is borne by employers and employees alike and the employer is legally not obliged to accept more than 50% of the additional contributions.

The investment strategy of the Swiss pension plans follows BVG, including the rules and regulations for the diversification of plan assets. The security assessment of the investments takes place in the semi-autonomous foundations in evaluating total assets and liabilities as well as the structure and the expected development of the insured population.

Pension plans in Germany
The occupational pension provision in Germany is subject to the pension law. The method of the direct commitment was elected for the German pension plans. To fund these pension plans for future benefit payments, pension provisions are recorded in accordance with the relevant regulations. The employer has made commitments to the employees under certain benefit arrangements. The pension plans are defined benefit plans and provide current and former employees benefits in the event of reaching the retirement age, in case of disability, or death. The respective benefits become due at maturity and are paid directly by the company to the beneficiaries.

The following amounts are included in the consolidated financial statements:

in 1 000 CHF	31/12/2022	31/12/2021
Present value of funded obligations	113 997	130 659
Fair value of plan assets	154 418	169 835
Overfunding	**–40 421**	**–39 176**
Present value of unfunded obligations	42 331	61 846
Adjustment to asset ceiling	35 547	
Liability (net) recognised in the balance sheet	**37 457**	**22 670**
thereof recorded as employee benefit obligations	42 336	62 374
thereof recorded as capitalised pension surplus	–4 879	–39 704

The movement in the defined benefit obligation over the year is as follows:

in 1 000 CHF	2022	2021
Balance at 01/01	**192 505**	**178 159**
Changes in scope of consolidation	1 159	9 234
Interest cost	1 355	905
Current service cost	5 413	5 776
Contributions by plan participants	2 494	2 394
Benefits paid	– 8 116	– 5 995
Actuarial gains arising from changes in demographic assumptions		– 5 248
Actuarial gains arising from changes in financial assumptions	– 36 856	– 6 981
Actuarial losses arising from experience adjustements	827	3 761
Other transfers	296	
Administration cost	62	60
Reclassification from/to liabilities associated with assets held for sale		13 283
Foreign exchange differences	– 2 811	– 2 844
Balance at 31/12	**156 327**	**192 505**
thereof for active members	96 678	117 054
thereof for pensioners	54 307	68 284
thereof for deferred members	5 342	7 167

The movement in the fair value of plan assets over the year is as follows:

in 1 000 CHF	2022	2021
Balance at 01/01	**169 833**	**132 758**
Interest income	628	265
Return on plan assets excl. interest income	– 15 707	18 981
Contributions by the employer	5 228	5 051
Contributions by plan participants	2 494	2 394
Benefits paid	– 8 116	– 5 995
Other transfers	296	
Reclassification from/to assets held for sale		16 595
Foreign exchange differences	– 239	– 217
Balance at 31/12	**154 416**	**169 833**

The movement of the effect of the asset ceiling is as follows:

in 1 000 CHF	2022
Balance at 01 / 01	
Change in effect of asset ceiling excl. interest cost	35 547
Balance at 31 / 12	**35 547**

The remeasurements of employee benefit obligations in other comprehensive income are as follows:

in 1 000 CHF	2022	2021
Actuarial gains	– 36 029	– 8 468
Actuarial gains from discontinued operations		– 7 342
Return on plan assets excl. interest income	15 707	– 26 549
Change in effect of asset ceiling excl. interest cost	35 547	
Remeasurements of employee benefit obligations	**15 224**	**– 42 359**

The amounts recognised in the income statement are as follows:

in 1 000 CHF	2022	2021
Current service cost	5 413	5 776
Net interest result	727	639
Administration cost	62	60
Net charges for defined benefit plans	**6 202**	**6 476**
thereof recorded under personnel expenses	5 475	5 837
thereof recorded under financial results	727	639

The principal actuarial assumptions used were as follows:

Weighted average		**2022**	**2021**
Discount rate at 31/12		2.8%	0.7%
Future salary increases		2.1%	1.3%
Future pension increases		0.6%	0.6%
Mortality tables	Switzerland	BVG 2020 GT	BVG 2020 GT
	Germany	HB 2018 GT	HB 2018 GT

The sensitivity of employee benefit obligations due to changes of principal assumptions are as follows:

Impact on employee benefit obligations	**Change in assumption**	**2022**	**2021**
Discount rate	−0.25%	4757	7509
	+0.25%	−4491	−7080
Salary increases	−0.25%	−509	−766
	+0.25%	504	769
Life expectancy	+1 year	3180	5539
	−1 year	−3250	−5552
Service cost 2023 with discount rate	+0.25%	−217	−317

The weighted average duration of employee benefit obligations is 12.7 years (2021: 15.6 years).

The sensitivity analysis above is based on a change in an assumption while all other assumptions remain unchanged. In reality, this is unlikely to happen, because certain assumptions correlate. In the calculation of sensitivities of pension benefit obligations with the principal actuarial assumptions, the same method was applied (present value of the defined benefit obligation is calculated using the projected unit credit method at year-end) as for the calculation of the pension liability in these consolidated financial statements.

Plan assets at fair value consist of:

in 1 000 CHF	quoted	unquoted	31/12/2022 Total	quoted	unquoted	31/12/2021 Total
Cash and cash equivalents		7 287	7 287		7 202	7 202
Equity instruments	41 204		41 204	52 114		52 114
Debt instruments	26 241		26 241	29 125		29 125
Real estate	8 818	56 983	65 801	8 473	58 146	66 619
Others	8 557	5 326	13 883	9 701	5 072	14 773
Total plan assets	**84 820**	**69 596**	**154 416**	**99 413**	**70 420**	**169 833**

The category "Others" contains assets from full insurance contracts that have been terminated some years ago and are therefore expiring.

The expected maturity profile of benefit payments for unfunded plans is as follows:

in 1 000 CHF	up to 1 year	between 1 and 2 years	between 2 and 5 years	next 5 years
Benefit payments	1 618	1 791	6 093	12 155

Expected contributions to pension plans for the year 2023 amount to CHF 7.7 million (2022: CHF 7.3 million), of which CHF 5.2 million (2022: CHF 4.9 million) are attributable to the employer.

48. Share capital

The capital structure is as follows:

			31/12/2022			31/12/2021
Category	Outstanding shares	Par value in CHF	Share capital in CHF	Outstanding shares	Par value in CHF	Share capital in CHF
Registered shares	69 473 243	4.20	291 787 621	69 473 243	4.20	291 787 621

The proposed distribution per share for the 2022 financial year amounts to CHF 0.30 (2021: CHF 0.30).

On 22 April 2022, the Annual General Meeting of Arbonia AG had approved amongst others the following: To authorise the Board of Directors to create additional share capital by a maximum amount of CHF 29 148 000 through the issue of a maximum of 6 940 000 fully paid registered shares with a par value of CHF 4.20 each until 22 April 2024 (authorised capital increase). To increase the share capital by a maximum amount of CHF 29 148 000 by issuing a maximum of 6 940 000 fully paid up registered shares with a par value of CHF 4.20 (conditional capital increase). The authorised and conditional capital increase together were limited to an additional share capital of CHF 29 148 000.

Earnings per share	2022	2021
Group earnings from continuing operations after non-controlling interests (in 1 000 CHF)	20 672	27 540
Group earnings from discontinued operations after non-controlling interests (in 1 000 CHF)	– 1 545	111 190
Group earnings for the year (in 1 000 CHF)	19 127	138 730
Outstanding shares (average)	69 473 243	69 473 243
Less treasury shares (average)	– 526 858	– 309 282
Average number of shares outstanding for the calculation	**68 946 385**	**69 163 962**

There were no dilutive effects impacting the calculation.

49. Treasury shares

			2022			2021
	Ø market value in CHF	Number of shares	Amount in 1 000 CHF	Ø market value in CHF	Number of shares	Amount in 1 000 CHF
Balance at 01 / 01	**15.36**	**350 373**	**5 383**	**8.70**	**282 386**	**2 456**
Transfer for share based payments	15.64	– 164 084	– 2 566	10.85	– 307 758	– 3 340
Purchase	13.73	924 733	12 698	16.68	375 745	6 266
Balance at 31 / 12	**13.96**	**1 111 022**	**15 514**	**15.36**	**350 373**	**5 383**

50. Other comprehensive income and other reserves

The movements in other comprehensive income after taxes were as follows:

			31 / 12 / 2022			31 / 12 / 2021
in 1 000 CHF	Other reserves	Retained earnings	Total other comprehensive income	Other reserves	Retained earnings	Total other comprehensive income
Remeasurements of employee benefit obligations		– 15 224	– 15 224		42 359	42 359
Deferred tax effect		– 567	– 567		– 6 510	– 6 510
Total items that will not be reclassified to income statement		**– 15 792**	**– 15 792**		**35 849**	**35 849**
Currency translation differences	– 28 971		– 28 971	– 21 140		– 21 140
Cumulative currency translation differences transferred to the income statement				31 391		31 391
Total items that may be subsequently reclassified to income statement	**– 28 971**		**– 28 971**	**10 251**		**10 251**
Other comprehensive income after taxes	**– 28 971**	**– 15 792**	**– 44 763**	**10 251**	**35 849**	**46 100**

