

# Financial report

## Consolidated Financial Statements Arbonia Group

Financial commentary	82
Consolidated Income Statement	86
Consolidated Statement of Comprehensive Income	87
Consolidated Balance Sheet	88
Consolidated Statement of Cash Flows	90
Consolidated Statement of Changes in Equity	92
Notes to the Consolidated Financial Statements	93
Report of the Statutory Auditors on the Consolidated Financial Statements	163

## Financial Statements Arbonia AG

Income Statement	172
Balance Sheet	172
Notes to the Financial Statements	174
Proposal of the Board of Directors	178
Report of the Statutory Auditors on the Financial Statements	179

## FINANCIAL COMMENTARY BY FELIX BODMER

The net revenue from continuing operations of the Arbonia AG (without Conducta and Forster Profile Systems) increased in 2017 by 35.9% to CHF 1 245.6 million. On a pro forma basis (including Looser's doors business and the Koralle Group), Arbonia achieved a growth of 2.6%, when adjusted for currency and acquisition effects. This growth was achieved in a financial year that was marked by production facility relocations, rising raw material prices and the integration of Looser's doors business and the Koralle Group.

Arbonia's net revenue including discontinued operations (Conducta and Forster Profile Systems) reached CHF 1 378.5 million in 2017, which corresponds to an increase of 38.5% in comparison to the previous year. When adjusted for currency and acquisition effects, growth came to 1.5%. The companies of the Looser and Koralle Group, which were consolidated for the full year for the first time, contributed significantly to the solid performance.

In the annual financial statements as of 31 December 2017, the income statement was adjusted due to the sales of the Industrial Services Division (Conducta) and Forster Profile Systems Business Unit. The income statement for the 2017 financial year includes both segments and the Coatings business, which also originates from the Looser Group, as a total in the group result from discontinued operations. The income statement for the 2016 financial year had to be adjusted insofar that due to the sale Forster Profile Systems was allocated to the group result from discontinued operations. The Coatings business and Industrial Services Division are no longer included in the balance sheet as of 31 December 2017 because they were deconsolidated as a result of closing. Forster Profile Systems, on the other hand, is still included in "Assets held for sale" and "Liabilities associated with assets held for sale" because the closing was only completed in January 2018. Adjustments to the balance sheet as of 31 December 2016 resulted solely from the final purchase price allocation of the Looser Group.

### Group restructuring remains on course

After the small profit of the previous year (CHF 7.6 million), a profit of CHF 46.4 million resulted in the 2017 financial year. Net income from continuing operations amounted to CHF 37.6 million (previous year CHF 5.4 million). Discontinued operations contributed CHF 8.8 million (previous year CHF 2.2 million) to the group result after deducting the costs of sale. Without one-time effects the group result from continuing operations amounts to CHF 22.8 million (previous year CHF 9.4 million). The strategic measures introduced in 2015 were implemented as planned in the 2017 financial year. This applies in particular to the relocation of the wood/aluminium window production from Altstätten (CH) to Langenwetzendorf (D) and the relocation of the shower partition wall production of the Koralle Group, acquired in 2016, from Vlotho (D) to Plattling (D). The relocation of the plastic window production to Pravenec (SK) and the special radiator production to Stříbro (CZ) was already completed in 2016. Due to personnel shortages in all Eastern European countries and the resulting delays in ramping up production, as well as due to other projects such as the construction of a panel radiator plant in Russia or the startup of insulating glass production for plastic windows in Slovakia, we do not expect the Group's restructuring to be completed until the end of 2018. Nevertheless, Arbonia is expected to make further significant progress in the 2018 financial year.

As in the previous year, the income statement for the 2017 financial year is affected by a number of special effects resulting from the restructuring of the Group. This includes income from the sale of property, in particular the sale of the EgoKiefer site in Altstätten (CH), as well as reductions in pension obligations, but also additional expenses resulting from the sale of divisions and various relocation projects. Overall, the one-time effects had a clearly positive effect on the group result.

Due to the operational improvement and various effects, EBITDA from continuing operations in the 2017 financial year increased to 9.7% of net revenue (previous year 7.1%) or to CHF 120.3 million in absolute terms (previous year CHF 65.3 million). Including the discontinued operations, Arbonia even generated EBITDA of CHF 140.6 million. EBITDA from continuing operations without one-time effects – at 8.1% of net revenue – represented a significant improvement over the previous year (6.7%). All three divisions improved compared to 2016.

In the Doors Division, the acquisition of the companies of the Looser Group made a significant contribution to this improvement. EBIT from continuing operations without one-time effects rose to 3.4% of net revenue (previous year 2.8%). In absolute figures and with one-time effects, EBIT amounts to CHF 61.3 million (previous year CHF 27.2 million).

The net financial expense figure of CHF 10.9 million (previous year CHF 13.9 million) performed significantly better during the 2017 financial year despite the markedly higher net indebtedness. This is due to the fact that there were no significant capital increases in 2017 and interest rates remained at a low level. The stronger euro had a slightly negative impact.

The tax expenses under IFRS increased to CHF 12.8 million (previous year CHF 8 million) due to the higher group result. Due to the improved results of the Swiss Group companies, the effective tax rate of 25.5% almost reached the 20–25% target range expected for 2018. The weighted average Group tax rate of 24.5% for the 2017 financial year is now only slightly below the effective tax rate.

### **High shareholders' equity ratio with sharply reduced net indebtedness**

Due to the sale of business units of the former Looser Group and real estate, the balance sheet total of Arbonia as of 31 December 2017 decreased to CHF 1 416.6 million (previous year CHF 1 526.9 million). This led to the equity ratio on the balance sheet date rising further to 60.9% (previous year 47.7%). Even if goodwill had been deducted from shareholders' equity and the balance sheet total, the equity ratio would have been 54%.

Free cash flow (cash flow from operating activities and investing activities) for the 2017 financial year amounts to CHF 190.4 million (previous year CHF –67.3 million). In addition to the inflows from the sale of business units and real estate, a strong improvement in cash flow from operating activities also contributed to the good cash flow. Without one-time effects from these sales, the free cash flow would have been CHF –35.8 million (previous year CHF –25.8 million). It was burdened by the further increase in investments of CHF 104.6 million (previous year CHF 57.7 million). Investments are likely to remain at a similarly high level in 2018 and 2019.

Thanks to the sale of the Coatings business and the Industrial Services Division of the former Looser Group and the sale of real estate, net indebtedness was reduced from CHF 225.1 million to CHF 43.3 million as of 31 December 2017. Including the sale of the Forster Profile Systems Business Unit, which was closed in January 2018, net indebtedness would have been practically CHF 0 million. The net indebtedness ratio (net indebtedness/EBITDA) was reduced to –0.34 (previous year –1.91). All key financial indicators are maintained.

**CONSOLIDATED  
FINANCIAL  
STATEMENTS  
ARBONIA  
GROUP**

## Consolidated Income Statement

	Note	2017		2016	
		in 1000 CHF	in %	in 1000 CHF	in %
<b>Continuing operations</b>				<b>restated<sup>1</sup></b>	
<b>Net revenues</b>	31	<b>1 245 565</b>	<b>100.0</b>	<b>916 440</b>	<b>100.0</b>
Other operating income		35 068	2.8	16 882	1.8
Capitalised own services		4 183	0.3	2 318	0.3
Changes in inventories of semi-finished and finished goods		399	0.0	-13 575	-1.5
Cost of material and goods		-570 691	-45.8	-397 908	-43.4
Personnel expenses	46	-411 576	-33.0	-324 128	-35.4
Other operating expenses		-182 642	-14.7	-134 718	-14.7
<b>EBITDA</b>		<b>120 306</b>	<b>9.7</b>	<b>65 311</b>	<b>7.1</b>
Depreciation, amortisation and impairments	37-39	-59 046	-4.7	-38 077	-4.2
<b>EBIT</b>	31	<b>61 260</b>	<b>4.9</b>	<b>27 234</b>	<b>3.0</b>
Financial income	51	2 550	0.2	1 465	0.2
Financial expenses	51	-13 443	-1.1	-15 318	-1.7
<b>Group result before income tax</b>		<b>50 367</b>	<b>4.0</b>	<b>13 381</b>	<b>1.5</b>
Income tax expense	52	-12 819	-1.0	-8 028	-0.9
<b>Group result from continuing operations</b>		<b>37 548</b>	<b>3.0</b>	<b>5 353</b>	<b>0.6</b>
<b>Group result from discontinued operations after taxes</b>	36	<b>8 824</b>	<b>0.7</b>	<b>2 250</b>	<b>0.2</b>
<b>Group result</b>		<b>46 371</b>	<b>3.7</b>	<b>7 603</b>	<b>0.8</b>
Attributable to:					
Shareholders of Arbonia AG		46 378		7 603	
Non-controlling interests		-7			
Earnings per share from continuing operations in CHF	47	0.55		0.11	
Earnings per share from discontinued operations in CHF	47	0.13		0.05	
Earnings per share in CHF	47	0.68		0.16	
Basic and diluted earnings are identical.					

<sup>1</sup> see note 36

The notes on pages 93-162 are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Group result</b>	<b>46 371</b>	<b>7 603</b>
Other comprehensive income		
<i>Items that will not be reclassified to income statement</i>		
Remeasurements of employee benefit obligations	32 871	7 835
Deferred tax effect	-6 239	-992
<b>Total items that will not be reclassified to income statement</b>	<b>26 632</b>	<b>6 843</b>
<i>Items that may be subsequently reclassified to income statement</i>		
Currency translation differences	57 587	-2 706
Cumulative currency translation differences transferred to the income statement	-367	15
<b>Total items that may be subsequently reclassified to income statement</b>	<b>57 220</b>	<b>-2 691</b>
<b>Other comprehensive income after taxes</b>	<b>83 852</b>	<b>4 152</b>
<b>Total comprehensive income</b>	<b>130 223</b>	<b>11 755</b>
Attributable to:		
Shareholders of Arbonia AG	130 085	11 755
Non-controlling interests	138	
Total comprehensive income from continuing operations	118 482	5 943
Total comprehensive income from discontinued operations	11 603	5 812

The notes on pages 93–162 are an integral part of these consolidated financial statements.

