

# Financial Report





Consolidated Financial  
Statements

Financial commentary	140
Consolidated Income Statement	144
Consolidated Statement of Comprehensive Income	145
Consolidated Balance Sheet	146
Consolidated Statement of Cash Flow	148
Consolidated Statement of Changes in Equity	150
Notes to the Consolidated Financial Statements	151
Statutory Auditor's Report on the Consolidated Financial Statements	209

Financial  
Statements

Income Statement	214
Balance Sheet	214
Notes to the Financial Statements	216
Proposal of the Board of Directors	220
Statutory Auditor's Report on the Financial Statements	221



## 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 1 519.5 million (previous year: CHF 1 623.3 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 earnings and half, tax-neutral for Swiss shareholders, from capital contribution reserves.



# Consolidated Financial Statements Arbonia Group



## Consolidated Income Statement

in 1000 CHF	Note	2022		2021	
			in %	restated <sup>1</sup>	in %
<b>Continuing operations</b>					
<b>Net revenues</b>	<b>31</b>	<b>1 202 097</b>	<b>100.0</b>	<b>1 186 177</b>	<b>100.0</b>
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
<b>EBITDA</b>	<b>31</b>	<b>108 303</b>	<b>9.0</b>	<b>124 698</b>	<b>10.5</b>
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
<b>EBIT</b>	<b>31</b>	<b>37 014</b>	<b>3.1</b>	<b>53 308</b>	<b>4.5</b>
Financial income	51	2 674	0.2	621	0.1
Financial expenses	51	-9 870	-0.8	-10 005	-0.8
<b>Group result before income tax</b>	<b>31</b>	<b>29 818</b>	<b>2.5</b>	<b>43 924</b>	<b>3.7</b>
Income tax expense	52	-9 146	-0.8	-16 384	-1.4
<b>Group result from continuing operations</b>	<b>31</b>	<b>20 672</b>	<b>1.7</b>	<b>27 540</b>	<b>2.3</b>
<b>Group result from discontinued operations after taxes</b>	<b>36</b>	<b>-1 545</b>	<b>-0.1</b>	<b>111 190</b>	<b>9.4</b>
<b>Group result</b>		<b>19 127</b>	<b>1.6</b>	<b>138 730</b>	<b>11.7</b>
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.

<sup>1</sup> 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 1000 CHF	2022	2021
<b>Group result</b>	<b>19 127</b>	<b>138 730</b>
Other comprehensive income		
<i>Items that will not be reclassified to income statement</i>		
Remeasurements of employee benefit obligations	- 15 224	42 359
Deferred tax effect	- 567	- 6 510
<b>Total items that will not be reclassified to income statement</b>	<b>- 15 792</b>	<b>35 849</b>
<i>Items that may be reclassified subsequently to income statement</i>		
Currency translation differences	- 28 971	- 21 140
Cumulative currency translation differences transferred to the income statement		31 391
<b>Total items that may be reclassified subsequently to income statement</b>	<b>- 28 971</b>	<b>10 251</b>
<b>Total other comprehensive income after taxes</b>	<b>- 44 763</b>	<b>46 100</b>
<b>Total comprehensive income</b>	<b>- 25 636</b>	<b>184 830</b>
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 1000 CHF		31/12/2022		31/12/2021	
	Note		in %		in %
<b>Assets</b>					
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	
<b>Current assets</b>		<b>422 748</b>	<b>27.8</b>	<b>593 134</b>	<b>36.5</b>
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	
<b>Non-current assets</b>		<b>1 096 764</b>	<b>72.2</b>	<b>1 030 162</b>	<b>63.5</b>
<b>Total assets</b>		<b>1 519 512</b>	<b>100.0</b>	<b>1 623 296</b>	<b>100.0</b>



in 1000 CHF		31/12/2022		31/12/2021	
	Note		in %		in %
<b>Liabilities and shareholders' equity</b>					
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	
<b>Current liabilities</b>		<b>337 248</b>	<b>22.2</b>	<b>284 615</b>	<b>17.5</b>
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	
<b>Non-current liabilities</b>		<b>194 722</b>	<b>12.8</b>	<b>294 339</b>	<b>18.1</b>
<b>Total liabilities</b>		<b>531 970</b>	<b>35.0</b>	<b>578 954</b>	<b>35.7</b>
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	
<b>Shareholders' equity</b>		<b>987 542</b>	<b>65.0</b>	<b>1 044 342</b>	<b>64.3</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 519 512</b>	<b>100.0</b>	<b>1 623 296</b>	<b>100.0</b>

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
<b>Group result</b>		<b>19 127</b>	<b>138 730</b>
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
<b>Cash flows from operating activities - net</b>		<b>–25 759</b>	<b>92 785</b>
<b>To investment activities</b>			
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
<b>From divestment activities</b>			
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
<b>Cash flows from investing activities - net</b>		<b>–219 789</b>	<b>159 887</b>



in 1000 CHF	Note	2022	2021
<b>From financing activities</b>			
Proceeds from financial debts	42, 55	64 202	68 266
<b>To financing activities</b>			
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
<b>Cash flows from financing activities - net</b>		<b>21 465</b>	<b>– 57 525</b>
Effects of translation differences on cash and cash equivalents		– 591	75
<b>Change in cash and cash equivalents</b>		<b>– 224 674</b>	<b>195 222</b>
<b>Reconciliation of change in cash and cash equivalents</b>			
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		
<b>Change in cash and cash equivalents</b>		<b>– 224 674</b>	<b>195 222</b>

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



## Consolidated Statement of Changes in Equity

in 1000 CHF	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total shareholders' equity
<b>Balance at 01 / 01 / 2021</b>		<b>291 787</b>	<b>512 583</b>	<b>-2 456</b>	<b>-108 710</b>	<b>200 011</b>	<b>893 215</b>
Group result						138 730	138 730
Total other comprehensive income after taxes	50				10 251	35 849	46 100
<b>Total comprehensive income</b>					<b>10 251</b>	<b>174 579</b>	<b>184 830</b>
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
<b>Total transactions with owners</b>			<b>-16 243</b>	<b>-2 926</b>		<b>-14 534</b>	<b>-33 703</b>
<b>Balance at 31 / 12 / 2021</b>		<b>291 787</b>	<b>496 340</b>	<b>-5 382</b>	<b>-98 459</b>	<b>360 056</b>	<b>1 044 342</b>
Group result						19 127	19 127
Total other comprehensive income after taxes	50				-28 971	-15 792	-44 763
<b>Total comprehensive income</b>					<b>-28 971</b>	<b>3 335</b>	<b>-25 636</b>
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
<b>Total transactions with owners</b>			<b>-10 372</b>	<b>-10 132</b>		<b>-10 660</b>	<b>-31 164</b>
<b>Balance at 31 / 12 / 2022</b>		<b>291 787</b>	<b>485 968</b>	<b>-15 514</b>	<b>-127 430</b>	<b>352 731</b>	<b>987 542</b>