Other reserves

in 1000 CHF	Currency translation	Total
Balance at 31/12/2020	**–108710**	**–108710**
Currency translation differences	10251	10251
Balance at 31/12/2021	**–98459**	**–98459**
Currency translation differences	–28971	–28971
Balance at 31/12/2022	**–127430**	**–127430**

51. Financial results

in 1 000 CHF	2022	2021
Financial income		
Bank and other interest	263	20
Interest on net pension surplus	137	19
Total interest income	**400**	**39**
Gains derivative financial instruments	993	453
Minority share from associated companies	1 263	
Foreign currency exchange gain from sale / liquidation of subsidiaries		125
Other financial income	18	4
Total other financial income	**2 274**	**582**
Total financial income	**2 674**	**621**
Financial expenses		
Bank and other interest	283	715
Interest on leases	538	919
Interest on non-current financial debts and syndicated loan	2 246	2 370
Interest on net employee benefit obligations	865	658
Compounding of liabilities	230	815
Total interest expenses	**4 162**	**5 477**
Impact of exchange rate fluctuations	4 497	1 627
Minority share from associated companies		1 060
Bank charges and other financial expenses	1 211	1 841
Total other financial expenses	**5 708**	**4 528**
Total financial expenses	**9 870**	**10 005**
Total net financial results	**–7 196**	**–9 384**

The classification of the financial result of financial instruments into the categories according to IFRS 9 is as follows:

in 1 000 CHF	2022	2021
Total interest income from financial assets measured at amortised cost (FA AC)	263	20
Total interest expenses from financial liabilities measured at amortised cost (FL AC)	3 297	4 819
Net gain from financial assets/ liabilities measured at fair value through profit or loss (FA/ FL FVTPL)	993	453
Finance costs recognised in financial expenses from financial assets/ liabilities measured at amortised cost (FA/ FL AC)	1 237	1 836

52. Income taxes

in 1 000 CHF	2022	2021
Current income taxes	10 108	18 995
Changes in deferred income taxes	–962	–2 611
Total	**9 146**	**16 384**

The tax on Group earnings before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings before tax of the consolidated companies as follows:

in 1 000 CHF	2022	2021
Earnings before income tax	**29 818**	**43 924**
Weighted average tax rate in %	24.1	26.0
Expected tax expense	**7 195**	**11 435**
Income tax reconciliation		
Effect of utilisation of previously unrecognised tax losses	–16	–69
Effect of not capitalised losses for the year	3 076	2 682
Effect of non-tax-deductible expenses and non-taxable income	–159	2 636
Effect of income and expenses taxed at special rates	347	732
Effect of tax charges related to prior years	–697	–365
Effect of tax rate changes	–479	–445
Change in unrecognised deferred tax assets		60
Other items	–121	–282
Effective tax expense	**9 146**	**16 384**
Effective tax rate in %	30.7	37.3

The Group's applicable tax rate represents the weighted average of the statutory corporate tax rates, prevailing in the tax jurisdictions in which the Group companies operate.

The expected weighted average tax rate decreased slightly compared to previous year. Compared to 2021, there were no significant changes in local tax rates.

Global minimum tax
To address concerns about uneven profit distribution and tax contribution of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed guidance released in March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. Once changes to the tax laws in any jurisdictions in which Arbonia operates are enacted or substantively enacted, the Group may be subject to the top-up tax. At the date when the financial statements were authorised for issue, none of the jurisdictions in which Arbonia operates had enacted or substantively enacted the tax legislation related to the top-up tax. Arbonia is closely monitoring the progress of the legislative process in each jurisdiction the Group operates in. At 31 December 2022, Arbonia did not have sufficient information to determine the potential quantitative impact.

53. Financial risk management

Risk management principles
Arbonia has a centralised risk management system. The risk management process is carried out as stated in the internal guidelines. Any potential and material risks have been identified and quantified according to the likelihood, damage to reputation and impact. Overall, no potential risks have been identified in the business year, which could lead to material adjustments of net assets, the financial position and results of operations of the consolidated financial statements of Arbonia.

Due to its international business activities, the Group is subject to various financial risks, such as credit, liquidity and other market risks. The principal goal of risk management activities is to minimise financial risks to the continued existence (liquidity and default risks) and profitability (currency, interest rate fluctuation, price risks) while ensuring adequate solvency at any time. Risk minimisation does not mean to completely eliminate but rather to control financial risks in an economically useful manner within an identified framework. Depending on their assessment, the Group uses derivative and non-derivative financial instruments to hedge certain risks. To minimise financial default risks, derivative financial instruments are only entered into with banks which are specifically defined in the treasury policy. There are financial management guidelines and principles within the Group that regulate the handling of currency, interest rate fluctuation, commodity and credit risks, the use of derivative and non-derivative financial instruments as well as the management of liquid funds not required for operations. The risk management guidelines adopted by the Board of Directors are implemented centrally by group treasury but in close cooperation with the Divisions.

The Group's financial resources are not used for speculation purposes. The derivatives used aim to hedge underlying transactions.

Credit default risk
Credit risks arise from the possibility that the counterparty of a transaction might not be able or willing to meet its obligations. The credit risk relates to financial assets (see note 44) as well as to contract assets (see note 33).

The credit or default risk in relation to receivables and contract assets is controlled by the individual subsidiaries on a decentralised basis and limited through the assignment of credit limits on the basis of systematic and regular credit ratings. Corresponding guidelines are in place within the Group aiming at an ongoing control and value adjustment of open positions. Due to the broad diversification of the customer portfolio into various business segments and geographic regions but also the possibility to create construction tradesman's liens or the use of credit insurance, the credit risk is limited. The 10 largest debtors of Arbonia as of the balance sheet date accounted for a share of 25.9% (2021: 22.3%) of existing trade receivables. The 10 largest customers generated 23.5% (2021: 23.9%) of the Group's net revenues in the year under review.

To minimise financial default risks, cash and cash equivalents, fixed-term deposits and derivative financial instruments are only deposited or entered into with banks which are specifically defined in the treasury policy. The three largest banks accounted for 68%/8%/5% of total liquid funds as of the balance sheet date (2021: 24%/17%/15%).

The maximum credit risk corresponds to the book values or fair values reported in note 44 for the financial asset categories "at fair value through profit and loss" (FA FVTPL) and "at amortised cost" (FA AC) and the book values of the contract assets reported in note 33. If applicable, these include derivative financial instruments having a positive fair value.

Liquidity risk
The liquidity risk arises from the fact that the Group might not be in a position to obtain the funds required to meet the obligations assumed in connection with financial instruments on the relevant due dates.

The cash, investments, financing and redemptions are managed and controlled on an ongoing basis by group treasury. The standard policy involves financial structures with matching maturities and currencies for each individual subsidiary.

Scheduled cash requirements for the planning horizon must be secured under facility agreements or internal funding within the Group and/or via banks. By means of rolling monthly cash flow forecasts over a planning horizon of 12 months, the future cash development is forecasted in order to take measures in due time in the event of an excess coverage or shortfall. Arbonia monitors its liquidity risk with the aid of a consolidated liquidity plan, taking into account additional funding sources, e.g. undrawn credit limits. As individual divisions of Arbonia are subject to seasonal fluctuations, cash decreases early in the year but normally rises again in the second half of the year.

The available liquidity as of the balance sheet date is shown below:

in 1000 CHF	31/12/2022	31/12/2021
Cash and cash equivalents	29196	253870
+ undrawn credit facilities	210404	261793
Total available liquidity	**239600**	**515663**

The syndicated loan taken out in 2020 includes the leverage ratio as covenant. If such covenant are not complied with, the banks may demand immediate redemption of their share. In 2022 and 2021, Arbonia complied with the covenant.

The contractually agreed maturities of financial liabilities within the meaning of IFRS 7 are set forth in note 43.

Market risk
(a) Currency risk
Due to the Group's international focus, there are currency risks based on exchange rate fluctuations of various currencies. In the case of Arbonia, these mainly relate to the EUR, PLN, CZK and RUB.

A currency risk arises from transactions that are not settled in the functional currency of the Group companies. Group companies can hedge their net risk position for the period of the risk horizon with hedging transactions at Group Treasury. Arbonia's risk position equals the sum of the subsidiaries' net risk positions and is hedged by the group treasury with external counterparties using currency forward contracts of the relevant foreign currency. The hedging ratio depends on the maturity and currency risk exposure and is determined on a case by case basis.

Translation differences (translation risks) also arise from the consolidation in CHF of the financial statements of foreign subsidiaries prepared in foreign currencies. Translation affects the amount of earnings and comprehensive income. The major risk to the Group in connection with translation differences relates to the EUR. The effects of such exchange rate fluctuations on significant net investments are as much as possible hedged by means of natural hedges with liabilities in this currency.

For the description of market risks, IFRS 7 requires sensitivity analyses showing the effects of realistic currency fluctuations on Group earnings and shareholders' equity. These effects are calculated on the basis of financial instruments existing as of the balance sheet date. In this context, it is assumed that all other variables remain unchanged. Translation risks arising from the translation of foreign subsidiaries are not included in the following table.