## Consolidated Balance Sheet

	Note	31/12/2017		31/12/2016	
		in 1000 CHF	in %	in 1000 CHF	in %
<b>Assets</b>				<b>restated<sup>1</sup></b>	
Cash and cash equivalents	32	82 703		111 754	
Securities				2 360	
Accounts receivable	33	126 387		115 777	
Other current assets		26 261		21 746	
Inventories	34	168 558		173 033	
Deferred expenses		6 441		4 856	
Current income tax receivables		3 569		1 841	
Financial assets	35			1 200	
Assets held for sale	36	47 725		154 143	
<b>Current assets</b>		<b>461 644</b>	<b>32.6</b>	<b>586 710</b>	<b>38.4</b>
Property, plant and equipment	37	471 053		459 934	
Investment property	38	13 507		11 308	
Intangible assets	39	208 978		227 400	
Goodwill	39	212 118		218 490	
Deferred income tax assets	45	5 570		8 949	
Capitalised pension surplus	46	33 542		5 933	
Financial assets	35	10 207		8 126	
<b>Non-current assets</b>		<b>954 975</b>	<b>67.4</b>	<b>940 140</b>	<b>61.6</b>
<b>Total assets</b>		<b>1 416 619</b>	<b>100.0</b>	<b>1 526 850</b>	<b>100.0</b>

	Note	31/12/2017		31/12/2016	
		in 1000 CHF	in %	in 1000 CHF	in %
<b>Liabilities and shareholders' equity</b>				<b>restated<sup>1</sup></b>	
Accounts payable		108 053		91 913	
Advance payments by customers		20 636		26 739	
Other liabilities		27 539		26 797	
Financial debts	41	107 276		322 217	
Finance lease liabilities	37	2 010		2 115	
Accruals and deferred income		74 221		65 053	
Current income tax liabilities		12 968		12 686	
Provisions	44	20 812		23 836	
Liabilities associated with assets held for sale	36	12 724		30 145	
<b>Current liabilities</b>		<b>386 239</b>	<b>27.3</b>	<b>601 501</b>	<b>39.4</b>
Financial debts	41	12 265		20 213	
Finance lease liabilities	37	10 904		12 221	
Other liabilities		13 124		12 217	
Provisions	44	10 146		11 067	
Deferred income tax liabilities	45	65 124		78 262	
Employee benefit obligations	46	55 698		62 618	
<b>Non-current liabilities</b>		<b>167 261</b>	<b>11.8</b>	<b>196 598</b>	<b>12.9</b>
<b>Total liabilities</b>		<b>553 500</b>	<b>39.1</b>	<b>798 099</b>	<b>52.3</b>
Share capital	47	291 787		287 640	
Share premium		526 319		518 043	
Treasury shares	48	-8 265		-8 576	
Other reserves	49	-29 759		-86 979	
Retained earnings		83 037		8 489	
<b>Shareholders' equity attributable to equity holders of Arbonia AG</b>		<b>863 119</b>	<b>60.9</b>	<b>718 617</b>	<b>47.1</b>
Non-controlling interests	50			10 134	
<b>Shareholders' equity</b>		<b>863 119</b>	<b>60.9</b>	<b>728 751</b>	<b>47.7</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 416 619</b>	<b>100.0</b>	<b>1 526 850</b>	<b>100.0</b>

<sup>1</sup> see note 2 "Restatement of prior year figures"

The notes on pages 93–162 are an integral part of these consolidated financial statements.



## Consolidated Statement of Cash Flows

	Note	2017	2016
		in 1000 CHF	in 1000 CHF
<b>Group result</b>		<b>46 371</b>	<b>7 603</b>
Depreciation, amortisation and impairments	37–39	68 216	39 607
Profit/loss on disposal of non-current assets and subsidiaries	36–38	–26 038	–3 929
Changes in non-cash transactions	55	14 497	4 297
Changes in working capital (excluding cash and cash equivalents)	55	–43 053	11 724
Changes in current liabilities	55	8 763	–27 336
<b>Cash flows from operating activities - net</b>		<b>68 756</b>	<b>31 966</b>
<b>To investment activities</b>			
Purchases of property, plant and equipment	37	–101 549	–56 805
Purchases of investment properties	38	–110	–227
Purchases of intangible assets	39	–2 938	–699
Acquisition of subsidiaries/businesses (net of cash acquired)	40	–2 081	–61 824
Issuance of financial assets	35	–2 441	–4 414
<b>From divestment activities</b>			
Proceeds from sale of property, plant and equipment	37	26 615	24 730
Proceeds from sale of investment properties	38	7 283	2
Proceeds from sale of intangible assets		67	
Disposal of subsidiaries (net of cash disposed)	36	196 806	
Repayment of financial assets		10	8
<b>Cash flows from investing activities - net</b>		<b>121 662</b>	<b>–99 229</b>

	Note	2017	2016
		in 1000 CHF	in 1000 CHF
<b>From financing activities</b>			
Proceeds from financial debts	41/55	35 636	419 219
Net proceeds from issuance of share capital	47	3 032	31 349
Proceeds from sale of treasury shares		2 032	2 535
<b>To financing activities</b>			
Repayments of financial debts	41/55	-267 305	-453 277
Finance lease liability payments		-2 394	-2 132
Purchase of non-controlling interests	50	-2 160	
Purchase of treasury shares	48	-2 054	-2 564
<b>Cash flows from financing activities - net</b>		<b>-233 213</b>	<b>-4 870</b>
Effects of translation differences on cash and cash equivalents		2 638	13
<b>Change in cash and cash equivalents</b>		<b>-40 157</b>	<b>-72 120</b>
<b>Reconciliation of change in cash and cash equivalents</b>			
Cash and cash equivalents as of 01/01 continuing operations	32	111 754	201 440
Cash and cash equivalents as of 01/01 discontinued operations		17 566	
Cash and cash equivalents as of 31/12 continuing operations	32	82 703	111 754
Cash and cash equivalents as of 31/12 discontinued operations		6 460	17 566
<b>Change in cash and cash equivalents</b>		<b>-40 157</b>	<b>-72 120</b>
Supplementary information for operating activities:			
Interest paid		6 233	8 785
Interest received		798	814
Income tax paid		12 970	9 699

The notes on pages 93–162 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Attributable to equity holders Arbonia	Non-controlling interests	Total shareholders' equity
		in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Balance at 31/12/2015</b>		<b>187 140</b>	<b>262 022</b>	<b>-7 553</b>	<b>-84 288</b>	<b>-5 504</b>	<b>351 817</b>		<b>351 817</b>
Group result						7 603	7 603		7 603
Other comprehensive income after taxes	49				-2 691	6 843	4 152		4 152
<b>Total comprehensive income</b>					<b>-2 691</b>	<b>14 446</b>	<b>11 755</b>		<b>11 755</b>
Changes in scope of consolidation								10 134	10 134
Issuance of share capital (net)	47	100 500	256 021				356 521		356 521
Changes in treasury shares	48			-3 773		-792	-4 565		-4 565
Share based payments	56			2 750		339	3 089		3 089
<b>Total transactions with owners</b>		<b>100 500</b>	<b>256 021</b>	<b>-1 023</b>		<b>-453</b>	<b>355 045</b>	<b>10 134</b>	<b>365 179</b>
<b>Balance at 31/12/2016</b>		<b>287 640</b>	<b>518 043</b>	<b>-8 576</b>	<b>-86 979</b>	<b>8 489</b>	<b>718 617</b>	<b>10 134</b>	<b>728 751</b>
Group result						46 378	46 378	-7	46 371
Other comprehensive income after taxes	49				57 075	26 632	83 707	145	83 852
<b>Total comprehensive income</b>					<b>57 075</b>	<b>73 010</b>	<b>130 085</b>	<b>138</b>	<b>130 223</b>
Issuance of share capital (net)	47	4 147	8 276				12 423		12 423
Changes in treasury shares	48			-1 535		1 241	-294		-294
Share based payments	56			1 846		1 456	3 302		3 302
Purchase of non-controlling interests	50				145	-1 159	-1 014	-10 272	-11 286
<b>Total transactions with owners</b>		<b>4 147</b>	<b>8 276</b>	<b>311</b>	<b>145</b>	<b>1 538</b>	<b>14 417</b>	<b>-10 272</b>	<b>4 145</b>
<b>Balance at 31/12/2017</b>		<b>291 787</b>	<b>526 319</b>	<b>-8 265</b>	<b>-29 759</b>	<b>83 037</b>	<b>863 119</b>		<b>863 119</b>

The notes on pages 93–162 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 supplier, whose innovative solutions and services provide for the efficient use of energy as well as for safety, security and well-being. Arbonia is divided into three main divisions, namely Building Technology, Windows and Doors. Manufacturing plants are located in Switzerland, Germany, Italy, the Czech Republic, Poland and Slovakia. Arbonia owns major brands such as Kermi, Arbonia, Prolux, Koralle, Sabiana, EgoKiefer, Slovaktual, Dobroplast, Wertbau, RWD Schlatter, Prüm, Garant and Invado and possesses a strong position in its home markets in Switzerland and Germany. The Group focuses mainly 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 19 February 2018 and require approval from the Annual General Meeting on 20 April 2018. The publication of the consolidated financial statements occurred on 27 February 2018 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 effective in 2017

Arbonia has adopted in 2017 the following amended standard:

– Amendments to IAS 7 "Statement of cash flows" – disclosures

The amendment to IAS 7 introduces an additional disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities. The adoption of this amended standard did not affect the Group's financial statements for 2017 (see note 55).

#### Published standards that are not yet effective nor adopted early

The following published but as of the balance sheet date not yet effective significant new or amended standards have not yet been adopted by Arbonia:

Standard	effective date
IFRS 9 "Financial instruments: classification and measurement"	01 January 2018
Amendments to IFRS 9 "Financial instruments" – mandatory effective date of IFRS 9 and transition disclosures	01 January 2018
Amendments to IFRS 9 "Financial instruments" – hedge accounting	01 January 2018
IFRS 15 "Revenue from contracts with customers"	01 January 2018
IFRS 16 "Leases"	01 January 2019

IFRS 9 introduces new principles for the classification and measurement of financial assets and liabilities. The adoption of IFRS 9 will not significantly affect the Group's financial statements.

IFRS 15 prescribes when and at what amount to recognise revenue from contracts with customers. This follows a five-step model, which is applied to all customer contracts: (1) identification of contracts with customers (2) identification of separate performance obligations in the contract (3) determination of the transaction price (4) allocation of the transaction price to the separate performance obligations (5) revenue recognition when a performance obligation is satisfied. The standard also requires extensive disclosures. Arbonia has analysed the impact of this standard for all companies. There will only be changes for companies that are operating in the

project business. Previously, revenue was recognised only with the existence of a signed acceptance protocol. With the new standard, revenue recognition for these transactions occurs in the amount of the expected consideration over the period of the provided services (planning, production, assembly, acceptance). Arbonia will apply the modified retrospective conversion method, e.g. previous year figures are not restated and the cumulative first-time effect of IFRS 15 as of 1 January 2018 is recognised in retained earnings. Based on initial analyses, retained earnings from the initial application of this standard will not change significantly.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. An optional exemption for certain short-term leases and leases of low-value assets has been provided

for. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The application of IFRS 16 will affect the Group's financial statements. Arbonia will soon systematically analyse and assess the impact of this standard on its financial statements.