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 CICSAs 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	
<b>Net revenues</b>	<b>646 191</b>	<b>552 738</b>	<b>1 198 929</b>	<b>3 219</b>	<b>-51</b>	<b>1 202 097</b>
<b>Segment results I (EBITDA)</b>	<b>58 569</b>	<b>59 217</b>	<b>117 786</b>	<b>-9 488</b>	<b>5</b>	<b>108 303</b>
<i>in % of net revenues</i>	<i>9.1</i>	<i>10.7</i>	<i>9.8</i>			<i>9.0</i>
Depreciation and amortisation	-29 439	-23 551	-52 990	-2 079		-55 069
Impairment right-of-use assets		-262	-262			-262
<b>Segment results II (EBITA)</b>	<b>29 130</b>	<b>35 404</b>	<b>64 534</b>	<b>-11 567</b>	<b>5</b>	<b>52 972</b>
<i>in % of net revenues</i>	<i>4.5</i>	<i>6.4</i>	<i>5.4</i>			<i>4.4</i>
Amortisation of intangible assets from acquisitions	-4 538	-11 420	-15 958			-15 958
<b>Segment results III (EBIT)</b>	<b>24 592</b>	<b>23 984</b>	<b>48 576</b>	<b>-11 567</b>	<b>5</b>	<b>37 014</b>
<i>in % of net revenues</i>	<i>3.8</i>	<i>4.3</i>	<i>4.1</i>			<i>3.1</i>
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
<b>Result before income tax</b>	<b>16 048</b>	<b>17 625</b>	<b>33 674</b>	<b>10 372</b>	<b>-14 227</b>	<b>29 818</b>
Income tax expense	-4 463	-3 757	-8 220	-926		-9 146
<b>Result after income tax</b>	<b>11 585</b>	<b>13 868</b>	<b>25 454</b>	<b>9 446</b>	<b>-14 227</b>	<b>20 672</b>
<b>Average number of employees</b>	<b>3 239</b>	<b>3 176</b>	<b>6 415</b>	<b>117</b>		<b>6 532</b>
<b>Total assets</b>	<b>704 699</b>	<b>795 510</b>	<b>1 500 209</b>	<b>1 116 381</b>	<b>-1 097 078</b>	<b>1 519 512</b>
thereof associated companies		10 457	10 457			10 457
<b>Total liabilities</b>	<b>441 430</b>	<b>455 184</b>	<b>896 614</b>	<b>253 775</b>	<b>-618 419</b>	<b>531 970</b>
<b>Purchases of property, plant and equipment, right-of-use assets, investment properties and intangible assets</b>	<b>52 774</b>	<b>104 073</b>	<b>156 847</b>	<b>30 115</b>		<b>186 962</b>



in 1000 CHF						2021
	HVAC	Doors	Total reportable segments	Corporate Services	Eliminations	Total Group
Sales with third parties at point in time	626 067	484 821	1 110 888	3 836		1 114 724
Sales with third parties over time	4 481	66 972	71 453			71 453
<b>Net revenues</b>	<b>630 548</b>	<b>551 793</b>	<b>1 182 341</b>	<b>3 836</b>		<b>1 186 177</b>
<b>Segment results I (EBITDA)</b>	<b>61 916</b>	<b>76 191</b>	<b>138 107</b>	<b>-13 419</b>	<b>10</b>	<b>124 698</b>
<i>in % of net revenues</i>	9.8	13.8	11.7			10.5
Depreciation and amortisation	-27 573	-21 708	-49 281	-1 982		-51 263
Impairment property, plant and equipment/ intangible assets	-4 413		-4 413			-4 413
<b>Segment results II (EBITA)</b>	<b>29 930</b>	<b>54 483</b>	<b>84 413</b>	<b>-15 401</b>	<b>10</b>	<b>69 022</b>
<i>in % of net revenues</i>	4.7	9.9	7.1			5.8
Amortisation of intangible assets from acquisitions	-4 392	-11 322	-15 715			-15 715
<b>Segment results III (EBIT)</b>	<b>25 538</b>	<b>43 161</b>	<b>68 698</b>	<b>-15 401</b>	<b>10</b>	<b>53 308</b>
<i>in % of net revenues</i>	4.1	7.8	5.8			4.5
Interest income	229	86	315	5 055	-5 331	39
Interest expenses	-4 229	-2 575	-6 804	-4 005	5 332	-5 477
Minority share from associated companies		-1 060	-1 060			-1 060
Other financial result	-2 875	-2 888	-5 764	13 804	-10 926	-2 886
<b>Result before income tax</b>	<b>18 663</b>	<b>36 723</b>	<b>55 386</b>	<b>-547</b>	<b>-10 915</b>	<b>43 924</b>
Income tax expense	-8 520	-7 921	-16 441	57		-16 384
<b>Result after income tax</b>	<b>10 143</b>	<b>28 802</b>	<b>38 945</b>	<b>-490</b>	<b>-10 915</b>	<b>27 540</b>
<b>Average number of employees</b>	<b>3 076</b>	<b>2 977</b>	<b>6 052</b>	<b>125</b>		<b>6 177</b>
<b>Total assets</b>	<b>651 734</b>	<b>722 865</b>	<b>1 374 599</b>	<b>1 118 755</b>	<b>-870 058</b>	<b>1 623 296</b>
thereof associated companies		7 276	7 276			7 276
<b>Total liabilities</b>	<b>376 241</b>	<b>369 991</b>	<b>746 232</b>	<b>228 854</b>	<b>-396 132</b>	<b>578 954</b>
<b>Purchases of property, plant and equipment, right-of-use assets, investment properties and intangible assets</b>	<b>53 889</b>	<b>106 553</b>	<b>160 442</b>	<b>931</b>		<b>161 373</b>

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 1000 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 1000 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 1000 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
<b>Total</b>	<b>29 196</b>	<b>253 870</b>

### 33. Accounts receivable / contract balances

#### Accounts receivable

in 1000 CHF	31/12/2022	31/12/2021
Accounts receivable	117 773	115 610
Allowance for accounts receivable	-8 214	-9 181
<b>Total</b>	<b>109 559</b>	<b>106 429</b>
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 1000 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
<b>Total accounts receivable, net</b>	<b>109 559</b>	<b>106 429</b>

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 1000 CHF	2022	2021
<b>Balance at 01/01</b>	<b>-4 206</b>	<b>-6 816</b>
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
<b>Balance at 31/12</b>	<b>-3 892</b>	<b>-4 206</b>

### Contract balance

in 1000 CHF	31/12/2022	31/12/2021
Contract assets project business	18 822	13 527
<b>Total contract assets</b>	<b>18 822</b>	<b>13 527</b>
Contract liabilities project business	6 592	5 317
Other advance payments by customers	3 207	3 442
<b>Total contract liabilities</b>	<b>9 799</b>	<b>8 759</b>

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 1000 CHF	2022	2021
<b>Balance at 01/01</b>	<b>13 527</b>	<b>11 574</b>
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
<b>Balance at 31/12</b>	<b>18 822</b>	<b>13 527</b>



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 1000 CHF	2022	2021
<b>Balance at 01/01</b>	<b>5 317</b>	<b>1 218</b>
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
<b>Balance at 31/12</b>	<b>6 592</b>	<b>5 317</b>

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 1000 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 1000 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
<b>Total</b>	<b>226 921</b>	<b>182 784</b>

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 1000 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
<b>Total</b>	<b>10 921</b>	<b>7 673</b>
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 million and held 24.9% of the company as at 31 December 2021.