A 5% increase (decrease) of the EUR against the CHF (2021: 5%), a 5% increase (decrease) of the CZK against the CHF (2021: 5%), a 5% increase (decrease) of the PLN against the CHF (2021: 5%) or a 5% increase (decrease) of the RUB against the CHF (2021: 5%) would have the following effects on Arbonia's Group earnings as of the balance sheet date:

in 1000 CHF				31/12/2022
	EUR/CHF	CZK/CHF	PLN/CHF	RUB/CHF
Assumed change	5.0%	5.0%	5.0%	5.0%
Impact of an increase on group earnings	2480	687	223	244
Impact of a decrease on group earnings	−2480	−687	−223	−244

in 1000 CHF				31/12/2021
	EUR/CHF	CZK/CHF	PLN/CHF	RUB/CHF
Assumed change	5.0%	5.0%	5.0%	5.0%
Impact of an increase on group earnings	2677	259	307	422
Impact of a decrease on group earnings	−2677	−259	−307	−422

(b) Interest rate risk
Interest rate risks arise from interest rate fluctuations which may have a negative effect on the Group's asset and earnings position. Interest rate fluctuations result in changes in interest income and expenses relating to interest-bearing assets and liabilities. In addition, they may also affect the fair value of certain financial assets, liabilities and financial instruments, as set forth below under «Market risks».

Group companies are exclusively funded via group treasury on terms in line with the market and on a decentralised basis only in exceptional cases and with the prior approval of the Group CFO. Excess cash is also invested via group treasury (with the exception of Russia). The standard policy for the Group as well as for subsidiaries is that interest-bearing financial transactions in terms of capital commitment and fixed interest rates must always meet the underlying requirements. Derivative financial instruments, such as interest rate swaps or interest rate options, are used on a case-by-case basis by group treasury and only upon consultation with or according to the instruction of Group CFO.

For the description of interest fluctuation risks, IFRS 7 requires sensitivity analyses showing the effects of realistic fluctuations in market interest rates on Group earnings and shareholders' equity. These effects are calculated on the basis of financial instruments existing as of the balance sheet date. In this context, it is assumed that all other variables remain unchanged and that the balance of financial instruments as of the balance sheet date is representative of the entire year. Fixed-rate financial instruments valued at amortised cost are not subject to interest rate fluctuation risks within the meaning of IFRS 7.

An increase (decrease) in the market interest level as of the balance sheet date by 50 basis points for CHF interest rates (2021: 50 basis points) or by 50 basis points for EUR interest rates (2021: 50 basis points) would have the effects set forth below on Group earnings of Arbonia:

in 1000 CHF		31/12/2022
	CHF interest rate	EUR interest rate
Assumed change in basis points	50	50
Variable interest-bearing financial instruments		
Impact of an increase on group earnings	6	–157
Impact of a decrease on group earnings	–6	157
Interest rate swaps		
Impact of an increase on group earnings		82
Impact of a decrease on group earnings		–82

in 1000 CHF		31/12/2021
	CHF interest rate	EUR interest rate
Assumed change in basis points	50	50
Variable interest-bearing financial instruments		
Impact of an increase on group earnings	843	202
Impact of a decrease on group earnings	–843	–202
Interest rate swaps		
Impact of an increase on group earnings		134
Impact of a decrease on group earnings		–134

(c) Other market risks
Fair value risk
Changes in fair values of financial assets, liabilities or financial instruments may affect the Group's asset and earnings position.

For the description of market risks, IFRS 7 requires sensitivity analyses showing the effects of a reasonable potential change in risk variables, such as market prices, indices, etc., on prices of financial instruments, on the Group's earnings and shareholders' equity.

Equity management
The objective of Arbonia is a strong equity base to secure the Group's future development. A sustainable equity ratio of between 45% and 55% is the goal. The shareholders' equity corresponds to an equity ratio of 65.0% as of the balance sheet date (2021: 64.3%). The slight increase in the equity ratio compared to the previous year is due to lower total assets as a result of the significant decrease in cash and cash equivalents.

With regard to the maximum amount still available for the creation of new share capital through a conditional and/or authorised capital increase, see note 48.

Arbonia is not governed by any regulatory authorities with respect to minimum capital requirements.

54. Derivative financial instruments

The following table shows the fair values of the various derivative financial instruments recognised in the balance sheet as of the balance sheet date:

in 1000 CHF	31/12/2022	31/12/2021
Interest rate swaps without hedges	70	
Commodity swaps without hedges		15
Liabilities		
Interest rate swaps without hedges		988
Commodity swaps without hedges		58

Interest rate swaps are entered into to hedge the interest rate risk, i.e. to secure variable interest rates on borrowings in fixed interest rates.

Commodity transactions are entered into to hedge commodity price risks. The open transactions as at 31 December 2021 related to hedges of the steel price.

55. Additional information on the cash flow statements

in 1000 CHF	2022	2021
Changes in non-cash transactions		
Additional/reversed provisions	6355	25306
Changes in capitalised pension surplus/employee benefit obligations	260	1357
Share based payments	2278	5049
Minority share from associated companies	–1263	1060
Other non-cash effects	4172	–1918
Total changes in non-cash transactions	**11802**	**30854**
Changes in working capital		
Changes in accounts receivable	–3946	–22315
Changes in inventories	–44770	–62704
Changes in contract assets project business	–5340	–10311
Changes in other working capital items	–1884	–3851
Total changes in working capital	**–55940**	**–99181**
Changes in liabilities		
Changes in accounts payable	–36642	47335
Changes in contract liabilities	1087	5358
Used provisions	–14718	–14163
Changes in other current liabilities	–11208	9232
Total changes in liabilities	**–61481**	**47762**

in 1000 CHF	Current and non-current financial debts
Balance at 31/12/2020	**140 169**
Foreign exchange differences	– 413
Change in scope of consolidation	4 859
Proceeds from financial debts	68 385
Repayments of financial debts	– 73 542
Non-cash foreign exchange effects	– 5 348
Balance at 31/12/2021	**134 110**
Foreign exchange differences	– 383
Proceeds from financial debts	64 202
Repayments of financial debts	– 1 078
Non-cash foreign exchange effects	– 5 413
Balance at 31/12/2022	**191 438**

in 1000 CHF	Lease liabilities
Balance at 31/12/2020	**39 324**
Foreign exchange differences	– 673
Change in scope of consolidation	571
Lease additions	10 447
Lease liability payments	– 10 480
Lease disposals and remeasurements	– 12 671
Reclassification to liabilities associated with assets held for sale	23
Balance at 31/12/2021	**26 542**
Foreign exchange differences	– 984
Change in scope of consolidation	1 940
Lease additions	12 487
Lease liability payments	– 8 218
Lease disposals and remeasurements	– 9 648
Balance at 31/12/2022	**22 119**

56. Share based payments

For Group Management and certain other employees a share based payment plan exists. As part of this plan, Group Management members receive 50% (2021: 50%) and the other employees between 20% and 35% (2021: between 20% and 35%) of their bonus in shares. This equity-settled variable remuneration is measured at fair value and recognised as an increase in equity. The determination of the number of shares is based on the volume weighted average share price of 20 trading days, less a 20% discount for the restriction period. These shares granted have a restriction period of four years. A share based payment plan also exists for members of the Board of Directors. Under this plan, members receive a minimum of 50% of their compensation in shares. This plan has the same features as the one for Group Management.

In 2022, Group Management and certain other employees received for their work in the year 2021 a total of 72712 allotted shares (2021: 75255 shares) at a fair value of CHF 1.2 million (2021: CHF 1.2 million) and CHF 16.84 per share respectively (2021: CHF 16.52). The CEO received a larger portion of his base compensation for his employment 2022 in shares. He was allocated 60000 shares (2021: 60000) at a fair value of CHF 1.3 million (2021: CHF 0.9 million) and CHF 21.17 per share respectively (2021: CHF 15.00). In addition, he received a special compensation in 2021 in the form of 140 000 shares at a fair value of CHF 2.1 million or CHF 15.24 per share. The members of the Board of Directors received for their work from 23 April 2021 up to the Annual General Meeting on 22 April 2022 a total of 31 372 shares (2021: 32 503 shares) at a fair value of CHF 0.5 million (2021: CHF 0.5 million) and CHF 16.84 per share respectively (2021: CHF 16.52).

Personnel expenses in 2022 for share based payments totalled CHF 2.2 million (2021: CHF 4.8 million).

57. Related party transactions

Members of the Board of Directors and Group Management were compensated as follows:

in 1000 CHF	2022	2021
Salaries and other short-term employee benefits	2168	3867
Share based payments	2027	4021
Pension and social security contributions	595	905
Total	**4790**	**8793**

The detailed disclosures regarding executive remuneration required by Swiss law are included in the compensation report on pages 128 to 130.