The adoption of the remaining new or amended standards will not significantly affect the Group's financial statements.

#### Restatement of prior year figures

In the 2016 consolidated financial statements, the acquisition of Looser Group on 13 December 2016 (see note 40) and thus the fair values of the acquired assets and liabilities were only assessed on a provisional basis. Within the prescribed assessment period after the acquisition date, the definite fair values were determined in 2017. This resulted in the following adjustments:

#### Balance sheet as of 31/12/2016

	reported		restated
	in 1000 CHF	in 1000 CHF	in 1000 CHF
Assets held for sale	156 643	-2 500	154 143
<b>Current assets</b>	<b>589 210</b>	<b>-2 500</b>	<b>586 710</b>
Property, plant and equipment	458 063	1 871	459 934
Intangible assets	215 115	12 285	227 400
Goodwill	226 014	-7 524	218 490
<b>Non-current assets</b>	<b>933 508</b>	<b>6 632</b>	<b>940 140</b>
<b>Total assets</b>	<b>1 522 718</b>	<b>4 132</b>	<b>1 526 850</b>
Provisions	34 438	465	34 903
Deferred income tax liabilities	74 595	3 667	78 262
<b>Total liabilities</b>	<b>793 968</b>	<b>4 131</b>	<b>798 099</b>
<b>Shareholders' equity attributable to equity holders of Arbonia AG</b>	<b>718 617</b>		<b>718 617</b>
<b>Non-controlling interests</b>	<b>10 134</b>		<b>10 134</b>
<b>Shareholders' equity</b>	<b>728 751</b>		<b>728 751</b>
<b>Total liabilities and shareholders' equity</b>	<b>1 522 718</b>	<b>4 132</b>	<b>1 526 850</b>

The reclassifications in the balance sheet had no effect on other parts of the consolidated financial statements 2016.

### 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 2017

- As of 31 January 2017, Arbonia acquired 100% of TPO Holz-Systeme GmbH, DE-Leutershausen (see note 40).
- Between 27 February 2017 and 26 June 2017, Arbonia sold via asset and share deals all operating entities of the discontinuing Coatings operation (see note 36).
- As of 12 December 2017, Arbonia sold the Industrial Services business unit (see note 36).

In the financial year 2016

- As of 15 June 2016, Arbonia acquired the remaining 10% of the shares of Sabiana S.p.A., IT-Corbetta (see note 40).
- As of 28 July 2016, Arbonia acquired 100% of the shares of Sabiatherm SAS, FR-Tassin-la-Demi-Lune (see note 40).
- As of 20 September 2016, Arbonia acquired 100% of Koralle Group consisting of Bekon-Koralle AG, CH-Dagmersellen, Koralle Sanitärprodukte GmbH, DE-Vlotho, and Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft m.b.H, AT-Margarethen am Moos (see note 40).
- As of 13 December 2016, Arbonia acquired 97.53% of Looser Holding AG, CH-Arbon, a company listed on the SIX Swiss Exchange (see note 40).

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 as a cost of the acquisition. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement. 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 policies have been consistently applied to all the years presented, unless otherwise stated. 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.

### 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	2017		2016	
		Year-end rate	Average rate	Year-end rate	Average rate
EUR	1	1.1709	1.1115	1.0734	1.0898
GBP	1	1.3196	1.2682	1.2513	1.3349
USD	1	0.9763	0.9847	1.0199	0.9854
CZK	100	4.5846	4.2262	3.9726	4.0327
PLN	100	28.0731	26.1310	24.2631	24.9849
CNY	100	14.9985	14.5783	14.6904	14.8467
RUB	100	1.7002	1.6888	1.6822	1.4771

## 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.

Financial assets are divided into the following four categories: (1) financial assets at fair value through profit or loss (FA FVTPL), with this being subdivided into financial assets classified from the beginning as held for trading purposes (trading) and financial assets classified from the beginning as at fair value through profit or loss (designated), (2) loans and receivables (L&AR), (3) financial assets held to maturity (HTM), and (4) financial assets available-for-sale (AFS). The classification in the balance sheet depends on the purpose for which the financial assets have been acquired. Management determines the classification on the occasion of the initial reporting and reviews the classification as of each balance sheet date. In concrete terms, the financial assets of Arbonia comprise cash and cash equivalents (category 2), securities (1), trade accounts receivable (2), other assets (2) and loans (2).

Financial assets are initially measured at fair value. 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. Fair values in the balance sheet, as a rule, correspond to the market prices of the financial assets.

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.

As of each balance sheet date, the book values of financial assets not to be carried at fair value through profit or loss are reviewed as to whether there is any objective evidence indicating an impairment in relation to an asset or group of assets. Any impairment charges are reported through the income statement if the book value exceeds the fair value.

Financial liabilities constitute a claim to redemption in the form of cash or cash equivalents or of another financial asset. Financial liabilities are divided into the following two categories: (1) financial liabilities at fair value



through profit or loss (FL FVTPL), with this being subdivided into financial liabilities classified from the beginning as held for trading purposes (trading) and financial liabilities classified from the beginning as at fair value through profit or loss (designated), and (2) financial liabilities at amortised cost or net present value (FL AC/NPV). In concrete terms, the financial liabilities of Arbonia comprise trade accounts payable (category 2), other liabilities (2), finance lease liabilities (2), financial debts (1)/(2) and derivative financial liabilities (1).

With respect to financial liabilities, Arbonia has not exercised the option to designate these as financial liabilities at fair value through profit or loss on the occasion of their initial reporting in the balance sheet.

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 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.

Derivative financial instruments that do not meet the requirements of IAS 39, e.g. documentation, probability, effectiveness and reliability of measurement and therefore do not qualify for hedge accounting are held for trading financial instruments. They are classified as financial instruments 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 the notes 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.

### 13 Securities

Securities within current assets are marketable and easily disposable securities. Furthermore are time deposits with maturities of between 4 to 12 months classified therein. Marketable securities are carried at fair value through profit or loss, based on market prices obtained from the banks. Changes in fair value are recorded and disclosed in the income statement under financial results.

As of the balance sheet date, Arbonia did not hold any time deposits or securities, such as bonds or similar items, with the intention of holding to maturity.

### 14 Receivables

Accounts receivable and other current assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that Arbonia will not be able to collect all amounts due. The carrying amount of the asset is reduced through the use of an allowance account. When an account receivable is uncollectible, it is written off against the allowance account for accounts receivable. In connection with a factoring agreement certain accounts receivable are sold. Since Arbonia hasn't transferred all the risks and rewards of ownership and still retains control, the receivables have to be recorded in the balance sheet to the extent of the so-called continuing involvement as stipulated under the provision of IAS 39. In particular the late payment risk is completely retained by Arbonia up until a certain point in time. Other current assets include WIR credits. They are carried at fair value, which approximates face value less an appropriate provision.

### 15 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.

### 16 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 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.

#### 16.1 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.

The business unit Industrial Services, which was sold in 2017, operated the rental and trading of assets (space systems, cranes, construction equipment and mobile sanitary units), which generated sustained investment and divestment activities.

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 is predominantly rented to third parties. 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 control 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. The fair value of land with buildings and undeveloped land of acquired subsidiaries is determined by external valuers. The fair value of certain other undeveloped land has been estimated internally.

## 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 and at the same time Arbonia receives a purchase option, 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 purchased 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

Assets subject to amortisation and depreciation, such as property, plant and equipment, other non-current assets and intangible assets with a definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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	Usefull lives (in years)
Office buildings	35–60
Factory buildings	25–40
Investment properties - buildings	25–50
Production machinery	8–20
Transport and storage equipment	8–15
Cranes and space containers for rental park of Industrial Services	8–15
Vehicles	5–10
Tools and moulds	5
Office furniture and equipment	up to 5
IT-hardware	up to 5
Capitalised research and development costs	up to 5
Intangible assets (mainly IT-software)	up to 5
Intangible assets from business combinations	
Client relationship	7–20
Brands, distribution channels, technologies	10–20
Order backlog	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 syndicated loans, bank loans, mortgages and a bond (until May 2016). 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

### Lessee

Leases of property, plant and equipment where Arbonia has substantially all the risk and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the assets' useful lives and the lease term unless there is reasonable certainty that ownership will be obtained by the end of the lease term.

Payments made under operating leases are charged on a straight-line basis over the term of the lease to the income statement as other operating expenses.

### Lessor

In the course of its business activities, the business unit Industrial Services, which was sold in 2017, sold and rented space systems, cranes, construction equipment and mobile sanitary units to customers. The contracts could be terminated by the customer usually at any time. The majority of the customers had the possibility to purchase the rented equipment. These leases were determined as operating leases.

## 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. 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 trans-

action cost and taxes) are recorded directly in shareholders' equity.

## 29 Income statement

### Net revenue

Net revenue comprises the fair value of the consideration received or receivable for the sale of goods and is recognised when risks and rewards of ownership have been transferred to the buyer, which in general is when delivery of the shipment has been accepted. In some business divisions, revenue is recognised only with the existence of a signed acceptance protocol. Revenue also comprises the fair value of the consideration received or receivable for the sale of services and is recognised in the period when the service has been rendered based on the services performed to date as a percentage of the total services to be performed. Revenue is shown net of value-added tax, returns, rebates, discounts and other deductions.

### 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, license income, rental income 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.

### EBIT

EBIT shows earnings before financial results and tax.

### Financial income

Financial income comprises amongst others interest income, dividend and security income and foreign exchange gains. 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, impairment of loans, 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.

### Allowances for doubtful debts

Allowances for doubtful debts are recorded for specific known and expected losses as well as for potentially claimed cash discounts. In determining the amount of the allowances, several factors such as ageing of receivables, financial solvency of the customer, changes in payment history, historical experience with receivable losses and existence of credit insurance are considered. As of 31 December 2017, the carrying amount of accounts receivable totalled CHF 126.4 million. Therein an allowance for doubtful debts of CHF 12.4 million is included. A deterioration of the financial situation of the customers could lead to higher than originally expected receivable losses. For further information on allowances for doubtful debts, see note 33.

### 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 2017, the carrying amount of inventory was at CHF 168.6 million. Therein a provision for inventories of CHF 15.3 million is included. A falling market demand or falling sales prices could lead to addition-

al 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 2017, the carrying amount of property, plant and equipment totalled CHF 471.1 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 2017, the carrying amount of goodwill was at CHF 212.1 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 39.