### Associated companies

in 1000 CHF	2022	2021
<b>Balance at 01 / 01</b>	<b>7 276</b>	<b>8 194</b>
Foreign exchange differences	-374	-308
Increase of investment	2 292	450
Minority share from associated companies	1 263	-1 060
<b>Balance at 31 / 12</b>	<b>10 457</b>	<b>7 276</b>

Subsequently, the financial information of the associated company is disclosed in condensed form.

### Associated companies – Balance sheet

in 1000 CHF	31/12/2022	31/12/2021
Current assets	8 348	1 751
Non-current assets	1 454	1 443
<b>Total assets</b>	<b>9 802</b>	<b>3 194</b>
Current liabilities	952	526
Non-current liabilities		447
Shareholders' equity	8 850	2 221
<b>Total liabilities and shareholders' equity</b>	<b>9 802</b>	<b>3 194</b>

### Associated companies - Income statement

in 1000 CHF	2022	2021
Net revenues	9 205	2 368
Results after taxes	3 730	-3 938

### Business transactions with associated companies

in 1000 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 1000 CHF	31/08/2021
<b>Assets</b>	
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
<b>Total assets</b>	<b>324 654</b>
<b>Liabilities</b>	
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
<b>Total liabilities</b>	<b>108 473</b>
<b>Net assets</b>	<b>216 181</b>
Cash and cash equivalents disposed	-12 741
<b>Net assets excluding cash and cash equivalents</b>	<b>203 440</b>
Gain on disposal	130 625
<b>Net cash inflow from disposal</b>	<b>334 065</b>





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
<b>Net revenues</b>	<b>237 190</b>
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
<b>EBITDA</b>	<b>19 497</b>
<b>EBIT</b>	<b>19 497</b>
Financial result	– 31 978
<b>Result from discontinued operations before income tax</b>	<b>– 12 481</b>
Income tax expense	– 6 954
<b>Result from discontinued operations</b>	<b>– 19 435</b>
Gain on disposal of discontinued operations	130 625
<b>Net result from discontinued operations</b>	<b>111 190</b>

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
<b>Cash flows from operating activities</b>	<b>8 460</b>
<b>Cash flows from investing activities</b>	<b>– 6 197</b>
<b>Cash flows from financing activities</b>	<b>– 3 138</b>

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
<b>Net book value at 01/01/2021</b>	<b>212 743</b>	<b>181 431</b>	<b>11 225</b>	<b>86 038</b>	<b>491 437</b>
<b>Cost</b>					
<b>Balance at 01/01/2021</b>	<b>320 953</b>	<b>377 748</b>	<b>42 446</b>	<b>91 784</b>	<b>832 931</b>
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
<b>Balance at 31/12/2021</b>	<b>361 672</b>	<b>408 959</b>	<b>46 192</b>	<b>136 769</b>	<b>953 591</b>
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
<b>Balance at 31/12/2022</b>	<b>392 754</b>	<b>441 475</b>	<b>49 703</b>	<b>166 647</b>	<b>1 050 578</b>



in 1000 CHF	Land and buildings	Plant and machinery	Other equipment	Prepayments and assets under construction	Total
<b>Accumulated depreciation</b>					
<b>Balance at 01/01/2021</b>	<b>108 210</b>	<b>196 317</b>	<b>31 221</b>	<b>5 746</b>	<b>341 494</b>
Foreign exchange differences	-2 997	-4 296	-575	181	-7 687
Depreciation	9 105	25 031	3 605		37 741
Impairment		4 179			4 179
Disposals	-359	-10 915	-2 407		-13 681
Reclassification to/ from assets held for sale	388	426	62		876
Reclassifications	-12	-285	180	433	316
<b>Balance at 31/12/2021</b>	<b>114 335</b>	<b>210 457</b>	<b>32 086</b>	<b>6 360</b>	<b>363 238</b>
Foreign exchange differences	-4 098	-7 527	-990	949	-11 666
Depreciation	10 386	28 131	4 500		43 017
Disposals	-1 223	-15 162	-2 877		-19 262
Reclassifications	-63	7 356	70	-7 133	230
<b>Balance at 31/12/2022</b>	<b>119 337</b>	<b>223 255</b>	<b>32 789</b>	<b>176</b>	<b>375 557</b>
<b>Net book value at 31/12/2021</b>	<b>247 336</b>	<b>198 502</b>	<b>14 106</b>	<b>130 409</b>	<b>590 353</b>
<b>Net book value at 31/12/2022</b>	<b>273 416</b>	<b>218 220</b>	<b>16 914</b>	<b>166 471</b>	<b>675 021</b>

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	51 976	59 247
Intangible assets	124	136
<b>Total</b>	<b>52 100</b>	<b>59 383</b>

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 1000 CHF	Right-of-use buildings	Right-of-use plant and machinery	Right-of-use other equipment	Total
<b>Net book value at 01/01/2021</b>	<b>44 203</b>	<b>4 318</b>	<b>7 936</b>	<b>56 457</b>
<b>Cost</b>				
<b>Balance at 01/01/2021</b>	<b>57 784</b>	<b>6 095</b>	<b>14 748</b>	<b>78 627</b>
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
<b>Balance at 31/12/2021</b>	<b>45 781</b>	<b>6 509</b>	<b>14 685</b>	<b>66 975</b>
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
<b>Balance at 31/12/2022</b>	<b>24 164</b>	<b>5 419</b>	<b>13 881</b>	<b>43 464</b>



in 1000 CHF	Right-of-use buildings	Right-of-use plant and machinery	Right-of-use other equipment	Total
<b>Accumulated depreciation</b>				
<b>Balance at 01 / 01 / 2021</b>	<b>13 581</b>	<b>1 777</b>	<b>6 812</b>	<b>22 170</b>
Foreign exchange differences	- 163	- 87	- 239	- 489
Depreciation	4 934	887	3 847	9 668
Disposals	- 6 438	- 2	- 2 178	- 8 618
Reclassification to/ from assets held for sale			29	29
Reclassifications		- 156	- 175	- 331
<b>Balance at 31 / 12 / 2021</b>	<b>11 914</b>	<b>2 419</b>	<b>8 096</b>	<b>22 429</b>
Foreign exchange differences	- 299	- 98	- 299	- 696
Depreciation	3 889	737	3 335	7 961
Impairment	262			262
Disposals	- 6 899	- 485	- 2 836	- 10 220
Reclassifications		- 208	- 70	- 278
<b>Balance at 31 / 12 / 2022</b>	<b>8 867</b>	<b>2 365</b>	<b>8 226</b>	<b>19 458</b>
<b>Net book value at 31 / 12 / 2021</b>	<b>33 867</b>	<b>4 090</b>	<b>6 589</b>	<b>44 546</b>
<b>Net book value at 31 / 12 / 2022</b>	<b>15 297</b>	<b>3 054</b>	<b>5 655</b>	<b>24 006</b>