The following transactions were carried out with related parties and the following balances were outstanding as of the balance sheet date respectively:

in 1 000 CHF	Purchase of services	Sale of goods	Purchase of goods 2022	Balance on receivables	Balance on liabilities 31/12/2022
Other related parties	216	3 759	175	241	5
Total	**216**	**3 759**	**175**	**241**	**5**

in 1 000 CHF	Purchase of services	Sale of goods	Purchase of goods 2021	Balance on receivables	Balance on liabilities 31/12/2021
Other related parties		2 876	32	18	31
Total		**2 876**	**32**	**18**	**31**

Goods sold in 2022 is almost exclusively Arbonia products acquired at market prices by companies owned by Michael Pieper (non-executive member of the Board of Directors) and companies in which a non-executive member of the Board of Directors is a director. Goods sold in 2021 were almost exclusively Arbonia products acquired at market prices by companies in which a non-executive member of the Board of Directors is a director. There were no guarantees granted as of the balance sheet date. Furthermore no provisions were required for receivables. Transactions and outstanding balances with associated companies are disclosed in note 35.

Major shareholders as of 31 December 2022 are disclosed in the notes to the 2022 financial statements of Arbonia AG on page 219.

58. Contingencies

There were no contingencies.

59. Events after the balance sheet date

No events occurred between the balance sheet date and the date of this report which could have a significant influence on the 2022 consolidated financial statements.

60. Subsidiaries

Company	Head Office	Share Capital in million		Interest in Capital 2022	Interest in Capital 2021	Room Climate	Shower Stalls	Doors	Services
HVAC Division									
Arbonia Solutions AG	Arbon, CH	4.000	CHF	100%	100%	■	■		
Prolux Solutions AG	Arbon, CH	1.000	CHF	100%	100%	■			
Arbonia HVAC AG	Arbon, CH	0.250	CHF	100%	100%				●
Vasco Group NV	Dilsen-Stokkem, BE	32.500	EUR	100%	100%	■			
Vasco BVBA	Dilsen-Stokkem, BE	20.029	EUR	100%	100%	▲			
Kermi s.r.o.	Stribro, CZ	195.000	CZK	100%	100%	▲	■		
PZP Heating a.s.	Dobre, CZ	7.200	CZK	100%	100%	▲			
Arbonia Riesa GmbH	Glaubitz, DE	0.614	EUR	100%	100%	■			
Kermi GmbH	Plattling, DE	15.339	EUR	100%	100%	▲	▲		
Vasco Group GmbH	Dortmund, DE	0.077	EUR	100%	100%	■			
Tecnologia de Aislamientos y climatizacion, S.L.	Algete, ES	0.481	EUR	100%	100%	■			
Cirelius S.A.	Avintes, PT	0.250	EUR	100%		■			
Termovent Komerc d.o.o.	Belgrad, RS	0.064	RSD	100%	100%	▲			
Arbonia France Sàrl	Hagenbach, FR	0.600	EUR	100%	100%	■			
Vasco Group Sarl	Nogent-sur-Marne, FR	2.000	EUR	100%	100%	■			
Vasco Group Ltd	Horsham, GB	0.025	GBP	100%	100%	■			
Sabiana S.p.A.	Corbetta, IT	4.060	EUR	100%	100%	▲			
Brugman Radiatorenfabriek BV	Tubbergen, NL	4.000	EUR	100%	100%	▲			
Vasco Group BV	Tubbergen, NL	9.518	EUR	100%	100%	■			
Brugman Fabryka Grzejnikow Sp.z o.o.	Legnica, PL	20.000	PLN	100%	100%	▲			
Kermi Sp.z o.o.	Wroclaw, PL	0.900	PLN	100%	100%	■	■		
Vasco Group Sp.z o.o.	Legnica, PL	0.500	PLN	100%	100%	■			
AFG RUS	Moskau, RU	454.500	RUB	100%	100%	▲			

▲ Production/Sales
■ Trade
● Services/Finances

Company	Head Office	Share Capital in million		Interest in Capital 2022	Interest in Capital 2021	Room Climate	Shower Stalls	Doors	Services
Doors Division									
Arbonia Doors AG	Arbon, CH	0.250	CHF	100%	100%			■	●
RWD Schlatter AG	Roggwil, CH	2.000	CHF	100%	100%			▲	
Bekon-Koralle AG	Dagmersellen, CH	1.000	CHF	100%	100%		▲		
Prüm-Türenwerk GmbH	Weinsheim, DE	3.500	EUR	100%	100%			▲	
Garant Türen- und Zargen GmbH	Amt Wachsenburg, DE	0.100	EUR	100%	100%			▲	
TPO Holz-Systeme GmbH	Leutershausen, DE	0.025	EUR	100%	100%			▲	
Joro Türen GmbH	Renchen, DE	0.125	EUR	100%				▲	
Arbonia Doors GmbH	Erfurt, DE	0.025	EUR	100%	100%				●
KIWI-KI GmbH	Berlin, DE	0.096	EUR	34%	25%			▲	●
Koralle Sanitärprodukte GmbH	Vlotho, DE	2.070	EUR	100%	100%		■		
Arbonia Glassysteme GmbH	Deggendorf, DE	1.278	EUR	100%	100%		▲		
Invado Sp.z o.o.	Ciasna, PL	20.000	PLN	100%	100%			▲	
Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft m.b.H	Margarethen am Moos, AT	0.036	EUR	100%	100%		■		
Corporate Services									
Arbonia AG	Arbon, CH	291.787	CHF						●
AFG International AG	Arbon, CH	1.000	CHF	100%	100%				●
Arbonia Schweiz AG	Arbon, CH	1.000	CHF	100%	100%				●
AFG Immobilien AG	Arbon, CH	12.000	CHF	100%	100%				●
Arbonia Management AG	Arbon, CH	0.250	CHF	100%	100%				●
Arbonia Services AG	Arbon, CH	0.250	CHF	100%	100%				●
AFG (Shanghai) Building Materials Co. Ltd.	Shanghai, CN	2.000	USD	100%	100%				●
Arbonia Deutschland GmbH	Plattling, DE	0.511	EUR	100%	100%				●
Skyfens Sp.z o.o.	Lublin, PL	13.005	PLN	100%	100%				▲

▲ Production/Sales
■ Trade
● Services/Finances

Statutory Auditor's Report

To the General Meeting of Arbonia AG, Arbon

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arbonia AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 144 to 208) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

VALUATION OF GOODWILL WOOD SOLUTIONS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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VALUATION OF GOODWILL WOOD SOLUTIONS

Key Audit Matter

As at 31 December 2022, the carrying amount of the goodwill Wood Solutions amounts to CHF 127.3 million.

Management assesses the valuation of goodwill based on projected results for the relevant cash generating unit (“CGU”).

The impairment test for this item requires significant management judgment with regards to cash flow forecasts, margin, growth rate as well as the discount rate, and is therefore a key area of audit focus.

Our response

Our procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and the methodology used by management to prepare cash flow forecasts. We used our own valuation specialists to support our procedures.

Amongst others, we performed the following audit procedures:

— assessing the forecasting accuracy by back-testing historical forecasts to actual results;
— comparing projected cash flows with the latest forecasts by management and with the business plan approved by the board of directors;
— challenging the robustness of the key assumptions used to determine the recoverable amount, including forecast cash flows, margin, growth rate and the discount rate by comparing them with publicly available data and our understanding of the commercial prospects of the relevant CGU;
— conducting sensitivity analyses, taking into account the historical forecasting accuracy.

We also considered the appropriateness of disclosures in the consolidated financial statements in relation to sensitivities regarding the impairment testing of goodwill.

For further information on goodwill refer to the following:

— Note 19 „Intangible assets“, page 156
— Note 20 „Impairment of assets“, page 156
— Note 30 „Significant accounting judgments, estimates and assumptions“, paragraphs „Estimated impairment of goodwill“, page 161
— Note 40 „Intangible assets“, page 177

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the compensation report and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Kurt Stocker Licensed Audit Expert Auditor in Charge	David Grass Licensed Audit Expert

St. Gallen, 21 February 2023

KPMG AG, Bogenstrasse 7, CH-9001 St. Gallen

Financial Statements Arbonia AG

Income Statement

in 1 000 CHF	Note	2022	in %	2021	in %
Dividend income		50 680		20 620	
Financial income	2.7	12 241		9 514	
Other operating income		2		2	
Total income		**62 923**	**100.0**	**30 136**	**100.0**
Financial expenses	2.8	–10 170	–16.2	–12 016	–39.9
Personnel expenses		–929	–1.5	–945	–3.1
Other operating expenses	2.9	–4 531	–7.2	–7 331	–24.3
Total expenses		**–15 630**	**–24.8**	**–20 292**	**–67.3**
Net profit		**47 293**	**75.2**	**9 844**	**32.7**

The notes on pages 216 to 219 are an integral part of these financial statements.