### Intangible assets acquired in a business combination

Brands, technologies, client relationships and distribution channels are amortised over their estimated useful lives. This involves the use of estimates and assumptions on expected future 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 2017, the carrying amount of intangible assets acquired in a business combination amounted to CHF 201.5 million. For further information on such acquired intangible assets, see note 39.

### Provisions

Provisions are recognised based on the criteria as set out under note 22. As of 31 December 2017, the carrying amount of the provisions totalled CHF 31 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 44.

### **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 discount rates, 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 2017, the underfunding amounted to CHF 22.2 million, thereof CHF 33.5 million recorded in the balance sheet as capitalised pension surplus and CHF 55.7 million as employee benefit obligation. For further information on employee benefit obligation, see note 46.

### **Income taxes**

Arbonia is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision 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 provisions 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 2017, the carrying amount of deferred tax assets before offsetting totalled CHF 19.9 million. For further information on income taxes, see notes 45 and 52.



## C Explanation to certain positions of the consolidated financial statements

### 31 Segment information

Arbonia is organised into the divisions and segments, respectively Building Technology, Windows, Doors and Industrial Services (until its sale as of 12 December 2017). Corporate Services consist of service, finance, real estate and investment companies and provide their services almost entirely to Group companies. They have not been allocated to an operating segment and are therefore included in "Others and eliminations".

For the monitoring and assessment of the financial performance, EBITDA 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 "Others and eliminations".

Segment assets and liabilities include all assets, liabilities and intercompany transactions. Goodwill has been allocated to the respective segments.

#### Building Technology Division

The Building Technology Division is a leading and integrated European provider in the heating, climate and sanitary industry. The division offers a comprehensive product range under the brand names Kermi, Arbonia, Prolux, Koralle, PZP and Sabiana. Plants for the production of radiators, surface heating systems, heat pumps, fan coils, air handling units and shower stalls are located in Germany, Switzerland, the Czech Republic and Italy. Outside its main markets of Germany, Switzerland and Italy it is represented by distribution companies in France, Russia, Poland and the Czech Republic.

#### Windows Division

The Windows Division with the brands EgoKiefer, Slovaktual, Dobroplast and Wertbau is one of the largest international European window and door manufacturers. The division develops, produces, assembles and sells a full range of windows and exterior doors. The products are

made of materials such as wood, synthetics and aluminium and are manufactured in own plants in Slovakia, Poland, Germany and Switzerland.

#### Doors Division

The Doors Division consists of the business units Doors and Profile Systems. The business unit Doors owns the brands RWD Schlatter, Prüm, Garant, Invado and TPO. RWD Schlatter is specialized in the production of special wooden doors for interiors. Prüm and Garant are among the leading manufacturers of interior doors and door frames in Europe and Invado to the leading suppliers of interior doors and door frames in Poland. The products are developed and produced in Switzerland, Germany and Poland. Profile Systems manufacture their systems in steel and stainless steel for glazed doors, windows and facades, used in fire/smoke protection and security applications in public, commercial and industrial buildings. Their products are developed and produced mainly in Switzerland. On 14 December 2017, Arbonia signed a contract for the sale of the business unit Profile Systems. The closing of the transaction occurred in January 2018.

#### Business Unit Industrial Services

The business unit Industrial Services consists of Conecta with locations in Switzerland, Germany and Italy. In Switzerland, it belongs to the leading providers in trading and renting of mobile space systems, construction machinery, construction equipment and mobile sanitary units. The business unit was sold as of 12 December 2017, therefore the results of this segment are only included through this period.

#### Corporate Services

Corporate Services consists of service, finance, real estate and investment companies and provide their services almost entirely to Group companies. The results and balances of Corporate Services are included in the column "Others and eliminations".

	2017					
	Building Technology	Windows	Doors	Industrial Services	Others and eliminations	Total Group
	in 1 000 CHF	in 1 000 CHF	in 1 000 CHF	in 1 000 CHF	in 1 000 CHF	in 1 000 CHF
Sales with third parties	554 965	350 965	416 519	56 325	-318	1 378 456
Sales with other segments	24	7		2	-33	
<b>Net revenues</b>	<b>554 989</b>	<b>350 972</b>	<b>416 519</b>	<b>56 327</b>	<b>-351</b>	<b>1 378 456</b>
<b>Segment results I (EBITDA)</b>	<b>64 147</b>	<b>29 735</b>	<b>45 438</b>	<b>12 912</b>	<b>-11 667</b>	<b>140 565</b>
<i>in % of net revenues</i>	<i>11.6</i>	<i>8.5</i>	<i>10.9</i>	<i>22.9</i>		<i>10.2</i>
Depreciation and amortisation	-20 218	-14 754	-22 931	-7 983	-1 977	-67 863
Impairment property, plant and equipment/investment properties					-1 009	-1 009
Reversal of impairment	591	64				655
<b>Segment results II (EBIT)</b>	<b>44 520</b>	<b>15 045</b>	<b>22 507</b>	<b>4 929</b>	<b>-14 653</b>	<b>72 348</b>
<i>in % of net revenues</i>	<i>8.0</i>	<i>4.3</i>	<i>5.4</i>	<i>8.8</i>		<i>5.2</i>
Interest income	157	62	65		639	923
Interest expenses	-2 839	-4 445	-2 580	-195	1 638	-8 421
Minority share from associated companies		-1 244				-1 244
Other financial result	-2 734	-3 197	-2 583	-114	7 911	-717
<b>Result before income tax</b>	<b>39 104</b>	<b>6 221</b>	<b>17 409</b>	<b>4 620</b>	<b>-4 465</b>	<b>62 889</b>
Income tax expense	-8 949	-1 155	-4 621	-1 079	670	-15 134
<b>Result after income tax</b>	<b>30 155</b>	<b>5 066</b>	<b>12 788</b>	<b>3 541</b>	<b>-3 795</b>	<b>47 755</b>
<b>Average number of employees</b>	<b>3 019</b>	<b>2 859</b>	<b>2 026</b>	<b>170</b>	<b>65</b>	<b>8 139</b>
<b>Total assets</b>	<b>522 801</b>	<b>289 714</b>	<b>581 646</b>		<b>19 631</b>	<b>1 413 792</b>
thereof associated companies		5 786				5 786
<b>Total liabilities</b>	<b>269 917</b>	<b>253 605</b>	<b>193 367</b>		<b>-165 534</b>	<b>551 355</b>
<b>Purchases of property, plant and equipment, investment properties and intangible assets<sup>1</sup></b>	<b>45 147</b>	<b>26 756</b>	<b>25 284</b>	<b>6 535</b>	<b>1 400</b>	<b>105 122</b>

<sup>1</sup> without acquisition of subsidiaries

restated <sup>1</sup>						2016
	Building Technology	Windows	Doors	Industrial Services	Others and eliminations	Total Group
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Sales with third parties	486 831	350 782	156 632		1 102	995 347
Sales with other segments	3	39	27		-69	
<b>Net revenues</b>	<b>486 834</b>	<b>350 821</b>	<b>156 659</b>		<b>1 033</b>	<b>995 347</b>
<b>Segment results I (EBITDA)</b>	<b>53 440</b>	<b>8 203</b>	<b>5 772</b>		<b>1 272</b>	<b>68 687</b>
<i>in % of net revenues</i>	<i>11.0</i>	<i>2.3</i>	<i>3.7</i>			<i>6.9</i>
Depreciation and amortisation	-18 233	-13 500	-3 009		-2 709	-37 451
Impairment property, plant and equipment					-2 460	-2 460
Reversal of impairment		304				304
<b>Segment results II (EBIT)</b>	<b>35 207</b>	<b>-4 993</b>	<b>2 763</b>		<b>-3 897</b>	<b>29 080</b>
<i>in % of net revenues</i>	<i>7.2</i>	<i>-1.4</i>	<i>1.8</i>			<i>2.9</i>
Interest income	169	106	11		983	1 269
Interest expenses	-2 514	-4 006	-670		-2 133	-9 323
Minority share from associated companies		-122				-122
Other financial result	-3 841	-1 722	-1 189		1 470	-5 282
<b>Result before income tax</b>	<b>29 021</b>	<b>-10 737</b>	<b>915</b>		<b>-3 577</b>	<b>15 622</b>
Income tax expense	-8 621	1 904	87		-1 389	-8 019
<b>Result after income tax</b>	<b>20 400</b>	<b>-8 833</b>	<b>1 002</b>		<b>-4 966</b>	<b>7 603</b>
<b>Average number of employees<sup>2</sup></b>	<b>2 835</b>	<b>2 995</b>	<b>436</b>		<b>60</b>	<b>6 325</b>
<b>Total assets</b>	<b>446 753</b>	<b>235 402</b>	<b>504 361</b>	<b>130 075</b>	<b>56 117</b>	<b>1 372 708</b>
thereof associated companies		4 173				4 173
<b>Total liabilities</b>	<b>217 404</b>	<b>234 689</b>	<b>183 490</b>	<b>40 911</b>	<b>91 461</b>	<b>767 955</b>
<b>Purchases of property, plant and equipment, investment properties and intangible assets<sup>3</sup></b>	<b>28 924</b>	<b>21 629</b>	<b>1 779</b>		<b>28 651</b>	<b>80 983</b>

<sup>1</sup> see note 2 "Restatement of prior year figures"

<sup>2</sup> without Looser Group

<sup>3</sup> without acquisition of subsidiaries

The impairment on property, plant and equipment in column "Others and eliminations" relates to the Corporate Center in CH-Arbon and is explained in note 37.

The consolidated financial statements were prepared in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" and the related disclosures and adjustments of certain prior-year figures.

The above-mentioned segment information however follows internal management reporting, which is why the discontinued operations per note 36 consisting of Profile Systems and Industrial Services are also included.