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
<b>Total</b>	<b>4 486</b>	<b>3 477</b>

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
<b>Net book value at 01 / 01 / 2021</b>	<b>1 104</b>	<b>192</b>	<b>1 296</b>
<b>Cost</b>			
<b>Balance at 01 / 01 / 2021</b>	<b>1 603</b>	<b>24 728</b>	<b>26 331</b>
<b>Balance at 31 / 12 / 2021</b>	<b>1 603</b>	<b>24 728</b>	<b>26 331</b>
Foreign exchange differences	– 66	– 4	– 70
Additions		3 296	3 296
Reclassifications	4 250	236	4 486
<b>Balance at 31 / 12 / 2022</b>	<b>5 787</b>	<b>28 256</b>	<b>34 043</b>
<b>Accumulated depreciation</b>			
<b>Balance at 01 / 01 / 2021</b>	<b>499</b>	<b>24 536</b>	<b>25 035</b>
Depreciation		44	44
<b>Balance at 31 / 12 / 2021</b>	<b>499</b>	<b>24 580</b>	<b>25 079</b>
Foreign exchange differences	– 1		– 1
Depreciation		38	38
Reclassifications	38	25	63
<b>Balance at 31 / 12 / 2022</b>	<b>536</b>	<b>24 643</b>	<b>25 179</b>
<b>Net book value at 31 / 12 / 2021</b>	<b>1 104</b>	<b>148</b>	<b>1 252</b>
<b>Net book value at 31 / 12 / 2022</b>	<b>5 251</b>	<b>3 613</b>	<b>8 864</b>
<b>Fair values of investment properties at 31 / 12 / 2021</b>			<b>8 705</b>
<b>Fair values of investment properties at 31 / 12 / 2022</b>			<b>16 994</b>

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
<b>Net book value at 01/01/2021</b>	<b>58 452</b>	<b>79 174</b>	<b>13 350</b>	<b>81</b>	<b>12 435</b>	<b>163 492</b>	<b>177 598</b>
<b>Cost</b>							
<b>Balance at 01/01/2021</b>	<b>84 007</b>	<b>120 010</b>	<b>20 126</b>	<b>4 506</b>	<b>29 235</b>	<b>257 884</b>	<b>208 099</b>
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	
<b>Balance at 31/12/2021</b>	<b>86 587</b>	<b>127 751</b>	<b>19 328</b>	<b>4 441</b>	<b>31 347</b>	<b>269 454</b>	<b>207 622</b>
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	
<b>Balance at 31/12/2022</b>	<b>88 492</b>	<b>142 022</b>	<b>23 202</b>	<b>5 005</b>	<b>51 024</b>	<b>309 745</b>	<b>211 396</b>
<b>Accumulated amortisation</b>							
<b>Balance at 01/01/2021</b>	<b>25 555</b>	<b>40 836</b>	<b>6 776</b>	<b>4 425</b>	<b>16 800</b>	<b>94 392</b>	<b>30 501</b>
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	
<b>Balance at 31/12/2021</b>	<b>31 060</b>	<b>47 481</b>	<b>7 546</b>	<b>4 387</b>	<b>17 858</b>	<b>108 332</b>	<b>29 001</b>
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	
<b>Balance at 31/12/2022</b>	<b>35 355</b>	<b>54 576</b>	<b>8 394</b>	<b>4 657</b>	<b>20 459</b>	<b>123 441</b>	<b>29 001</b>
<b>Net book value at 31/12/2021</b>	<b>55 527</b>	<b>80 270</b>	<b>11 782</b>	<b>54</b>	<b>13 489</b>	<b>161 122</b>	<b>178 621</b>
<b>Net book value at 31/12/2022</b>	<b>53 137</b>	<b>87 446</b>	<b>14 808</b>	<b>348</b>	<b>30 565</b>	<b>186 304</b>	<b>182 395</b>





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 1000 CHF	Termovent	Sabiana	Joro Doors	Wood Solutions	Glass Solutions	Total
<b>Balance at 31 / 12 / 2021</b>	<b>7 631</b>	<b>22 641</b>		<b>133 702</b>	<b>14 647</b>	<b>178 621</b>
Acquisition			11 747			11 747
Foreign exchange differences	-360	-1 037	-132	-6 444		-7 973
<b>Balance at 31 / 12 / 2022</b>	<b>7 271</b>	<b>21 604</b>	<b>11 615</b>	<b>127 258</b>	<b>14 647</b>	<b>182 395</b>

### 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
<b>Assets</b>	
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
<b>Total assets</b>	<b>18 106</b>
<b>Liabilities</b>	
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
<b>Total liabilities</b>	<b>6 730</b>
<b>Net assets acquired</b>	<b>11 376</b>
Goodwill	11 747
<b>Acquisition price</b>	<b>23 123</b>
<b>Cost of acquisition</b>	
Purchase price	20 811
Deferred purchase price	2 312
<b>Total cost of acquisition</b>	<b>23 123</b>

<b>Net cash outflow was as follows:</b>	
Purchase price	20 811
Cash and cash equivalents acquired	- 767
<b>Net cash outflow on acquisition</b>	<b>20 044</b>

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
<b>Assets</b>	
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
<b>Total assets</b>	<b>33 321</b>



<b>Liabilities</b>	
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
<b>Total liabilities</b>	<b>6 950</b>
<b>Net assets acquired</b>	<b>26 371</b>
<b>Cost of acquisition</b>	
Purchase price	26 371
<b>Total cost of acquisition</b>	<b>26 371</b>
<b>Net cash outflow was as follows:</b>	
Purchase price	26 371
Cash and cash equivalents acquired	-2 899
<b>Net cash outflow on acquisition</b>	<b>23 471</b>