Balance sheet

in 1 000 CHF	Note	31/12/2022	in %	31/12/2021	in %
Assets					
Cash and cash equivalents		13 193		244 967	
Other receivables					
Third parties		3		245	
Shareholdings		146 621		173 929	
Deferred expenses		99		29	
Current assets		**159 916**	**11.2**	**419 170**	**29.0**
Loans to shareholdings		484 701		237 440	
Investments	2.1	788 812		788 812	
Non-current assets		**1 273 514**	**88.8**	**1 026 252**	**71.0**
Total assets		**1 433 429**	**100.0**	**1 445 422**	**100.0**

in 1000 CHF	Note	31/12/2022	in %	31/12/2021	in %
Liabilities and shareholders' equity					
Accounts payable					
Third parties		53		9	
Shareholdings		33		2676	
Interest bearing liabilities	2.2				
Bank loans		64331			
Promissory note loan		65845			
Shareholdings		205203		287001	
Other liabilities					
Third parties		34		149	
Accruals and deferred income		2126		2168	
Current liabilities		**337623**	**23.6**	**292003**	**20.2**
Interest bearing liabilities	2.3				
Promissory note loan		76427		142272	
Shareholdings				8656	
Non-current liabilities		**76427**	**5.3**	**150928**	**10.4**
Total liabilities		**414050**	**28.9**	**442931**	**30.6**
Share capital	2.4	291788		291788	
Legal capital reserves					
Capital contribution reserve	2.5	442788		453159	
Other capital reserves		42812		42812	
Voluntary reserves					
Free reserves		14991		14651	
Retained earnings		195409		195937	
Net profit		47293		9844	
Treasury shares	2.6	–15702		–5700	
Shareholders' equity		**1019379**	**71.1**	**1002491**	**69.4**
Total liabilities and shareholders' equity		**1433429**	**100.0**	**1445422**	**100.0**

The notes on pages 216 to 219 are an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

1.1. General information

These financial statements 2022 were prepared under the provisions of the Swiss accounting law (32nd title of the Swiss Code of Obligations).

Since Arbonia AG prepares consolidated financial statements in accordance with a recognised financial reporting standard (International Financial Reporting Standards), the company is not disclosing in accordance with the statutory provisions the audit fees and is not presenting a cash flow statement and a management report.

1.2. Other current receivables

Other current receivables from shareholdings are short term loans, which are accounted for at nominal value and for which if necessary, individual specific valuation allowances have been booked.

1.3. Financial assets

Financial assets consist of long-term loans to shareholdings and are valued at cost reduced by required impairments. Loans denominated in foreign currencies are converted at the current closing rate. Unrealised exchange losses are recorded immediately whereas unrealised exchange gains are not recorded (imparity principle).

1.4. Treasury shares

Treasury shares are recognised at acquisition date at cost as a negative item in equity. In a subsequent sale or delivery in the context of the share based payments, profit or loss arising from the sale of treasury shares is recognised directly in equity under voluntary reserves.

1.5. Share based payments

A share based payment plan exists for members of the Board of Directors. Under this plan, members receive a minimum of 50% of their compensation in shares. The determination of the number of shares is based on the volume weighted average share price of 20 trading days, less a 20% discount for the restriction period. These shares granted have a restriction period of four years. The fair value of the equity compensation instruments is determined at the grant date and recorded to the income statement as personnel expenses with a corresponding offsetting entry to equity.

1.6. Interest bearing liabilities

Interest bearing liabilities are accounted for at nominal value. Long-term loans denominated in foreign currencies are converted at the current closing rate. Unrealised exchange losses are recorded immediately whereas unrealised exchange gains are not recorded (imparity principle).

2. Information and notes to the financial statements

2.1. Investments

Company	31/12/2022		31/12/2021	
	Share capital in 1000 CHF	Capital and voting interest in %	Share capital in 1000 CHF	Capital and voting interest in %
Arbonia Schweiz AG, Arbon	1000	100.00%	1000	100.00%
AFG International AG, Arbon	1000	100.00%	1000	100.00%
Arbonia Management AG, Arbon	250	100.00%	250	100.00%
Arbonia Services AG, Arbon	250	100.00%	250	100.00%

All subsidiaries directly or indirectly held by Arbonia AG are disclosed in note 60 in the notes to the consolidated financial statements of Arbonia Group.

2.2. Current interest bearing liabilities

in 1000 CHF	31/12/2022	31/12/2021
Bank loans – syndicated loan	54434	
Bank loans	9897	
Promissory note loan	65845	
Loans to shareholdings	205203	287001
Total	**335378**	**287001**

On 3 November 2020, Arbonia had entered into a syndicated loan for CHF 250 million. This loan, arranged with a consortium of domestic and foreign banks, has a term of five years, with the option to extend the agreement twice for one year each. The first extension option was exercised in 2021 and the second in 2022, so that the term now runs until 2027.

2.3. Non-current interest bearing liabilities

in 1000 CHF	31/12/2022	31/12/2021
Promissory note loan	76427	142272
Loans to shareholdings		8656
Total	**76427**	**150928**

Maturity structure

in 1000 CHF	31/12/2022	31/12/2021
Within 5 years	64 669	139 170
Over 5 years	11 758	11 758
Total	**76 427**	**150 928**

2.4. Share capital

Refer to note 48 in the notes to the consolidated financial statements of Arbonia Group.

2.5. Capital contribution reserve

The capital contribution reserve includes the premium from the capital increases in 2007, 2009, 2015, 2016 and 2017 reduced by previous distributions.

The distribution from capital contribution reserve is fiscally treated like a redemption of share capital. The Swiss Federal Tax Administration (FTA) has confirmed the disclosed capital contribution reserve (balance as of 31 December 2021) as capital contribution within the meaning of article 5 para. 1bis VStG.

2.6. Treasury shares

			2022			2021
	Ø market value in CHF	Number of shares	Amount in 1 000 CHF	Ø market value in CHF	Number of shares	Amount in 1 000 CHF
Balance at 01/01	**16**	**350 373**	**5 700**	**14**	**282 386**	**4 009**
Purchase	14	924 733	12 698	17	375 745	6 266
Transfer for share based payments	19	– 164 084	– 3 037	16	– 307 758	– 4 898
Gain (+)/loss (–)			340			323
Balance at 31/12	**14**	**1 111 022**	**15 702**	**16**	**350 373**	**5 700**

2.7. Financial income

Financial income totals CHF 12.2 million (2021: CHF 9.5 million) and consists mainly of interest income on loans to shareholdings and foreign currency exchange gains.

2.8. Financial expenses

Financial expenses totals CHF 10.2 million (2021: CHF 12.0 million) and consists mainly of bank interest and foreign currency exchange losses.

2.9. Other operating expenses

in 1 000 CHF	2022	2021
Administrative costs	4 251	7 143
Consultancy and audit fees	224	241
Other operating expenses	56	– 53
Total	**4 531**	**7 331**

3. Other disclosures

3.1. Guarantees, warranty obligations and collateral in favour of third parties

The following guarantees were issued for the companies listed below:

		31/12/2022	31/12/2021
UBS AG			
in favour of AFG Immobilien AG	in 1 000 CHF		2 655
in favour of RWD Schlatter AG	in 1 000 CHF		465
in favour of Joro Türen GmbH	in 1 000 CHF	163	
UniCredit Bank			
in favour of Arbonia AG	in 1 000 EUR	9 279	
in favour of Kermi GmbH	in 1 000 EUR	683	625
in favour of Kermi sp. z o.o.	in 1 000 EUR	112	112
in favour of TPO Holz-Systeme GmbH	in 1 000 EUR	100	110
Sparkasse Offenburg			
in favour of Joro Türen GmbH	in 1 000 EUR	373	

3.2. Contingent liabilities

A joint and several liability exists towards the affiliated subsidiaries under the cash pooling agreement with UniCredit Bank AG and UBS Switzerland AG.

3.3. Major shareholders

	31/12/2022 Voting and capital interest	31/12/2021 Voting and capital interest
Artemis Beteiligungen I AG	22.10%	22.09%

3.4. Derivative financial instruments

			31/12/2021
in 1000 CHF	Contract value	Replacement value	
		positive	negative
Commodity contracts	43	15	–58
Total financial instruments	**43**	**15**	**–58**

3.5. Headcount in full-time equivalents
Arbonia AG does not employ any staff.

3.6. Disclosure of shareholding
The following members of the Board of Directors and the Group Management (including related parties) held the following number of shares of Arbonia AG:

	31/12/2022 Number of registered shares	31/12/2021 Number of registered shares
Alexander von Witzleben (Executive Chairman of the BoD)	718784	650209
Peter Barandun (Member of the BoD)	70169	62452
Peter E. Bodmer (Member of the BoD)	39671	35669
Markus Oppliger (Member of the BoD)	37826	34967
Heinz Haller (Member of the BoD)	130000	124233
Michael Pieper (Member of the BoD)	15350370	15346940
Thomas Lozser (Member of the BoD)	366074	366074
Carsten Voigtländer (Member of the BoD)	16124	13337
Daniel Wüest (Group Management)	58979	41901
Claudius Moor (Group Management)	24047	15249
Alexander Kaiss (Group Management)	31189	24437
Total	**16843233**	**16715468**

Proposal of the Board of Directors

The Board of Directors will propose at the Annual General Meeting of the shareholders on 21 April 2023 the following:

Appropriation of Retained Earnings

in 1000 CHF	2022	2021
Retained earnings carried forward from previous year	195 409	195 937
Net profit for the year	47 293	9 844
Plus undistributed dividends from treasury shares		49
Retained earnings	**242 702**	**205 830**
Distribution of a dividend [1] for the financial year 2021		– 10 421
Distribution of a dividend [1] for the financial year 2022	– 10 421	
Retained earnings carried forward	**232 281**	**195 409**

Appropriation of capital contribution reserve

in 1000 CHF	2022	2021
Carry forward from previous year	442 788	453 159
Withholding tax free distribution [1] for the financial year 2021		– 10 421
Withholding tax free distribution [1] for the financial year 2022	– 10 421	
Plus non distribution for treasury shares		49
Capital contribution reserve carried forward	**432 367**	**442 788**

[1] No distribution for treasury shares at the time of payment.