The reconciliation of the continuing and discontinued operations on the segment information is presented as follows:

	2017				
	Continuing operations	Discontinued operations Industrial Services	Discontinued operations Profile Systems	Others and eliminations	Total Group
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Net revenues</b>	<b>1 245 565</b>	<b>56 326</b>	<b>76 566</b>	<b>-1</b>	<b>1 378 456</b>
<b>Segment results I (EBITDA)</b>	<b>120 306</b>	<b>11 018</b>	<b>8 473</b>	<b>768</b>	<b>140 565</b>
<i>in % of net revenues</i>	<i>9.7</i>	<i>19.6</i>	<i>11.1</i>		<i>10.2</i>
<b>Segment results II (EBIT)</b>	<b>61 260</b>	<b>3 036</b>	<b>7 286</b>	<b>766</b>	<b>72 348</b>
<i>in % of net revenues</i>	<i>4.9</i>	<i>5.4</i>	<i>9.5</i>		<i>5.2</i>
Interest result	-7 458	-162	24	98	-7 498
Other financial result	-3 435	-148	-652	2 274	-1 961
<b>Result before income tax</b>	<b>50 367</b>	<b>2 726</b>	<b>6 658</b>	<b>3 138</b>	<b>62 889</b>
Income tax expense	-12 819	-1 079	-1 236		-15 134
<b>Result after income tax</b>	<b>37 548</b>	<b>1 647</b>	<b>5 422</b>	<b>3 138</b>	<b>47 755</b>
<b>Total assets</b>	<b>1 368 946</b>		<b>44 845</b>		<b>1 413 792</b>
<b>Total liabilities</b>	<b>540 776</b>		<b>10 579</b>		<b>551 355</b>

	2016				
	Continuing operations	Discontinued operations Industrial Services	Discontinued operations Profile Systems	Others and eliminations	Total Group
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Net revenues</b>	<b>916 440</b>		<b>78 907</b>		<b>995 347</b>
<b>Segment results I (EBITDA)</b>	<b>65 312</b>		<b>2 964</b>	<b>411</b>	<b>68 687</b>
<i>in % of net revenues</i>	<i>7.1</i>		<i>3.8</i>		<i>6.9</i>
<b>Segment results II (EBIT)</b>	<b>27 234</b>		<b>1 435</b>	<b>411</b>	<b>29 080</b>
<i>in % of net revenues</i>	<i>3.0</i>		<i>1.8</i>		<i>2.9</i>
Interest result	-8 209		-71	226	-8 054
Other financial result	-5 644		-543	783	-5 404
<b>Result before income tax</b>	<b>13 381</b>		<b>821</b>	<b>1 420</b>	<b>15 622</b>
Income tax expense	-8 028		9		-8 019
<b>Result after income tax</b>	<b>5 353</b>		<b>830</b>	<b>1 420</b>	<b>7 603</b>
<b>Total assets</b>	<b>1 208 561</b>	<b>130 075</b>	<b>34 072</b>		<b>1 372 708</b>
<b>Total liabilities</b>	<b>718 350</b>	<b>40 911</b>	<b>8 694</b>		<b>767 955</b>

The segment results of continuing operations include intra-group expenses concerning allocation of costs on the discontinued operations, that will be incurred by the group despite the abandonment of the discontinued operations. This leads to a discharge for the discontinued operations. Discontinued operations already include sales costs in 2017 (see note 36).

### Information about geographical areas

	2017			
	Switzer- land	Germany	Other countries	Total Group
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Net revenues	417 086	537 510	423 860	1 378 456
Property, plant and equipment, investment properties, intangible assets and goodwill	124 288	442 851	347 002	914 141
	2016			
	Switzer- land	Germany	Other countries	Total Group
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Net revenues	343 302	319 345	332 700	995 347
Property, plant and equipment, investment properties, intangible assets and goodwill	243 934	389 508	283 691	917 133

### 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:

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
CHF	46 960	51 578
EUR	15 833	48 211
PLN	2 627	5 774
USD	124	212
GBP	454	1 093
CZK	1 759	1 816
RUB	12 122	1 054
Other currencies	2 824	2 016
<b>Total</b>	<b>82 703</b>	<b>111 754</b>

The effective interest on bank deposits is 0.0% (2016: between 0.0% and 0.01%).

### 33 Accounts receivables

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Accounts receivable	138 745	126 233
Allowance for accounts receivable	-12 358	-10 456
<b>Total</b>	<b>126 387</b>	<b>115 777</b>

The ageing analysis is as follows:

	31/12/2017		31/12/2016	
	Gross amount of accounts receivable	thereof not impaired	Gross amount of accounts receivable	thereof not impaired
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Not yet due	110 211	109 134	95 987	91 469
Overdue up to 30 days	14 010	9 447	13 255	13 198
Overdue more than 30, less than 60 days	3 105	2 856	4 935	4 876
Overdue more than 60, less than 90 days	1 548	1 377	1 597	1 569
Overdue more than 90, less than 180 days	2 614	2 098	3 245	2 935
Overdue more than 180, less than 360 days	1 445	764	1 990	1 287
Overdue more than 360 days	5 812	711	5 224	443
<b>Total</b>	<b>138 745</b>	<b>126 387</b>	<b>126 233</b>	<b>115 777</b>

With respect to accounts receivable that are not impaired, there are no indications as of the balance sheet date that the respective debtors will not meet their payment obligations. Outstanding accounts receivable amounting to CHF 16.4 million (2016: CHF 18.4 million) were secured and mainly consist of credit insurances.

Activity in the allowance for doubtful debts account, which is disclosed in the income statement under sales deductions before net revenues, is as follows:

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Balance at 01/01</b>	<b>-10 456</b>	<b>-9 050</b>
Foreign exchange differences	-785	76
Changes in scope of consolidation	376	-937
Additional allowances	-6 845	-5 263
Used during year	5 001	4 566
Unused amounts reversed	73	152
Reclassification to assets held for sale	278	
<b>Balance at 31/12</b>	<b>-12 358</b>	<b>-10 456</b>

In the allowance for doubtful debts, specific allowances in the amount of CHF 4.8 million (2016: CHF 3.7 million) are included.

Since February 2010 Arbonia sells receivables under a factoring agreement. Because Arbonia neither transfers nor retains substantially all the risks and rewards of ownership and still retains control, the receivables have to be recorded in the balance sheet to the extent of the so-called continuing involvement as stipulated under the provision of IAS 39. In particular the late payment risk is completely retained by Arbonia up until a certain point in time. As of 31 December 2017 the book value of the transferred receivables amounted to CHF 14 million (2016: CHF 9.4 million). Thereof Arbonia already received from the factor CHF 11.7 million (2016: CHF 8.1 million) of cash and the difference of CHF 2.3 million (2016: CHF 1.3 million) is disclosed as other current assets against the factor. In addition, in other current assets an amount of CHF 0.2 million (2016: CHF 0.2 million) and in other liabilities an amount of CHF 0.2 million (2016: CHF 0.2 million) are recorded for the consideration of the continuing involvement. The recognised gain for the continuing involvement amounted in 2017 to CHF 0.003 million, the cumulative loss since the inception of the factoring agreement amounted to CHF 0.02 million.

### 34 Inventories

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Raw material and supplies	73 432	66 726
Semi-finished and finished goods	87 656	85 294
Goods purchased for resale	7 085	19 695
Prepayments	385	1 318
<b>Total</b>	<b>168 558</b>	<b>173 033</b>

A provision of CHF 15.3 million (2016: CHF 19.8 million) has been provided for obsolete and slow-moving items and is deducted from inventories. As of the balance sheet date, there are no inventories written down to the net realisable value (2016: CHF 0.2 million). In 2017 no write-downs to net realisable value were recorded (2016: CHF 0.02 million).

### 35 Financial assets

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Investments in associated companies >20% <50%	5 786	4 173
Other financial assets	417	411
Loans	4 004	4 742
<b>Total</b>	<b>10 207</b>	<b>9 326</b>
thereof disclosed as current assets		1 200

#### Associated companies

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Balance at 01/01</b>	<b>4 173</b>	
Foreign exchange differences	503	-119
Acquisition of associated companies	2 354	4 414
Minority share from associated companies	-1 244	-122
<b>Balance at 31/12</b>	<b>5 786</b>	<b>4 173</b>

As of 30 March 2017, Arbonia acquired a 35% minority share of a German online windows dealer through payment of CHF 2.4 million. Arbonia can exercise a call option to acquire the remaining shares in 2021 or 2022. The current shareholders can exercise in 2022 or 2023 their put option to sell the remaining shares.

As of 18 April 2016, Arbonia acquired a 31% minority share of the Austrian window manufacturer Gaulhofer through payment of CHF 4.4 million. The investment was made in the form of a capital increase of Gaulhofer Industrie-Holding GmbH. Arbonia can exercise a call option to acquire the remaining shares in 2018 or 2019. The remaining current shareholders can exercise in 2019 or 2020 their put option to sell the remaining shares if certain minimum results are achieved.



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

#### Associated companies - Balance sheet

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Current assets	23 822	19 952
Non-current assets	10 036	10 167
<b>Total assets</b>	<b>33 858</b>	<b>30 119</b>
Current liabilities	18 674	12 391
Non-current liabilities	9 781	9 750
Shareholders' equity	5 404	7 978
thereof other comprehensive income	-48	5
<b>Total liabilities and shareholders' equity</b>	<b>33 858</b>	<b>30 119</b>

#### Associated companies - Income statement

	2017	2016
	in 1000 CHF	in 1000 CHF
Net revenues	72 992	60 423
Group results after taxes	-4 007	-3 310

#### Business transactions with associated companies

Sale of goods and services	4 276	1 685
Purchase of services	110	
Receivables at balance sheet date	87	174

#### Loans

Two loans with a book value of CHF 2.3 million (2016: CHF 3.3 million) originate from the sale of the property of AFG Warendorfer Immobilien GmbH in 2013 as well as from the sale of the kitchen business in 2014. Due to the non-compliance of agreed repayment terms and a general credit rating respectively, these loans were partially impaired during 2015. As a result of the published insolvency of the debtor originating from the sale of the kitchen business, the remaining loan of CHF 1.2 million was written-off during the reporting period. Further

loans relate to the sale of a business within the Looser Group.

The ageing analysis for loans is as follows:

	31/12/2017	
	Gross amount loans	thereof not impaired
	in 1000 CHF	in 1000 CHF
Not yet due	5 758	4 004
Overdue more than 30, less than 60 days	600	
Overdue more than 60, less than 90 days	1 200	
Overdue more than 90, less than 180 days	1 200	
<b>Total</b>	<b>8 758</b>	<b>4 004</b>

  

	31/12/2016	
Not yet due	8 152	4 742
<b>Total</b>	<b>8 152</b>	<b>4 742</b>

As of the balance sheet date, Arbonia has secured loans in the amount of CHF 4.1 million (2016: CHF 3.8 million).

Activity in the impairment of loans account, which is disclosed in the income statement under financial results, is as follows:

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Balance at 01/01</b>	<b>-3 410</b>	<b>-4 552</b>
Foreign exchange differences	-144	2
Additional allowances	-1 200	
Used during year		1 140
<b>Balance at 31/12</b>	<b>-4 754</b>	<b>-3 410</b>

In the impairment of loans, specific impairments of CHF 4.8 million (2016: CHF 3.4 million) are included.

### 36 Non-current assets held for sale and discontinued operations

On 14 December 2017, a contract for the sale of the business unit Profile Systems was signed between Arbonia and Belgian Reynaers Group. The closing of the transaction occurred in January 2018. In accordance with IFRS 5, Arbonia reports the business unit Profile Systems as of 31 December 2017 as discontinued operations. All prior-year figures in the income statement and the accompanying notes have been adjusted accordingly. Previous year's figures in the balance sheet, however, were not adjusted.