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 Peninsula. 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
<b>Assets</b>	
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
<b>Total assets</b>	<b>12 799</b>
<b>Liabilities</b>	
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
<b>Total liabilities</b>	<b>4 803</b>
<b>Net assets acquired</b>	<b>7 996</b>
<b>Cost of acquisition</b>	
Purchase price	6 889
Deferred purchase price	1 107
<b>Total cost of acquisition</b>	<b>7 996</b>
<b>Net cash outflow was as follows:</b>	
Purchase price	6 889
Cash and cash equivalents acquired	-1 357
<b>Net cash outflow on acquisition</b>	<b>5 531</b>



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 1000 CHF	Fair Value
<b>Assets</b>	
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
<b>Total assets</b>	<b>25 207</b>
<b>Liabilities</b>	
Accounts payable	2 879
Contract liabilities	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
<b>Total liabilities</b>	<b>13 072</b>

<b>Net assets acquired</b>	<b>12 134</b>
Goodwill	8 007
<b>Acquisition price</b>	<b>20 142</b>
<b>Cost of acquisition</b>	
Purchase price	20 142
<b>Total cost of acquisition</b>	<b>20 142</b>
<b>Net cash outflow was as follows:</b>	
Purchase price	20 142
Cash and cash equivalents acquired	-2 210
<b>Net cash outflow on acquisition</b>	<b>17 931</b>

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 clean-rooms. 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 1000 CHF	Fair Value
<b>Assets</b>	
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
<b>Total assets</b>	<b>19 198</b>
<b>Liabilities</b>	
Accounts payable	942
Other liabilities	227
Lease liabilities	22
Accruals and deferred income	970
Provisions	96
Employee benefit obligations	9 235
<b>Total liabilities</b>	<b>11 491</b>
<b>Net assets acquired</b>	<b>7 707</b>
<b>Cost of acquisition</b>	
Purchase price	7 707
<b>Total cost of acquisition</b>	<b>7 707</b>
<b>Net cash outflow was as follows:</b>	
Purchase price	7 707
Cash and cash equivalents acquired	-3 489
<b>Net cash outflow on acquisition</b>	<b>4 218</b>

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 1000 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
<b>Total</b>	<b>191 438</b>	<b>134 110</b>

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 1000 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
<b>Total</b>	<b>191 438</b>	<b>134 110</b>

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 1000 CHF	31/12/2022	31/12/2021
EUR	191 438	133 974
PLN		136
<b>Total</b>	<b>191 438</b>	<b>134 110</b>



### 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 1000 CHF	31/12/2022						
	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
<b>Non-derivative financial instruments</b>							
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
<b>Total</b>	<b>352 363</b>	<b>360 401</b>	<b>262 609</b>	<b>6 532</b>	<b>9 586</b>	<b>65 865</b>	<b>15 809</b>

in 1000 CHF	31/12/2021						
	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
<b>Non-derivative financial instruments</b>							
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
<b>Derivative financial instruments</b>							
Interest rate swaps	988						
Cash outflow		988	108	102	182	385	211
Commodity swaps	58						
Cash outflow		58	58				
<b>Total</b>	<b>358 116</b>	<b>372 790</b>	<b>185 133</b>	<b>7 880</b>	<b>68 332</b>	<b>72 979</b>	<b>38 466</b>

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.

in 1000 CHF	31 / 12 / 2022					
	FA FVTPL	FA AC	FL FVTPL	FL AC	Book value	Fair Value
						Level 2 Level 3
Cash and cash equivalents		29 196			29 196	
Accounts receivable		109 559			109 559	
Derivative financial instruments	70				70	70
Other current assets (without derivatives)		1 208			1 208	
Deferred expenses		3 198			3 198	
Other financial assets		424			424	
Loans	40				40	40
<b>Assets</b>	<b>110</b>	<b>143 585</b>			<b>143 695</b>	
Accounts payable				92 970	92 970	
Other liabilities (without derivatives)				4 927	4 927	
Lease liabilities				22 119	22 119	
Accruals and deferred income				40 909	40 909	
Promissory note loan				119 754	119 754	115 761
Syndicated loan				54 434	54 434	
Loans				10 804	10 804	
Mortgages				6 446	6 446	6 376
<b>Liabilities</b>				<b>352 363</b>	<b>352 363</b>	





							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	
<b>Assets</b>	<b>73</b>	<b>364 181</b>			<b>364 254</b>			
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		
<b>Liabilities</b>			<b>1 046</b>	<b>357 069</b>	<b>358 116</b>			

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 1000 CHF	Warranty	Personnel	Restructuring	Onerous contracts project business	Other provisions	Total
<b>Balance at 01/01/2021</b>	<b>9 803</b>	<b>7 559</b>	<b>27</b>	<b>39</b>	<b>2 452</b>	<b>19 880</b>
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
<b>Balance at 31/12/2021</b>	<b>10 524</b>	<b>7 836</b>	<b>8 662</b>	<b>16</b>	<b>5 265</b>	<b>32 303</b>
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
<b>Balance at 31/12/2022</b>	<b>7 289</b>	<b>7 927</b>	<b>4 375</b>	<b>24</b>	<b>3 233</b>	<b>22 848</b>
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 1000 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:

in 1000 CHF	31/12/2022		31/12/2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
<b>Assets</b>				
Cash and cash equivalents	4			
Accounts receivable	484	226	622	150
Other current assets	6	134	168	166
Inventories	1 730	635	1 831	546
Property, plant and equipment and right-of-use assets	254	23 162	65	22 763
Investment property	67	320	65	
Intangible assets	204	39 519	244	37 634
Capitalised pension surplus and financial assets	130	3 148		6 089
<b>Liabilities</b>				
Current liabilities	5 505	4 997	5 446	3 376
Non-current liabilities	2 874	858	2 703	3 233
Current and non-current provisions	938	312	1 322	340
Employee benefit obligations	3 966	4	9 575	2
<b>Deferred taxes from timing differences</b>	<b>16 162</b>	<b>73 315</b>	<b>22 041</b>	<b>74 299</b>
Deferred tax assets derived from tax loss carryforwards	13 658		10 749	
Valuation allowance	-7 104		-3 785	
<b>Net deferred taxes from timing differences</b>	<b>22 716</b>	<b>73 315</b>	<b>29 005</b>	<b>74 299</b>
Offset of deferred tax assets and liabilities	-18 330	-18 330	-22 100	-22 100
<b>Total deferred taxes</b>	<b>4 386</b>	<b>54 985</b>	<b>6 905</b>	<b>52 199</b>



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 1000 CHF	2022	2021
<b>Balance at 01/01</b>	<b>45 294</b>	<b>42 059</b>
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
<b>Balance at 31/12</b>	<b>50 599</b>	<b>45 294</b>

Unrecognised tax loss carryforwards in 1000 CHF	31/12/2022	31/12/2021
Tax loss carryforwards	70 007	53 496
thereof recognised as deferred taxes	-35 376	-37 414
<b>Unrecognised tax loss carryforwards</b>	<b>34 631</b>	<b>16 082</b>
<b>Portion expiring:</b>		
between 1 and 5 years		2 990
after 5 years	34 631	13 092
<b>Total</b>	<b>34 631</b>	<b>16 082</b>