Statutory Auditor's Report

To the General Meeting of Arbonia AG, Arbon

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arbonia AG (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 214 to 219) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

VALUATION OF INVESTMENTS AND LOANS DUE FROM SHAREHOLDINGS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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VALUATION OF INVESTMENTS AND LOANS DUE FROM SHAREHOLDINGS

Key Audit Matter

The financial statements of Arbonia AG as at 31 December 2022 include investments amounting to CHF 788.8 million and loans due from shareholdings (included in the balance sheet items "Other receivables shareholdings" as well as "Loans to shareholdings") amounting to CHF 631.3 million. The company reviews the individual investments and loans due from shareholdings for impairment annually.

The impairment assessment of investments and loans due from shareholdings partially requires significant management judgment and is therefore a key area of audit focus.

Our response

During our audit, we assessed management's impairment review of the investments and the loans due from shareholdings.

Amongst others, we performed the following audit procedures:

— Comparing the carrying amounts of the investments with the equity of the relevant companies, in some cases considering the pro-rata net assets of indirect investments or relying on management's impairment reviews that had already been assessed during the group audit;

— Assessing the recoverability of loans due from shareholdings by analyzing the equity position of the borrower.

For further information on Valuation of investments and loans due from shareholdings refer to the following:

— Note 1.2 „Other current receivables", page 216
— Note 1.3 „Financial assets/non-current loans", page 216
— Note 2.1 „Investments", page 217

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

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concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Kurt Stocker Licensed Audit Expert Auditor in Charge	David Grass Licensed Audit Expert

St. Gallen, 21 February 2023

KPMG AG, Bogenstrasse 7, CH-9001 St. Gallen

Notes

Alternative Performance Measures

Arbonia uses alternative performance measures (APM) as guidance measures for both internal reporting to management and external reporting to stakeholders. The APM used by Arbonia have not been prepared in accordance with IFRS accounting policies and are discussed in detail below. The APM serve as supplementary information components and should therefore always be read and interpreted in conjunction with the consolidated financial statements prepared in accordance with IFRS. The APM used by Arbonia do not necessarily agree with the same or similar titled measures of other or comparable companies.

EBITDA without one-time effects / adjusted
The elimination of one-time effects provides an adjusted and thus better comparable presentation of the operating result over time. Discontinued operations as defined by IFRS 5 are not included. The following one-time effects are eliminated by Arbonia:
- Costs resulting from creation of provisions or income resulting from reversal of provisions for restructurings and reorganisation as well as closure costs
- Ramp-up costs for new production sites
- Consultancy and integration costs from acquisitions
- Consultancy costs with greater cost implications for acquisitions that did not materialise
- Consultancy costs from disposal of subsidiaries
- Gains and losses from sale of properties and associated companies
- Real estate development costs
- Costs in connection with personnel changes / leave of absence in Group and Division management

EBITA without one-time effects / adjusted
- Impairments
- Reversal of impairments

EBIT without one-time effects / adjusted
- Impairments on intangible assets from acquisitions

Group result before income tax without one-time effects / adjusted
- Impairments and reversal of impairments on loans granted

Group result after taxes without one-time effects / adjusted
- Tax effect on one-time effects
- Tax consequences from disposal of subsidiaries

Acquisition and currency adjusted growth (organic growth)
Acquisition and currency adjusted growth excludes effects from acquisitions and disposals of companies and currency effects.

In the acquisition adjusted growth, revenues of the acquired companies are eliminated in the year of acquisition. For companies acquired in the previous year, revenues of the current year are included for the same period as in the previous year. Discontinued operations within the meaning of IFRS 5 are eliminated.

In the currency adjusted growth, revenues of the current year in the functional currency of the respective company are translated at the average exchange rates of the same previous year period.

Net debt
Current and non-current financial debts plus current and non-current lease liabilities minus cash and cash equivalents

Leverage ratio
Net debt divided by EBITDA

Free cash flow
Cash flow from operating and investing activities

Operational free cash flow
Cash flow from operating and investing activities without acquisitions / disposals of subsidiaries / financial assets and expansion capital expenditures

Capital expenditures
Maintenance and expansion capital expenditures

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Notes
Alternative Performance Measures

Reconciliation Group and Divisions from IFRS-result to result without one-time effects / Adjusted

in 1 000 CHF | **2022**

		IFRS	%	Consultancy and integration costs from acquisitions	Costs for restructurings and reorganisation	Costs in connection with leave of absence in Division management	Consultancy costs from acquisitions that did not materialise	Various	Tax effects on one-time effects	without one-time effects / adjusted	%
HVAC	**EBITDA**	**58 569**	**9.1**	**293**		**288**				**59 150**	**9.2**
	EBITA	**29 130**	**4.5**							**29 711**	**4.6**
	EBIT	**24 592**	**3.8**							**25 173**	**3.9**
Doors	**EBITDA**	**59 217**	**10.7**	**226**	**2 865**			**–100**		**62 208**	**11.3**
	EBITA	**35 404**	**6.4**		**262**					**38 658**	**7.0**
	EBIT	**23 984**	**4.3**							**27 238**	**4.9**
Corporate Services	**EBITDA**	**–9 488**			**–75**		**628**			**–8 935**	
	EBITA	**–11 567**								**–11 014**	
	EBIT	**–11 567**								**–11 014**	
Group	**Net revenues**	**1 202 097**	**100.0**							**1 202 097**	**100.0**
	Other operating income	16 255	1.4							16 255	1.4
	Capitalised own services	8 887	0.7							8 887	0.7
	Changes in inventories of semi-finished and finished goods	11 142	0.9							11 142	0.9
	Cost of material and goods	–593 659	–49.4							–593 659	–49.4
	Personnel expenses	–355 497	–29.6		2 664	288				–352 545	–29.3
	Other operating expenses	–180 922	–15.1	519	127		628	–100		–179 748	–15.0
	EBITDA	**108 303**	**9.0**							**112 430**	**9.4**
	Depreciation, amortisation and impairments	–55 331	–4.6		262					–55 069	–4.6
	EBITA	**52 972**	**4.4**							**57 361**	**4.8**
	Amortisation of intangible assets from acquisitions	–15 958	–1.3							–15 958	–1.3
	EBIT	**37 014**	**3.1**							**41 403**	**3.4**
	Financial income	2 674	0.2							2 674	0.2
	Financial expenses	–9 870	–0.8		16					–9 854	–0.8
	Group result before income tax	**29 818**	**2.5**							**34 223**	**2.8**
	Income tax expense	–9 146	–0.8						–1 219	–10 365	–0.9
	Group result from continuing operations	**20 672**	**1.7**							**23 858**	**2.0**

Presentation of the respective one-time effects on the immediate result line without disclosure of the impact on the subsequent line items.

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Notes
Alternative Performance Measures

Reconciliation Group and Divisions from IFRS-result to result without one-time effects / Adjusted

in 1000 CHF										2021
		IFRS	%	Gain from sale of properties	Costs for restructurings and reorganisation	Consultancy and integration costs from acquisitions	Various	Tax effects on one-time effects	without one-time effects / adjusted	%
HVAC	**EBITDA**	**61916**	**9.8**	**–328**	**8799**	**195**			**70581**	**11.2**
	EBITA	**29930**	**4.7**		**4009**				**42604**	**6.8**
	EBIT	**25538**	**4.1**						**38212**	**6.1**
Doors	**EBITDA**	**76191**	**13.8**				**100**		**76291**	**13.8**
	EBITA	**54483**	**9.9**						**54583**	**9.9**
	EBIT	**43161**	**7.8**						**43261**	**7.8**
Corporate Services	**EBITDA**	**–13419**			**433**	**440**			**–12546**	
	EBITA	**–15401**							**–14528**	
	EBIT	**–15401**							**–14528**	
Group	**Net revenues**	**1186177**	**100.0**						**1186177**	**100.0**
	Other operating income	16944	1.4	–328					16616	1.4
	Capitalised own services	6140	0.5						6140	0.5
	Changes in inventories of semi-finished and finished goods	12005	1.0						12005	1.0
	Cost of material and goods	–548875	–46.3		257				–548618	–46.3
	Personnel expenses	–372892	–31.4		7914				–364978	–30.8
	Other operating expenses	–174801	–14.7		1061	635	100		–173005	–14.6
	EBITDA	**124698**	**10.5**						**134337**	**11.3**
	Depreciation, amortisation and impairments	–55675	–4.7		4009				–51666	–4.4
	EBITA	**69023**	**5.8**						**82671**	**7.0**
	Amortisation of intangible assets from acquisitions	–15715	–1.3						–15715	–1.3
	EBIT	**53308**	**4.5**						**66956**	**5.6**
	Financial income	621	0.1						621	0.1
	Financial expenses	–10005	–0.8						–10005	–0.8
	Group result before income tax	**43924**	**3.7**						**57572**	**4.9**
	Income tax expense	–16384	–1.4					–68	–16452	–1.4
	Group result from continuing operations	**27540**	**2.3**						**41120**	**3.5**

Presentation of the respective one-time effects on the immediate result line without disclosure of the impact on the subsequent line items.