Likewise Arbonia reports the business unit Industrial Services, which was sold as of 12 December 2017, as discontinued operations. In the consolidated balance sheet as of 31 December 2017, assets and liabilities of the discontinued operations Profile Systems and remaining parts of the segment Coatings, are disclosed in the respective held for sale asset and liability positions.

#### Assets held for sale and discontinued operations

	31/12/2017	31/12/2016 <sup>1</sup>
	in 1000 CHF	in 1000 CHF
Cash and cash equivalents	6 196	
Accounts receivable	8 591	
Other current assets	1 001	
Inventories	13 429	
Accrued income	876	
Current income tax receivables	58	
Property, plant and equipment	5 567	
Intangible assets	2 919	
Deferred income tax assets	23	
Capitalised pension surplus	6 238	
Assets of the segment Coatings <sup>1</sup>	2 827	154 143
<b>Total</b>	<b>47 725</b>	<b>154 143</b>

<sup>1</sup> see note 2 "Restatement of prior year figures"

#### Liabilities associated with assets held for sale and discontinued operations

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Accounts payable	2 959	
Advance payments by customers	87	
Other liabilities	742	
Financial debts	1	
Accruals and deferred income	2 054	
Current income tax liabilities	774	
Provisions	378	
Deferred income tax liabilities	3 232	
Employee benefit obligations	353	
Liabilities of the segment Coatings	2 144	30 145
<b>Total</b>	<b>12 724</b>	<b>30 145</b>

## Discontinued and sold operations

### Disposal of Industrial Services

	2017
	in 1000 CHF
<b>Assets</b>	
Cash and cash equivalents	4 467
Accounts receivable	6 555
Other current assets	395
Inventories	11 226
Deferred expenses	166
Property, plant and equipment	72 005
Intangible assets	41 479
<b>Total assets</b>	<b>136 293</b>
<b>Liabilities</b>	
Accounts payable	3 487
Other liabilities	2 314
Financial debt	9 975
Accruals and deferred income	4 317
Current income tax liabilities	470
Provisions	39
Deferred income tax liabilities	16 979
Employee benefit obligations	4 169
<b>Total liabilities</b>	<b>41 750</b>
<b>Net assets</b>	<b>94 543</b>
Cash and cash equivalents disposed	-4 467
<b>Net assets excluding cash and cash equivalents</b>	<b>90 076</b>
Gain on disposal	3 326
<b>Net cash inflow from disposal</b>	<b>93 402</b>

On 03 July 2017, Arbonia announced its intention to consider new owners for the business unit Industrial Services. On 13 November 2017, Arbonia and German Paragon Partners signed a contract for the sale of this business. The closing of the transaction occurred on

12 December 2017. From the sale of this operation, accumulated currency translation differences in the amount of CHF 0.3 million resulted, which have been transferred from equity to the income statement and credited to the financial result of discontinued operations.

### Disposal of Coatings

	2017
	in 1000 CHF
<b>Assets</b>	
Cash and cash equivalents	14 534
Other current assets	55 280
Non-current assets	82 495
<b>Total assets</b>	<b>152 309</b>
<b>Liabilities</b>	
Current liabilities	27 427
Non-current liabilities	5 753
<b>Total liabilities</b>	<b>33 180</b>
<b>Net assets</b>	<b>119 129</b>
Cash and cash equivalents disposed	-14 534
<b>Net assets excluding cash and cash equivalents</b>	<b>104 595</b>
Deferred purchase price payment	-2 486
Gain on disposal	1 295
<b>Net cash inflow from disposal</b>	<b>103 404</b>

On 9 August 2016, the Looser Group announced its intention to begin the sales process of the segment Coatings. Arbonia therefore disclosed the segment Coatings in accordance with IFRS 5 as of 31 December 2016 as discontinued operations. The assets and liabilities of the discontinued segment were shown in the consolidated balance sheet as of 31 December 2016 in one line item in the respective assets held for sale and liabilities held for sale positions. On 26 June 2017, the last business of the Coatings segment was sold. The first of two instalments from the deferred purchase price of CHF 2.5 million was paid on time in November 2017. The second instalment will become due by the end of May 2018.

From the sale of this operation, accumulated currency translation differences in the amount of CHF 0.1 million resulted, which have been transferred from equity to the income statement and credited to the financial result of discontinued operations.

#### Result from discontinued operations

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Net revenues</b>	<b>181 627</b>	<b>78 907</b>
Other operating income	1 094	543
Capitalised own services	273	51
Changes in inventories of semi-finished and finished goods	-2 653	-1 130
Cost of material and goods	-78 446	-38 000
Personnel expenses	-50 787	-23 782
Other operating expenses	-35 412	-13 214
<b>EBITDA</b>	<b>15 696</b>	<b>3 375</b>
Depreciation, amortisation and impairments	-9 170	-1 529
<b>EBIT</b>	<b>6 526</b>	<b>1 846</b>
Financial result	260	395
<b>Result from discontinued operations before income tax</b>	<b>6 786</b>	<b>2 241</b>
Income tax expense	-2 583	9
<b>Result from discontinued operations</b>	<b>4 203</b>	<b>2 250</b>
Gain on disposal of discontinued operations	4 621	
<b>Net result from discontinued operations</b>	<b>8 824</b>	<b>2 250</b>

Discontinued operations include the results of the business unit Profile Systems for the entire two year period. The results of the business unit Industrial Services and Coatings are included in 2017 for the period up to the respective sale.

The results for the reporting period comprise sales costs for the disposal of the Coatings segment of CHF 6 million, of which CHF 1 million is included in personnel

expenses and CHF 5 million in other operating expenses. The results for the reporting period comprise sales costs for the disposal of the business unit Industrial Services of CHF 2.5 million, of which CHF 0.6 million is included in personnel expenses and CHF 1.9 million in other operating expenses. From the sale of these two segments, accumulated currency translation differences in the amount of CHF 0.4 million resulted, which have been transferred from equity to the income statement and credited to the financial result.

In the consolidated cash flow statement, the cash flows from the discontinued operations are included, however, subsequently condensed and shown separately below.

#### Cash flow from discontinued operations

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Cash flow from operating activities</b>	<b>11 471</b>	<b>2 541</b>
<b>Cash flow from investing activities</b>	<b>-8 761</b>	<b>-713</b>
<b>Cash flow from financing activities</b>	<b>-1 778</b>	

Neither the cash inflows nor the sales costs from the two segments sold in 2017 are included in the above table.

### 37 Property, plant and equipment

	Land and buildings <sup>1</sup>	Plant and machinery <sup>1</sup>	Other equipment	Prepayments and assets under construction	Total
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Net book value at 01/01/2016</b>	<b>178 949</b>	<b>99 261</b>	<b>14 435</b>	<b>12 717</b>	<b>305 362</b>
<b>Cost</b>					
<b>Balance at 01/01/2016</b>	<b>368 591</b>	<b>366 737</b>	<b>52 922</b>	<b>17 085</b>	<b>805 335</b>
Foreign exchange differences	-1 779	-2 152	-499	-782	-5 212
Change in scope of consolidation <sup>1</sup>	49 177	29 854	46 766	4 904	130 701
Additions	28 047	7 462	2 874	41 674	80 057
Disposals	-444	-6 267	-3 972	-170	-10 853
Reclassification to assets held for sale	-95 331	-2 200	-1 455	-53	-99 039
Reclassifications	624	-2 389	1 917	-976	-824
<b>Balance at 31/12/2016<sup>1</sup></b>	<b>348 885</b>	<b>391 045</b>	<b>98 553</b>	<b>61 682</b>	<b>900 165</b>
Foreign exchange differences	25 126	32 498	4 608	5 931	68 163
Change in scope of consolidation	-17 860	404	-51 899	-5 333	-74 688
Additions	10 068	18 123	24 030	67 646	119 867
Disposals	-40 126	-30 441	-16 771	-1 058	-88 396
Reclassification to assets held for sale	-111	-38 161	-1 494	-1 310	-41 076
Reclassifications	20 317	35 273	1 957	-62 883	-5 336
<b>Balance at 31/12/2017</b>	<b>346 299</b>	<b>408 741</b>	<b>58 984</b>	<b>64 675</b>	<b>878 699</b>

	Land and buildings <sup>1</sup>	Plant and machinery <sup>1</sup>	Other equipment	Prepayments and assets under construction	Total
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Accumulated depreciation</b>					
<b>Balance at 01/01/2016</b>	<b>189 642</b>	<b>267 476</b>	<b>38 487</b>	<b>4 368</b>	<b>499 973</b>
Foreign exchange differences	-580	-1 361	-300	-176	-2 417
Depreciation	7 003	18 382	4 104		29 489
Impairment	2 460				2 460
Reversal of impairment		-298	-6		-304
Disposals	-444	-5 911	-3 867		-10 222
Reclassification to assets held for sale	-75 846	-1 594	-1 429		-78 869
Reclassifications		-9 912	256	9 777	121
<b>Balance at 31/12/2016</b>	<b>122 235</b>	<b>266 782</b>	<b>37 245</b>	<b>13 969</b>	<b>440 231</b>
Foreign exchange differences	8 225	19 963	2 937	1 119	32 244
Change in scope of consolidation	-294		-3 099		-3 393
Depreciation	8 500	24 015	11 648		44 163
Impairment	75				75
Reversal of impairment		-655			-655
Disposals	-29 774	-30 020	-6 909		-66 703
Reclassification to assets held for sale	-6	-34 739	-765		-35 510
Reclassifications	38	3 000	115	-5 959	-2 806
<b>Balance at 31/12/2017</b>	<b>108 999</b>	<b>248 346</b>	<b>41 172</b>	<b>9 129</b>	<b>407 646</b>
<b>Net book value at 31/12/2016</b>	<b>226 650</b>	<b>124 263</b>	<b>61 308</b>	<b>47 713</b>	<b>459 934</b>
<b>Net book value at 31/12/2017</b>	<b>237 300</b>	<b>160 395</b>	<b>17 812</b>	<b>55 546</b>	<b>471 053</b>
thereof under financial lease or with a purchase obligation	24 083	3 300	2 870		30 253
				Previous year	31 237

<sup>1</sup> see note 2 "Restatement of prior year figures"

In addition to other smaller disposals, a property in Switzerland was sold in 2017, resulting in a sales gain of CHF 14.5 million.

In 2017, other equipment in the amount of CHF 0.7 million (2016: CHF 28.4 million of property, plant, machinery and other equipment via finance lease or a purchase commitment) was acquired via finance lease. Assets under construction include CHF 0.1 million of capitalised borrowing costs.