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 1000 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
<b>Overfunding</b>	<b>-40 421</b>	<b>-39 176</b>
Present value of unfunded obligations	42 331	61 846
Adjustment to asset ceiling	35 547	
<b>Liability (net) recognised in the balance sheet</b>	<b>37 457</b>	<b>22 670</b>
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 1000 CHF	2022	2021
<b>Balance at 01 / 01</b>	<b>192 505</b>	<b>178 159</b>
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 adjustments	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
<b>Balance at 31 / 12</b>	<b>156 327</b>	<b>192 505</b>
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 1000 CHF	2022	2021
<b>Balance at 01 / 01</b>	<b>169 833</b>	<b>132 758</b>
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
<b>Balance at 31 / 12</b>	<b>154 416</b>	<b>169 833</b>



The movement of the effect of the asset ceiling is as follows:

in 1000 CHF	2022
<b>Balance at 01 / 01</b>	
Change in effect of asset ceiling excl. interest cost	35 547
<b>Balance at 31 / 12</b>	<b>35 547</b>

The remeasurements of employee benefit obligations in other comprehensive income are as follows:

in 1000 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	
<b>Remeasurements of employee benefit obligations</b>	<b>15 224</b>	<b>-42 359</b>

The amounts recognised in the income statement are as follows:

in 1000 CHF	2022	2021
Current service cost	5 413	5 776
Net interest result	727	639
Administration cost	62	60
<b>Net charges for defined benefit plans</b>	<b>6 202</b>	<b>6 476</b>
thereof recorded under personnel expenses	5 475	5 837
thereof recorded under financial results	727	639



The principal actuarial assumptions used were as follows:

<b>Weighted average</b>		<b>2022</b>	<b>2021</b>
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:

<b>Impact on employee benefit obligations</b>	<b>Change in assumption</b>	<b>2022</b>	<b>2021</b>
Discount rate	-0.25%	4 757	7 509
	+0.25%	-4 491	-7 080
Salary increases	-0.25%	-509	-766
	+0.25%	504	769
Life expectancy	+ 1 year	3 180	5 539
	- 1 year	-3 250	-5 552
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 1000 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
<b>Total plan assets</b>	<b>84 820</b>	<b>69 596</b>	<b>154 416</b>	<b>99 413</b>	<b>70 420</b>	<b>169 833</b>

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 1000 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:

Category	31/12/2022			31/12/2021		
	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
<b>Average number of shares outstanding for the calculation</b>	<b>68 946 385</b>	<b>69 163 962</b>

There were no dilutive effects impacting the calculation.

#### 49. Treasury shares

	2022			2021		
	Ø market value in CHF	Number of shares	Amount in 1000 CHF	Ø market value in CHF	Number of shares	Amount in 1000 CHF
<b>Balance at 01/01</b>	<b>15.36</b>	<b>350 373</b>	<b>5 383</b>	<b>8.70</b>	<b>282 386</b>	<b>2 456</b>
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
<b>Balance at 31/12</b>	<b>13.96</b>	<b>1 111 022</b>	<b>15 514</b>	<b>15.36</b>	<b>350 373</b>	<b>5 383</b>

#### 50. Other comprehensive income and other reserves

The movements in other comprehensive income after taxes were as follows:

in 1000 CHF	31/12/2022			31/12/2021		
	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
<b>Total items that will not be reclassified to income statement</b>		<b>-15 792</b>	<b>-15 792</b>		<b>35 849</b>	<b>35 849</b>
Currency translation differences	-28 971		-28 971	-21 140		-21 140
Cumulative currency translation differences transferred to the income statement				31 391		31 391
<b>Total items that may be subsequently reclassified to income statement</b>	<b>-28 971</b>		<b>-28 971</b>	<b>10 251</b>		<b>10 251</b>
<b>Other comprehensive income after taxes</b>	<b>-28 971</b>	<b>-15 792</b>	<b>-44 763</b>	<b>10 251</b>	<b>35 849</b>	<b>46 100</b>



### Other reserves

in 1000 CHF	Currency translation	Total
<b>Balance at 31 / 12 / 2020</b>	<b>- 108 710</b>	<b>- 108 710</b>
Currency translation differences	10 251	10 251
<b>Balance at 31 / 12 / 2021</b>	<b>- 98 459</b>	<b>- 98 459</b>
Currency translation differences	- 28 971	- 28 971
<b>Balance at 31 / 12 / 2022</b>	<b>- 127 430</b>	<b>- 127 430</b>



## 51. Financial results

in 1000 CHF	2022	2021
<b>Financial income</b>		
Bank and other interest	263	20
Interest on net pension surplus	137	19
<b>Total interest income</b>	<b>400</b>	<b>39</b>
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
<b>Total other financial income</b>	<b>2 274</b>	<b>582</b>
<b>Total financial income</b>	<b>2 674</b>	<b>621</b>
<b>Financial expenses</b>		
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
<b>Total interest expenses</b>	<b>4 162</b>	<b>5 477</b>
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
<b>Total other financial expenses</b>	<b>5 708</b>	<b>4 528</b>
<b>Total financial expenses</b>	<b>9 870</b>	<b>10 005</b>
<b>Total net financial results</b>	<b>-7 196</b>	<b>-9 384</b>



The classification of the financial result of financial instruments into the categories according to IFRS 9 is as follows:

in 1000 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 1000 CHF	2022	2021
Current income taxes	10 108	18 995
Changes in deferred income taxes	-962	-2 611
<b>Total</b>	<b>9 146</b>	<b>16 384</b>

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 1000 CHF	2022	2021
<b>Earnings before income tax</b>	<b>29 818</b>	<b>43 924</b>
Weighted average tax rate in %	24.1	26.0
<b>Expected tax expense</b>	<b>7 195</b>	<b>11 435</b>
<b>Income tax reconciliation</b>		
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
<b>Effective tax expense</b>	<b>9 146</b>	<b>16 384</b>
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	29 196	253 870
+ undrawn credit facilities	210 404	261 793
<b>Total available liquidity</b>	<b>239 600</b>	<b>515 663</b>