Supplementary Information for Investors

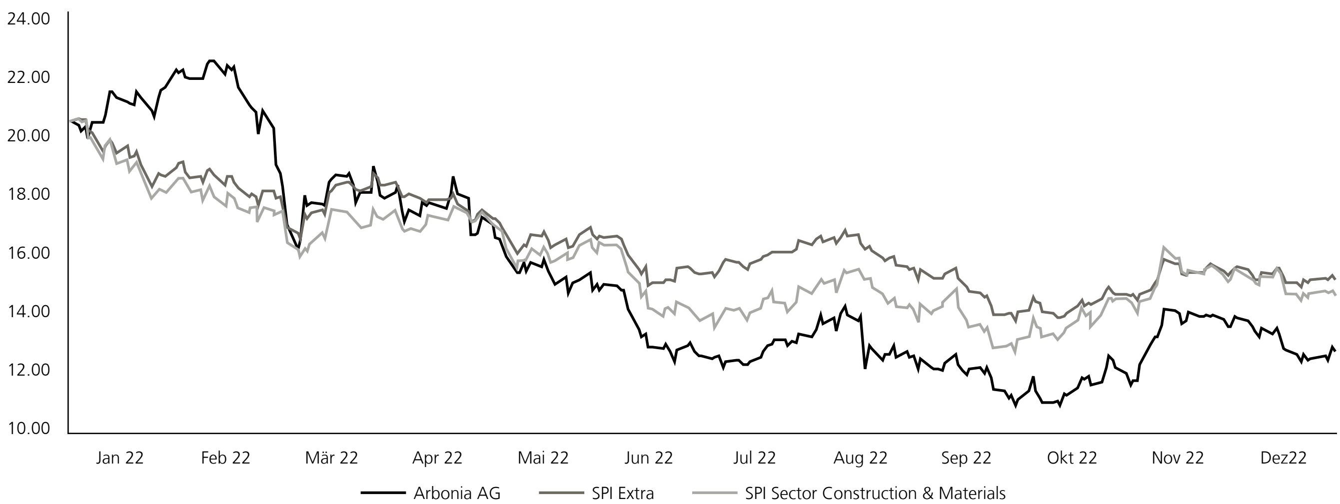
	2022	2021	2020	2019	2018
Number of shares					
Registered par value CHF 4.20	69 473 243	69 473 243	69 473 243	69 473 243	69 473 243
Registered par value CHF 4.20 average number	68 946 385	69 163 962	69 159 789	68 834 805	68 592 190
Stock market prices in CHF					
Highest	22.9	21.5	14.2	13.5	18.3
Lowest	10.5	13.6	5.8	10.0	10.5
31/12	12.9	20.6	14.2	12.6	10.8
Stock market capitalisation in CHF million (31/12)	**896.2**	**1 431.1**	**986.5**	**875.4**	**750.3**
Per share data					
Gross dividend in CHF [1]	0.30	0.30	0.47	0.00	0.20
Pay-out ratio (in % of Group earnings)	108.1	15.0	72.4	0.0	29.8
Group earnings in CHF [2]	0.3	2.0	0.7	0.4	0.7
Cash flow from operating activities in CHF	−0.4	1.3	2.0	1.6	1.0
Shareholders' equity in CHF	14.3	15.1	12.9	12.7	12.9
Price/earnings ratio (highest) [2]	82.5	10.7	21.9	35.4	27.3
Price/earnings ratio (lowest) [2]	37.8	6.8	8.9	26.3	15.6
Price/earnings ratio (31/12) [2]	46.5	10.3	21.9	33.1	16.1
Price/cash flow ratio (highest)	−61.3	16.0	6.9	8.3	18.0
Price/cash flow ratio (lowest)	−28.1	10.2	2.8	6.2	10.3
Price/cash flow ratio (31/12)	−34.5	15.4	6.9	7.8	10.7

[1] 2023 proposal to the Annual General Meeting
[2] 2021 includes the disposal gain for the Windows Division

Capital market review

At the beginning of the reporting year 2022, the financial markets were dominated by discussions about an initial interest rate hike that was soon to occur at the time. This was intended to end the phase of cheap money on the one hand and to control rising inflation on the other. In January and February, many investors therefore shifted their capital from growth to value stocks, which initially caused the decline of highly valued technology stocks and then of the stock markets in general. After a brief recovery, however, it became apparent that the longer the war in Ukraine lasted, which had broken out at the end of February, the stronger the effects on the economy and society would become. As a result, share prices continued to fall until July 2022, when another short recovery phase occurred. However, this brief rebound was only based on the hope that markets had already reached their low point. From the middle of August 2022, prices then declined further when it also became clear that the high inflation rates would remain. Prices then fell to new lows by the end of September. At the lowest point, the SPI Extra recorded a price decline of 32.4% since the beginning of the year and the SMI was also 21.8% below prices at the beginning of the year. In the last quarter, however, prices were able to recover somewhat. Negative economic reports led to hopes that inflation had already reached its peak. The SPI Extra closed the year 2022 down 25.8%, the sector index SPI Construction & Materials fell by 27.0%, while the SMI with its defensive index heavyweights closed 16.7% lower.

The Arbonia share initially recorded a positive start to the year 2022 and reached a new high point (CHF 22.60/+9.7%) shortly before the publication of the 2021 annual results in February 2022. Due the war in Ukraine, however, the results of the 2021 financial year were not able to provide any positive stimulus, and the share price fell along with the market instead. In the following weeks, the political and economic news affected both the price of the Arbonia share and the stock markets in general. From early summer, the high inflation and rising interest rates then increasingly impacted the stock markets after fears had grown that these developments as well as increased construction costs would lead to a decline in construction activity. As a result, both the Arbonia share and the SPI Sector Construction & Materials index decoupled from the general market trend and underperformed the market as a whole. The publication of the First Semester Report at the end of August did not affect this development either. After the publication, the Arbonia share continued to move in line with the benchmark indices. Arbonia ultimately ended the year at a price of CHF 12.92, which corresponded to a decrease of 37.3%. In comparison, the SPI Extra fell by 25.8% and the sector index SPI Sector Construction & Materials fell by 27.0% in 2022. The shares of comparable companies such as Geberit (–41.6%), Forbo (–41.8%), and Zehnder (–40.1%) once again performed very similarly to the Arbonia share.



Further information

ISIN	Securities number	Symbol	Bloomberg code	ThomsonReuters code
CH0110240600	11024060	ARBN	ARBN SW	ARBNO.S
Listed shares:	69473243		**Nominal value:**	CHF 4.20

Glossary

Air handling unit Ventilation system for large-scale use in residential, office and business premises. Outside air is supplied to the rooms and "used" or polluted exhaust air is discharged. It transports, filters, heats, cools and disinfects the air.

Cash flow Positive or negative surplus cash arising from commercial activity, measured over a certain period. Cash flow can be used to evaluate how financially strong a company is.

Cash flow from operating activities Describes the liquid funds generated by the business activity in a given period. The operating cash flow includes the net income for the year, changes in depreciation, amortization, provisions and current assets.

Combined heat and power (CHP) The simultaneous generation of mechanical energy and usable heat produced in a joint thermodynamic process. The mechanical energy is usually converted directly into electrical power. The heat is used for heating purposes. The advantage of CHP is the reduced fuel requirement for simultaneous electricity and heat production, which greatly reduces greenhouse gas emissions. CHP can be used with almost any fuel and heat source.

Controlled residential ventilation A mechanical form of ventilation, used for ventilating residences with heat recovery. An integrated heat exchanger is used to transfer heat energy from the exhaust air to the outside air supply. Residential ventilation ensures that air is replaced in the building at a defined rate, creating a hygienic means of air exchange.

EBIT Earnings Before Interests and Taxes A company's operating results before interest and taxes are taken into account.

EBIT margin Indicates EBIT in relation to revenue.

EBITDA Earnings Before Interests and Taxes, Depreciations and Amortisation A company's operating results before interest, taxes, depreciation and amortisation are taken into account. EBITDA is one of the most meaningful figures in evaluating a company's earning power.

EBITDA margin Indicates EBITDA in relation to revenue.

Equity ratio Indicates the shareholders' equity in relation to total capital. It is used to assess a company's financial capacity and stability. If the equity ratio is high, you can assume that the company is less dependent on third-party funds.

Extrusion A moulding process that is mainly used for thermoplastics. In this process, the plastic is pressed through a moulding opening as a tough mass under high pressure and temperature.

Fan coil Depending on the temperature of the flow water for a connected water heater/chiller, fan coils are able to heat, cool and dehumidify a room, and are able to provide ventilation and the option of filtering indoor air. This results in maximum comfort with optimum room air quality. A fan radiator is able to heat (but not cool) a room by means of convection when the fan is switched off.

Free cash flow The operating cash flow minus cash flow from investing activities; illustrates how much cash remains free for shareholder dividends and/or any repayment of debt financing that may be required.