Other equipment includes, in the line items additions and disposals, investments and divestments in the rental park of the business unit Industrial Services. Those transactions are reported in the cash flow statement under operating activities in the reporting period (see note 55). Other equipment in the previous year contained the rental park of the business unit Industrial Services with a net book value of CHF 41.8 million. The business was sold in 2017.

On 16 June 2016, Arbonia and Credit Suisse Funds AG signed a purchase agreement for the Corporate Center in CH-Arbon with transfer of ownership in around eleven years. The two parties have signed a new lease agreement at a reduced rent which came into effect on 1 July 2016. Arbonia made a payment of CHF 5 million to Credit Suisse Funds AG at the end of June 2016, which was reported in the 2016 cash flow statement under "purchases of property, plant and equipment". Due to the commitment to purchase the Corporate Center and the current lease agreement being valid until the moment of the transfer of ownership, this deal qualified as a finance lease. Accordingly, the fair value of the Corporate Center of CHF 25 million was capitalised, the net present value of the lease payments and the discounted purchase price commitment recorded as liabilities (see note 43). The transaction resulted in an impairment on the Corporate Center of CHF 2.5 million.

#### Future aggregate minimum lease payments

Arbonia has the following future minimum lease payments under non-cancellable leases:

31/12/2017			
	Operating leases	Finance leases	Total
	in 1000 CHF	in 1000 CHF	in 1000 CHF
within 1 year	13 165	2 672	15 837
between 1 and 5 years	21 800	7 002	28 802
after 5 years	12 511	6 114	18 625
<b>Total</b>	<b>47 476</b>	<b>15 788</b>	<b>63 264</b>
Interest charge		-2 874	
<b>Present value of finance leases</b>		<b>12 914</b>	

31/12/2016			
	Operating leases	Finance leases	Total
	in 1000 CHF	in 1000 CHF	in 1000 CHF
within 1 year	18 607	2 791	21 398
between 1 and 5 years	37 432	7 554	44 986
after 5 years	13 638	7 423	21 061
<b>Total</b>	<b>69 677</b>	<b>17 768</b>	<b>87 445</b>
Interest charge		-3 432	
<b>Present value of finance leases</b>		<b>14 336</b>	

The income statement contains for the continuing operations expenses for operating leases of CHF 17.2 million (2016: CHF 13.6 million).

The largest lease contract in 2017 with a commitment of CHF 21.1 million relates to the rental of a production and office building in Germany and has a duration until 1 June 2027.

The maturities of the net present value from finance leases are as follows:

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
within 1 year	2 010	2 115
between 1 and 5 years	5 546	5 854
after 5 years	5 358	6 367
<b>Total</b>	<b>12 914</b>	<b>14 336</b>

#### Leasehold property obligation

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Leasehold property obligation within 1 year		508
Leasehold property obligation between 1 and 5 years		1 821
Leasehold property obligation after 5 years		6 101
<b>Total</b>		<b>8 430</b>

The leasehold property obligations existed up until their sale in the business unit Industrial Services and included only leasehold property interests. The leasehold property obligations had maturities up to years 2036, 2042, 2046, 2049 and 2060.

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:

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Property, plant and equipment	37 190	40 287
Intangible assets	763	123
<b>Total</b>	<b>37 953</b>	<b>40 410</b>

The capital commitments as of 31 December 2017 only include commitments for the continuing operations.

The fire insurance value of property, plant and equipment and investment property is as follows:

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Buildings	591 152	524 016
Plant and machinery	667 800	707 298
<b>Total</b>	<b>1 258 952</b>	<b>1 231 314</b>

The fire insurance values as of 31 December 2017 only include the values for the continuing operations.

Land and buildings amounting to CHF 55 million (2016: CHF 62.7 million) are pledged to secure mortgages.



### 38 Investment property

	Investment property – land	Investment property – buildings	Total
	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Net book value at 01/01/2016</b>	<b>5 203</b>	<b>6 196</b>	<b>11 399</b>
<b>Cost</b>			
<b>Balance at 01/01/2016</b>	<b>5 884</b>	<b>52 480</b>	<b>58 364</b>
Foreign exchange differences	-2	-31	-33
Additions		227	227
Disposals		-73	-73
Reclassifications	3 091	-3 040	51
<b>Balance at 31/12/2016</b>	<b>8 973</b>	<b>49 563</b>	<b>58 536</b>
Foreign exchange differences	6	161	167
Additions		110	110
Disposals	-482	-8 593	-9 075
Reclassifications	2 786	998	3 784
<b>Balance at 31/12/2017</b>	<b>11 283</b>	<b>42 239</b>	<b>53 522</b>
<b>Accumulated depreciation</b>			
<b>Balance at 01/01/2016</b>	<b>681</b>	<b>46 284</b>	<b>46 965</b>
Foreign exchange differences	-1	-31	-32
Depreciation		368	368
Disposals		-73	-73
<b>Balance at 31/12/2016</b>	<b>680</b>	<b>46 548</b>	<b>47 228</b>
Foreign exchange differences	6	163	169
Depreciation		467	467
Impairment		933	933
Disposals	-187	-8 595	-8 782
<b>Balance at 31/12/2017</b>	<b>499</b>	<b>39 516</b>	<b>40 015</b>
<b>Net book value at 31/12/2016</b>	<b>8 293</b>	<b>3 015</b>	<b>11 308</b>
<b>Net book value at 31/12/2017</b>	<b>10 784</b>	<b>2 723</b>	<b>13 507</b>
<b>Fair values of investment properties at 31/12/2016</b>			<b>28 703</b>
<b>Fair values of investment properties at 31/12/2017</b>			<b>25 466</b>

In 2017, two investment properties in Switzerland and Germany were sold, resulting in a sales gain of CHF 7 million.

Rental income from investment properties amounted to CHF 2.8 million (2016: CHF 2.2 million) and is included in other operating income. Related direct operating expenses were CHF 2 million (2016: CHF 0.1 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.

### 39 Intangible assets

	Other intangible assets <sup>1</sup>	Goodwill <sup>1</sup>	Total
	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Net book value at 01/01/2016</b>	<b>57 901</b>	<b>41 085</b>	<b>98 986</b>
<b>Cost</b>			
<b>Balance at 01/01/2016</b>	<b>141 519</b>	<b>121 801</b>	<b>263 320</b>
Foreign exchange differences	-1 342	-281	-1 623
Change in scope of consolidation <sup>1</sup>	176 073	177 686	353 759
Additions	699		699
Disposals	-409		-409
Reclassifications	1 020		1 020
<b>Balance at 31/12/2016<sup>1</sup></b>	<b>317 560</b>	<b>299 206</b>	<b>616 766</b>
Foreign exchange differences	22 784	17 583	40 367
Change in scope of consolidation	-17 117	-23 955	-41 072
Additions	2 798		2 798
Disposals	-278		-278
Reclassification to assets held for sale	-5 557		-5 557
Reclassifications	2 535		2 535
<b>Balance at 31/12/2017</b>	<b>322 725</b>	<b>292 834</b>	<b>615 559</b>
<b>Accumulated amortisation</b>			
<b>Balance at 01/01/2016</b>	<b>83 618</b>	<b>80 716</b>	<b>164 334</b>
Foreign exchange differences	-642		-642
Amortisation	7 593		7 593
Disposals	-409		-409
<b>Balance at 31/12/2016</b>	<b>90 160</b>	<b>80 716</b>	<b>170 876</b>
Foreign exchange differences	4 547		4 547
Change in scope of consolidation	-1 353		-1 353
Amortisation	23 232		23 232
Disposals	-255		-255
Reclassification to assets held for sale	-2 638		-2 638
Reclassifications	54		54
<b>Balance at 31/12/2017</b>	<b>113 747</b>	<b>80 716</b>	<b>194 463</b>
<b>Net book value at 31/12/2016</b>	<b>227 400</b>	<b>218 490</b>	<b>445 890</b>
<b>Net book value at 31/12/2017</b>	<b>208 978</b>	<b>212 118</b>	<b>421 096</b>

<sup>1</sup> see note 2 "Restatement of prior year figures"

Intangible assets include acquired intangible assets from business combinations with a net book value of CHF 201.5 million as of 31 December 2017 (2016: CHF 221.8 million). Thereof, CHF 104.8 million (2016: CHF 113.3 million) relates to customer relationships, CHF 74.6 million (2016: CHF 85.1 million) to brands and CHF 18.2 million (2016: CHF 17 million) to technologies.

Expenses for research and development in the amount of CHF 17.4 million (2016: CHF 17.1 million) have been charged to the income statement, since they did not fulfil the capitalisation criteria. Thereof, CHF 14.4 million (2016: CHF 12 million) relate to the continuing operations. In the assets under construction of property, plant and equipment, there are capitalised development costs

of CHF 0.9 million (2016: CHF 0.8 million under assets under construction) included. The additions under other intangible assets consist of CHF 0.6 million of own development costs and CHF 2.2 million of purchased or acquired items. In 2016, the additions only consisted of purchased or acquired items.

#### Goodwill

As of 31 December 2017 goodwill from business combinations is allocated to the Group's five cash-generating units (CGUs) Doors, Sanitary, Wertbau, Sabiana and Slovaktual.

The movements of the carrying amounts of goodwill during the reporting period were as follows:

	Doors <sup>1</sup>	Industrial Services	Sanitary	Wertbau	Sabiana	Slovaktual	Total
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Balance at 31/12/2016<sup>1</sup></b>	<b>139 084</b>	<b>23 955</b>	<b>14 647</b>	<b>3 095</b>	<b>23 431</b>	<b>14 278</b>	<b>218 490</b>
Acquisition/Divestments		-23 955					-23 955
Foreign exchange differences	13 876			281	2 129	1 297	17 583
<b>Balance at 31/12/2017</b>	<b>152 960</b>		<b>14 647</b>	<b>3 376</b>	<b>25 560</b>	<b>15 575</b>	<b>212 118</b>

<sup>1</sup> see note 2 "Restatement of prior year figures"

#### Goodwill impairment tests 2017

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 early summer 2017 and were used for the impairment tests.

The value in use calculation for the annual 2017 impairment tests assumed the following key assumptions:

	Doors	Sanitary	Wertbau	Sabiana	Slovaktual
	in %	in %	in %	in %	in %
Budgeted gross margin	54.0	64.0	47.2	44.1	38.1
Growth rate	0.9	1.0	1.0	1.5	1.0
Discount rate	9.2	8.9	9.4	10.2	8.5

Budgeted gross margins were determined based on expectations for the market development and initiated optimisation measures. The 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 2017 on higher discount rates, lower than actually expected EBITDAs, lower gross margins and lower growth rates which only led to a possible impairment at the CGU Doors.