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	2 480	687	223	244
Impact of a decrease on group earnings	-2 480	-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	2 677	259	307	422
Impact of a decrease on group earnings	-2 677	-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
<b>Variable interest-bearing financial instruments</b>		
Impact of an increase on group earnings	6	- 157
Impact of a decrease on group earnings	-6	157
<b>Interest rate swaps</b>		
Impact of an increase on group earnings		82
Impact of a decrease on group earnings		-82
<b>in 1000 CHF</b>		
	31 / 12 / 2021	
	CHF interest rate	EUR interest rate
Assumed change in basis points	50	50
<b>Variable interest-bearing financial instruments</b>		
Impact of an increase on group earnings	843	202
Impact of a decrease on group earnings	-843	-202
<b>Interest rate swaps</b>		
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
<b>Liabilities</b>		
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
<i>Changes in non-cash transactions</i>		
Additional/reversed provisions	6 355	25 306
Changes in capitalised pension surplus/employee benefit obligations	260	1 357
Share based payments	2 278	5 049
Minority share from associated companies	- 1 263	1 060
Other non-cash effects	4 172	- 1 918
<b>Total changes in non-cash transactions</b>	<b>11 802</b>	<b>30 854</b>
<i>Changes in working capital</i>		
Changes in accounts receivable	- 3 946	- 22 315
Changes in inventories	- 44 770	- 62 704
Changes in contract assets project business	- 5 340	- 10 311
Changes in other working capital items	- 1 884	- 3 851
<b>Total changes in working capital</b>	<b>- 55 940</b>	<b>- 99 181</b>
<i>Changes in liabilities</i>		
Changes in accounts payable	- 36 642	47 335
Changes in contract liabilities	1 087	5 358
Used provisions	- 14 718	- 14 163
Changes in other current liabilities	- 11 208	9 232
<b>Total changes in liabilities</b>	<b>- 61 481</b>	<b>47 762</b>



in 1000 CHF	Current and non-current financial debts
<b>Balance at 31 / 12 / 2020</b>	<b>140 169</b>
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
<b>Balance at 31 / 12 / 2021</b>	<b>134 110</b>
Foreign exchange differences	-383
Proceeds from financial debts	64 202
Repayments of financial debts	-1 078
Non-cash foreign exchange effects	-5 413
<b>Balance at 31 / 12 / 2022</b>	<b>191 438</b>

in 1000 CHF	Lease liabilities
<b>Balance at 31 / 12 / 2020</b>	<b>39 324</b>
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
<b>Balance at 31 / 12 / 2021</b>	<b>26 542</b>
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
<b>Balance at 31 / 12 / 2022</b>	<b>22 119</b>



## 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 72 712 allotted shares (2021: 75 255 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 60 000 shares (2021: 60 000) 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 1 000 CHF	2022	2021
Salaries and other short-term employee benefits	2 168	3 867
Share based payments	2 027	4 021
Pension and social security contributions	595	905
<b>Total</b>	<b>4 790</b>	<b>8 793</b>

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 1000 CHF	Purchase of services	Sale of goods	Purchase of goods	Balance on receivables	Balance on liabilities
			2022		
Other related parties	216	3 759	175	241	5
<b>Total</b>	<b>216</b>	<b>3 759</b>	<b>175</b>	<b>241</b>	<b>5</b>

in 1000 CHF	Purchase of services	Sale of goods	Purchase of goods	Balance on receivables	Balance on liabilities
			2021		
Other related parties		2 876	32	18	31
<b>Total</b>		<b>2 876</b>	<b>32</b>	<b>18</b>	<b>31</b>

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
<b>HVAC Division</b>								
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
<b>Doors Division</b>									
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%		■		
<b>Corporate Services</b>									
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.





## 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

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# Financial Statements Arbonia AG



## Income Statement

in 1000 CHF	Note	2022		2021	
			in %		in %
Dividend income		50 680		20 620	
Financial income	2.7	12 241		9 514	
Other operating income		2		2	
<b>Total income</b>		<b>62 923</b>	<b>100.0</b>	<b>30 136</b>	<b>100.0</b>
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
<b>Total expenses</b>		<b>-15 630</b>	<b>-24.8</b>	<b>-20 292</b>	<b>-67.3</b>
<b>Net profit</b>		<b>47 293</b>	<b>75.2</b>	<b>9 844</b>	<b>32.7</b>

The notes on pages 216 to 219 are an integral part of these financial statements.

## Balance sheet

in 1000 CHF		31/12/2022		31/12/2021	
	Note		in %		in %
<b>Assets</b>					
Cash and cash equivalents		13 193		244 967	
Other receivables					
Third parties		3		245	
Shareholdings		146 621		173 929	
Deferred expenses		99		29	
<b>Current assets</b>		<b>159 916</b>	<b>11.2</b>	<b>419 170</b>	<b>29.0</b>
Loans to shareholdings		484 701		237 440	
Investments	2.1	788 812		788 812	
<b>Non-current assets</b>		<b>1 273 514</b>	<b>88.8</b>	<b>1 026 252</b>	<b>71.0</b>
<b>Total assets</b>		<b>1 433 429</b>	<b>100.0</b>	<b>1 445 422</b>	<b>100.0</b>



in 1000 CHF		31/12/2022		31/12/2021	
	Note		in %		in %
<b>Liabilities and shareholders' equity</b>					
Accounts payable					
Third parties		53		9	
Shareholdings		33		2 676	
Interest bearing liabilities	2.2				
Bank loans		64 331			
Promissory note loan		65 845			
Shareholdings		205 203		287 001	
Other liabilities					
Third parties		34		149	
Accruals and deferred income		2 126		2 168	
<b>Current liabilities</b>		<b>337 623</b>	<b>23.6</b>	<b>292 003</b>	<b>20.2</b>
Interest bearing liabilities	2.3				
Promissory note loan		76 427		142 272	
Shareholdings				8 656	
<b>Non-current liabilities</b>		<b>76 427</b>	<b>5.3</b>	<b>150 928</b>	<b>10.4</b>
<b>Total liabilities</b>		<b>414 050</b>	<b>28.9</b>	<b>442 931</b>	<b>30.6</b>
Share capital	2.4	291 788		291 788	
Legal capital reserves					
Capital contribution reserve	2.5	442 788		453 159	
Other capital reserves		42 812		42 812	
Voluntary reserves					
Free reserves		14 991		14 651	
Retained earnings		195 409		195 937	
Net profit		47 293		9 844	
Treasury shares	2.6	– 15 702		– 5 700	
<b>Shareholders' equity</b>		<b>1 019 379</b>	<b>71.1</b>	<b>1 002 491</b>	<b>69.4</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 433 429</b>	<b>100.0</b>	<b>1 445 422</b>	<b>100.0</b>

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 (impairity 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 (impairity 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	1 000	100.00%	1 000	100.00%
AFG International AG, Arbon	1 000	100.00%	1 000	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	54 434	
Bank loans	9 897	
Promissory note loan	65 845	
Loans to shareholdings	205 203	287 001
<b>Total</b>	<b>335 378</b>	<b>287 001</b>

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	76 427	142 272
Loans to shareholdings		8 656
<b>Total</b>	<b>76 427</b>	<b>150 928</b>

### 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
<b>Total</b>	<b>76 427</b>	<b>150 928</b>

### 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
<b>Balance at 01/01</b>	<b>16</b>	<b>350 373</b>	<b>5 700</b>	<b>14</b>	<b>282 386</b>	<b>4 009</b>
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
<b>Balance at 31/12</b>	<b>14</b>	<b>1 111 022</b>	<b>15 702</b>	<b>16</b>	<b>350 373</b>	<b>5 700</b>