Heat pump Draws its heat energy from the air, groundwater or soil, and uses this extremely efficiently to generate the heat required for heating drinking water and rooms. Compared to heat pumps, no other kind of heat generator is a more environmentally sustainable solution or is more fit for the future.

Manufacturing Execution System A level of a multilayer production management system that operates close to the process. Compared to similarly effective systems for production planning, the so-called ERP systems, the MES is characterised by the direct connection to the distributed systems of process automation and enables the management, guidance, control or monitoring of production in real time. This includes classic data acquisition and processing, but also all other processes that have a real-time effect on the production process.

Market capitalisation A company's stock market value. It is calculated using the number of shares x the current share price.

Net debt The total that remains when cash and cash equivalents are deducted from non-current liabilities. This expresses how much money would be needed to repay loans if the liquid assets were already used up and the company had to liquidate fixed and current assets.

Redox flow technology Storage technology based on vanadium in which electrical power can be stored. This storage technology is particularly climate-friendly, as it does not require rare materials and conflict raw materials, is fully recyclable and also has a high level of operational reliability and durability.

Volume-weighted average price (VWAP) Indicates the volume-weighted average price of a security in a given period.

History

In **1874,** Franz Josef Forster opened a coppersmith's shop producing hot-water bottles, cookware and other receptacles. The company changed its name to Hermann Forster AG in 1922. By this time, it was manufacturing steel tubes.

In **1904,** Karl Schnitzler set up a factory to make heat exchangers under the Arbonia brand.

In **1954,** Arbonia AG was established.

In **1973,** the majority of the shares in Hermann Forster AG were transferred to Arbonia AG, which had been wholly owned by Jakob Züllig since 1959. The Arbonia-Forster Group comprised Hermann Forster AG (steel tubes technology, kitchens and refrigeration equipment), Arbonia AG (radiators and heaters), Asta AG (road transport) and Buhler-Regina AG (embroidery supplies).

In **1987,** AFG Arbonia-Forster-Holding AG was registered with the commercial register with CHF 30 million in share capital. A year later, the company was listed on the stock exchange.

In **1999,** Jakob Züllig, majority shareholder and Chairman of the Board of Directors, died. Prolux Heizkörper AG was bought in the same year.

In **2001,** AFG took over the German company Kermi GmbH, which provided a major boost for its radiator and shower stall business.

In **2003,** the Züllig estate sold its majority interest to Dr Edgar Oehler, the new CEO and Chairman of the Board of Directors.

In **2004,** there were three acquisitions: Bruno Piatti AG, Dietlikon ZH (CH); EgoKiefer AG, Altstätten SG (CH); and Spedition Gächter GmbH, Stachen-Arbon TG (CH).

In **2005,** there followed a further acquisition: in September, AFG acquired Miele Kitchens, based in Warendorf (D), from the German company Miele & Cie. KG, based in Gütersloh (D).

In **2006,** the Group acquired Schmidlin ASCO Swiss AG, Zwingen BL. The company specialises in underfloor convectors which, alongside their conventional heating function, can also be used for cooling.

In **2007,** AFG acquired STI Surface Technologies International Holding AG, Steinach SG (CH) and RWD Schlatter AG, Roggwil SG (CH). In September, AFG acquired the British company Aqualux Products Holdings Ltd.

In **2008,** AFG took over Slovaktual s.r.o., Slovakia's leading windows manufacturer. In October, AFG set up a new Asia Pacific regional branch with headquarters in Shanghai (CN).

In **2009,** AFG presented its new Warendorf brand of kitchens. This represents the successor to the Miele Kitchens (Miele Die Küche) brand.

In **2010,** shareholders at AFG's ordinary General Meeting approved the abolition of the hitherto unequal weighting of registered shares and bearer shares, introducing a single class of registered shares.

In **2011,** Edgar Oehler was succeeded as Chairman of the Board of Directors by Paul Witschi on 29 April and as CEO by Daniel Frutig on 1 June.

In **2012,** AFG sold its transport and logistics business Asta, its British subsidiary Aqualux and the German company Warendorf. With the acquisition of the Polish window manufacturer Dobroplast, it focused on expanding one of its core business areas.

In **2013,** AFG intensified its focus on its core business based on building envelope and interior. It sold off Forster Refrigeration Technology as well as Forster Precision Steel Tubes.

In **2014,** the AFG kitchen business and the STI Group were sold. AFG acquired Sabiana, a market leader in commercial heating, ventilation and air-conditioning. Artemis Beteiligungen I AG, led by Michael Pieper, became AFG's new main shareholder.

In **2015,** the General Meeting elected Alexander von Witzleben as the new Chairman of the Board of Directors. In July, he also assumed the role of interim CEO. In August, the Board of Directors decided to relocate the production plants to other European countries as a result of significant pressure from competition. The Eastern German window manufacturer Wertbau GmbH was also acquired in August. As part of a capital increase carried out with the aim of strengthening the Group's financial standing, Artemis Beteiligungen I AG reaffirmed its commitment to the Group and, by the end of the year, had increased its stake to just under 28%.

In **2016,** AFG acquired the Koralle Group, a specialist in sanitary facilities. The move marks an expansion of the Building Technology Division's product range and will help it enhance its position in the core markets of Switzerland, Germany and Austria with a lasting effect. In September, AFG announced the takeover of the Looser Group, which is also active in the building supply business and consists of two main arms: doors (Prüm, Garant and Invado) and industrial services (Condecta). This transaction represents an important step in AFG's efforts to achieve its strategic goal of becoming a leading European building supplier. As part of this transaction, AFG Arbonia-Forster-Holding AG was renamed Arbonia AG.

In **2017,** Arbonia's takeover of the Looser Group can come to a successful conclusion. Looser's Coatings business is sold in full in the first half of the year. In November, Arbonia is also selling Looser's Condecta Group. With the sale of the Profile Systems Business Unit in December, Arbonia will continue to focus on its three core areas of building technology, windows and doors. Following the split of the Building Technology Division in January 2018, this will become four core areas: HVAC, sanitary equipment, windows and doors.

In **2018**, Arbonia is taking an active part in the European market consolidation process in the area of design and steel panel radiators by acquiring the Belgian company Vasco Group for its Heating, Ventilation and Air Conditioning Division. The acquisition will expand its geographical footprint and strengthen the division's range of products.

2019 stands for the Arbonia Group's commitment to development and optimization of its business models. The restructuring phase begun in 2015 is completed this year. In January, the company founds ARBONIA DIGITAL. This independently operating subsidiary pursues the goal of working together with the divisions to create digital solutions, services and business models that focus on customers and their needs. Also in January, the Doors Division, together with the Berlin-based PropTech company KIWI GmbH, presents a fully integrated, digital access solution for residential entrance doors for the first time at the BAU trade fair in Munich. In October, Arbonia opens its new production site for panel radiators in Russia, which will enable the HVAC Division to achieve further growth in Eastern European markets, especially in Russia.

2020 is a successful year for Arbonia, although it is challenging due to the COVID 19 pandemic. Arbonia continues to focus on the relevant drivers of energy efficiency, urbanisation, digitalisation and automation. It is continuing to push ahead with the expansion and modernisation of its production capacities in all divisions and at all locations.

In **2021,** Arbonia is focusing on accelerating the further development of its two divisions, Heating, Ventilation and Air Conditioning (HVAC) and Doors, primarily through organic growth but also through acquisitions. The former Sanitary Equipment Division is being integrated into the Doors Division at the beginning of July and the Windows Division is being sold.

2022 is a challenging year due to material price increases, the energy crisis, supply bottlenecks and the strength of the Swiss franc. However, Arbonia continues to focus on the further development of modern products for energy-efficient and self-sufficient buildings, such as heat pumps, ventilation systems, underfloor heating and battery storage. In the doors segment, the new door frame plant in Prüm (D) opened, and the construction of the new logistics centre in Roggwil (CH) will shorten delivery times for customers in Switzerland. In July, Arbonia acquires the German company joro türen GmbH, a manufacturer of special project doors. In December, it signs the purchase agreement for the Portuguese HVAC distribution company Cirelius S.A. in order to increase its activities in Portugal and Spain.

Dates

21 April 2023
36th Annual General Meeting

22 August 2023
Publication of first semester results 2023

27 February 2024
Financial media orientation and
Analysts' conference on the
2023 financial year
(Annual results incl. revenues)

19 April 2024
37th Annual General Meeting

Publication information

Publisher
Arbonia AG
Corporate Communications
Amriswilerstrasse 50
9320 Arbon
Switzerland
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Design / Layout
KA BOOM Kommunikationsagentur AG, Gossau SG (CH)

Portrait photos
Bodo Rüedi, St.Gallen (CH)

Translation
Transline Deutschland GmbH, Reutlingen (D)

Print
Brüggli Medien, Romanshorn (CH)

Online report
NeidhartSchön AG, Zürich (CH)

Consulting Sustainability Report
Accenture GmbH, Kronberg im Taunus (D)

This Annual Report is published in German and English.
The original language is German.

This Annual report is printed on FSC-certified paper.

www.arbonia.com/report2022

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