## 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 share-holdings 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
<b>Total</b>	<b>4 531</b>	<b>7 331</b>

## 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
<b>UBS AG</b>		
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	
<b>UniCredit Bank</b>		
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
<b>Sparkasse Offenburg</b>		
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	31/12/2021
	Voting and capital interest	Voting and capital interest
Artemis Beteiligungen I AG	22.10%	22.09%

### 3.4. Derivative financial instruments

in 1000 CHF	Contract value	31/12/2021	
		Replacement value	
		positive	negative
Commodity contracts	43	15	- 58
<b>Total financial instruments</b>	<b>43</b>	<b>15</b>	<b>- 58</b>

### 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	31/12/2021
	Number of registered shares	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
<b>Total</b>	<b>16 843 233</b>	<b>16 715 468</b>



## 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
<b>Retained earnings</b>	<b>242 702</b>	<b>205 830</b>
Distribution of a dividend <sup>1</sup> for the financial year 2021		- 10 421
Distribution of a dividend <sup>1</sup> for the financial year 2022	- 10 421	
<b>Retained earnings carried forward</b>	<b>232 281</b>	<b>195 409</b>

### Appropriation of capital contribution reserve

in 1000 CHF	2022	2021
Carry forward from previous year	442 788	453 159
Withholding tax free distribution <sup>1</sup> for the financial year 2021		- 10 421
Withholding tax free distribution <sup>1</sup> for the financial year 2022	- 10 421	
Plus non distribution for treasury shares		49
<b>Capital contribution reserve carried forward</b>	<b>432 367</b>	<b>442 788</b>

<sup>1</sup>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.



## 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



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.



### 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

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# 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

**Reconciliation Group and Divisions from IFRS-result to result without one-time effects / Adjusted**

		in 1000 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	<b>EBITDA</b>	58 569	9.1	293		288				59 150	9.2	
	<b>EBITA</b>	29 130	4.5							29 711	4.6	
	<b>EBIT</b>	24 592	3.8							25 173	3.9	
Doors	<b>EBITDA</b>	59 217	10.7	226	2 865			-100		62 208	11.3	
	<b>EBITA</b>	35 404	6.4		262					38 658	7.0	
	<b>EBIT</b>	23 984	4.3							27 238	4.9	
Corporate Services	<b>EBITDA</b>	-9 488			-75		628			-8 935		
	<b>EBITA</b>	-11 567								-11 014		
	<b>EBIT</b>	-11 567								-11 014		
Group	<b>Net revenues</b>	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	
	<b>EBITDA</b>	<b>108 303</b>	<b>9.0</b>							<b>112 430</b>	<b>9.4</b>	
	Depreciation, amortisation and impairments	-55 331	-4.6			262				-55 069	-4.6	
	<b>EBITA</b>	<b>52 972</b>	<b>4.4</b>							<b>57 361</b>	<b>4.8</b>	
	Amortisation of intangible assets from acquisitions	-15 958	-1.3							-15 958	-1.3	
	<b>EBIT</b>	<b>37 014</b>	<b>3.1</b>							<b>41 403</b>	<b>3.4</b>	
	Financial income	2 674	0.2							2 674	0.2	
	Financial expenses	-9 870	-0.8			16				-9 854	-0.8	
	<b>Group result before income tax</b>	<b>29 818</b>	<b>2.5</b>							<b>34 223</b>	<b>2.8</b>	
	Income tax expense	-9 146	-0.8						-1 219	-10 365	-0.9	
	<b>Group result from continuing operations</b>	<b>20 672</b>	<b>1.7</b>							<b>23 858</b>	<b>2.0</b>	

Presentation of the respective one-time effects on the immediate result line without disclosure of the impact on the subsequent line items.

**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	61 916	9.8	-328	8 799	195			70 581	11.2
	EBITA	29 930	4.7		4 009				42 604	6.8
	EBIT	25 538	4.1						38 212	6.1
Doors	EBITDA	76 191	13.8				100		76 291	13.8
	EBITA	54 483	9.9						54 583	9.9
	EBIT	43 161	7.8						43 261	7.8
Corporate Services	EBITDA	-13 419			433	440			-12 546	
	EBITA	-15 401							-14 528	
	EBIT	-15 401							-14 528	
Group	<b>Net revenues</b>	<b>1 186 177</b>	<b>100.0</b>						<b>1 186 177</b>	<b>100.0</b>
	Other operating income	16 944	1.4	-328					16 616	1.4
	Capitalised own services	6 140	0.5						6 140	0.5
	Changes in inventories of semi-finished and finished goods	12 005	1.0						12 005	1.0
	Cost of material and goods	-548 875	-46.3		257				-548 618	-46.3
	Personnel expenses	-372 892	-31.4		7 914				-364 978	-30.8
	Other operating expenses	-174 801	-14.7		1 061	635	100		-173 005	-14.6
	<b>EBITDA</b>	<b>124 698</b>	<b>10.5</b>						<b>134 337</b>	<b>11.3</b>
	Depreciation, amortisation and impairments	-55 675	-4.7		4 009				-51 666	-4.4
	<b>EBITA</b>	<b>69 023</b>	<b>5.8</b>						<b>82 671</b>	<b>7.0</b>
	Amortisation of intangible assets from acquisitions	-15 715	-1.3						-15 715	-1.3
	<b>EBIT</b>	<b>53 308</b>	<b>4.5</b>						<b>66 956</b>	<b>5.6</b>
	Financial income	621	0.1						621	0.1
	Financial expenses	-10 005	-0.8						-10 005	-0.8
	<b>Group result before income tax</b>	<b>43 924</b>	<b>3.7</b>						<b>57 572</b>	<b>4.9</b>
	Income tax expense	-16 384	-1.4					-68	-16 452	-1.4
<b>Group result from continuing operations</b>	<b>27 540</b>	<b>2.3</b>						<b>41 120</b>	<b>3.5</b>	

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
<b>Number of shares</b>					
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
<b>Stock market prices in CHF</b>					
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
<b>Stock market capitalisation in CHF million (31/12)</b>					
	<b>896.2</b>	<b>1 431.1</b>	<b>986.5</b>	<b>875.4</b>	<b>750.3</b>
<b>Per share data</b>					
Gross dividend in CHF <sup>1</sup>	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 <sup>2</sup>	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) <sup>2</sup>	82.5	10.7	21.9	35.4	27.3
Price/earnings ratio (lowest) <sup>2</sup>	37.8	6.8	8.9	26.3	15.6
Price/earnings ratio (31/12) <sup>2</sup>	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

<sup>1</sup>2023 proposal to the Annual General Meeting

<sup>2</sup>2021 includes the disposal gain for the Windows Division