A reduction in the budgeted gross margin from 54% to 52% would result in an impairment of the CGU Doors

amounting to CHF 53.9 million. At a budgeted gross margin of 53%, the recoverable amount was equal to their carrying amount. A 10% reduction in EBITDA and a simultaneous reduction of eternal growth from 0.9% to 0.4% would lead to an impairment of CHF 31.1 million. At a reduction of 6.5% in EBITDA and a simultaneous reduction of eternal growth to 0.7%, the recoverable amount was equal to their carrying amount.

#### Goodwill impairment tests 2016

The value in use calculation for the annual 2016 impairment tests and purchase price allocation of the CGUs Doors and Industrial Services respectively assumed the following key assumptions:

	Doors	Industrial Services	Sanitary	Wertbau	Sabiana	Slovaktual
	in %	in %	in %	in %	in %	in %
Budgeted gross margin	51.0	63.4	64.1	41.3	44.0	36.8
Growth rate	2.0	0.0	1.0	1.0	1.5	1.0
Discount rate	9.1	8.8	8.4	9.2	9.9	8.6

Budgeted gross margins were determined based on expectations for the market development and initiated optimisation measures. The 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 2016 for the CGUs Sanitary, Wertbau, Sabiana and Slovaktual on higher discount rates, lower than actually expected EBITDAs, lower gross margins and lower growth rates which only led to a possible impairment at the CGUs Sabiana and Slovaktual.

A reduction in the budgeted gross margin from 44% to 42.5% would result in an impairment of the CGU Sabiana amounting to CHF 4.6 million. At a budgeted gross margin of 42.8%, the recoverable amount was equal to their carrying amount. A 10% reduction in EBITDA and a

simultaneous reduction of eternal growth from 1.5% to 1% would lead to an impairment of CHF 4.4 million. At a reduction of 7.5% in EBITDA and a simultaneous reduction of eternal growth to 1%, the recoverable amount was equal to their carrying amount.

A reduction in the budgeted gross margin from 36.8% to 35% would result in an impairment of the CGU Slovaktual amounting to CHF 3.9 million. At a budgeted gross margin of 35.4%, the recoverable amount was equal to their carrying amount. At a 10% reduction in EBITDA and a simultaneous reduction of perpetual growth from 1% to 0.5%, the recoverable amount was equal to their carrying amount.

## 40 Acquisitions

The following fair value of assets and liabilities has arisen from acquisitions as mentioned under note 3:

### Acquisitions 2017

#### TPO Holz-Systeme GmbH

	Fair Value
	in 1 000 CHF
<b>Assets</b>	
Cash and cash equivalents	208
Receivables	178
Inventories	997
Property, plant and equipment	575
Intangible assets	1 756
<b>Total assets</b>	<b>3 713</b>
<b>Liabilities</b>	
Liabilities	477
Financial debts	350
Provisions	97
Deferred income tax liabilities	500
<b>Total liabilities</b>	<b>1 424</b>
<b>Net assets acquired</b>	<b>2 290</b>
<b>Cost of acquisition</b>	
Purchase price	2 290
<b>Total cost of acquisition</b>	<b>2 290</b>
<b>Net cash outflow was as follows:</b>	
Purchase price	2 290
Cash and cash equivalents acquired	–208
<b>Net cash outflow on acquisition</b>	<b>2 081</b>

As of 31 January 2017, Arbonia acquired 100% of the shares of German TPO Holz-Systeme GmbH, DE-Leutershausen. The company is a specialised doors manufacturer and is allocated to the Doors Division. The purchase price amounted to CHF 2.3 million.

From the date of acquisition, the company contributed CHF 3.1 million in net revenues and CHF 0.1 million in loss to the Group. The acquisition-related costs amount to CHF 0.02 million and are included in operating expenses.

## Acquisitions 2016

### Looser Group

	Fair Value	Restatement	Fair Value restated
	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Assets</b>			
Cash and cash equivalents	43 599		43 599
Accounts receivables	19 083		19 083
Other current assets	3 921		3 921
Inventories	33 241		33 241
Deferred expenses	880		880
Assets held for sale	156 643	-2 500	154 143
Property, plant and equipment	120 267	1 871	122 138
Intangible assets	144 037	12 285	156 322
Financial assets	1 795		1 795
<b>Total assets</b>	<b>523 466</b>	<b>11 656</b>	<b>535 122</b>
<b>Liabilities</b>			
Accounts payables	10 381		10 381
Other liabilities	6 072		6 072
Financial debts	154 442		154 442
Finance lease liabilities	161		161
Accruals and deferred income	18 021		18 021
Current income tax liabilities	3 442		3 442
Liabilities associated with assets held for sale	30 145		30 145
Provisions	2 166	465	2 631
Deferred income tax liabilities	53 648	3 667	57 315
Employee benefit obligations	5 438		5 438
<b>Total liabilities</b>	<b>283 916</b>	<b>4 132</b>	<b>288 048</b>

	Fair Value	Restatement	Fair Value restated
	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Net assets acquired including non-controlling interests</b>	<b>239 550</b>	<b>7 524</b>	<b>247 074</b>
Non-controlling interests	-10 134		-10 134
<b>Net assets acquired</b>	<b>229 416</b>	<b>7 524</b>	<b>236 940</b>
Goodwill	170 563	-7 524	163 039
<b>Purchase consideration</b>	<b>399 979</b>		<b>399 979</b>
<b>Cost of acquisition</b>			
Purchase price	85 200		85 200
Purchase price in equity instruments	314 778		314 778
<b>Total cost of acquisition</b>	<b>399 979</b>		<b>399 979</b>
<b>Net cash outflow was as follows:</b>			
Purchase price	85 200		85 200
Cash and cash equivalents acquired - continuing operations	-43 599		-43 599
Cash and cash equivalents acquired - discontinued operations	-17 566		-17 566
<b>Net cash outflow on acquisition</b>	<b>24 035</b>		<b>24 035</b>

As of 14 September 2016, Arbonia concluded a purchase agreement with the existing major shareholders, members of the Board of Directors and Group Management for the purchase of 53.32% of shares of Looser Holding AG, CH-Arbon, a company listed on the SIX Swiss Exchange. On 15 September 2016, Arbonia announced their plan to submit a public purchase and exchange offer to all shareholders. Accordingly, Arbonia published on 29 September 2016 a purchase and exchange offer for all outstanding registered shares. The offer price for one registered share of Looser Holding AG amounted to 5.5 shares of Arbonia AG plus CHF 23 in cash. The offer price was identical for the purchase agreement as well as for the purchase and exchange offer. By 13 December 2016, Arbonia had acquired 97.53% of the shares of Looser Holding AG. The purchase price amounted in total to CHF 400 million, consisting of 20 373 996 newly issued registered shares of Arbonia AG at a fair value of CHF 15.45 per share, totalling CHF 314.8 million and the cash consideration of CHF 23 per share for the 3 704 363 offered Looser registered shares, totalling CHF 85.2 million. Looser Group was an international industrial holding company and

active in the three segments doors, industrial services and coatings with approximately 2 260 employees. Since the acquisition took place just a few days before year-end, Arbonia has renounced to consolidate the income statement of Looser Group based on materiality reasons. Had the acquisition taken place on 1 January 2016, net revenues for 2016 would have been CHF 434.2 million and profit, including amortisation charges on intangible assets from acquisitions, would have been CHF 1.7 million. The gross carrying amount of accounts receivables amounted to CHF 19.5 million, of which CHF 0.4 million were considered uncollectable. The acquisition-related costs amounted to CHF 7.6 million. Thereof, CHF 2.3 million was included in operating expenses in 2016 and CHF 5.3 million stemming from the capital increase were offset with share premium. The goodwill from this acquisition, which was allocated to the segments Doors and Industrial Services, 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 expected synergies within the segment Doors and cost-savings at



Corporate level. In addition, goodwill included the workforce know-how. The fair value of the acquired assets and especially the intangible assets and the fair value of the acquired liabilities could only be determined on a provisional basis in the 2016 consolidated financial statements, since the acquisition occurred shortly before year-end and therefore not all assessments could be thoroughly carried out or checked. Within the prescribed

assessment period after the acquisition date, the definite fair values were determined in 2017. As a result, goodwill was reduced by CHF 7.5 million. The most significant effect came from more detailed information available on customers and brands, resulting in a reassessment of customer and brand valuation.

### Koralle Group

	Fair Value
	in 1000 CHF
<b>Assets</b>	
Cash and cash equivalents	11 039
Accounts receivables	5 432
Other current assets	50
Inventories	4 458
Deferred expenses	386
Property, plant and equipment	8 517
Intangible assets	18 114
Deferred income tax assets	92
<b>Total assets</b>	<b>48 088</b>
<b>Liabilities</b>	
Accounts payables	2 014
Other liabilities	880
Financial debts	873
Accruals and deferred income	6 777
Current income tax liabilities	407
Provisions	1 691
Deferred income tax liabilities	3 158
Employee benefit obligations	4 906
<b>Total liabilities</b>	<b>20 707</b>

	Fair Value
	in 1000 CHF
<b>Net assets acquired</b>	<b>27 380</b>
Goodwill	14 647
<b>Cost of acquisition</b>	<b>42 027</b>
<b>Cost of acquisition</b>	
Purchase price	42 027
<b>Total cost of acquisition</b>	<b>42 027</b>
<b>Net cash outflow was as follows:</b>	
Purchase price	42 027
Cash and cash equivalents acquired	–11 039
Repayment of a shareholder loan	873
<b>Net cash outflow on acquisition</b>	<b>31 862</b>

As of 20 September 2016, Arbonia acquired 100% of the shares of Koralle Group, consisting of Bekon-Koralle AG, CH-Dagmersellen, Koralle Sanitärprodukte GmbH, DE-Vlotho, and Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft m.b.H, AT-Margarethen am Moos. The Koralle Group operates in the sanitary field and complemented the product range of the Building Technology Division. The purchase price amounted to CHF 42 million. From the date of acquisition, Koralle Group contributed in 2016 CHF 13 million in net revenues and CHF 0.6 million in loss to the Group. Had the acquisition taken place on 1 January 2016, net revenues for 2016 would have been CHF 48.8 million and loss would have been CHF 0.3 million. The loss included amortisation charges on intangible assets from acquisitions as well as the restructuring provision of CHF 2.5 million booked after the acquisition for the German site in Vlotho. The gross carrying amount of accounts receivables amounted to CHF 5.7 million, of which CHF 0.3 million were considered uncollectable.

The acquisition-related costs amounted to CHF 0.4 million and were included in operating expenses in 2016. 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 expected synergies within the Building Technology Division. In addition, goodwill included the workforce know-how.

### Sabiatherm SAS

	Fair Value
	in 1000 CHF
<b>Assets</b>	
Cash and cash equivalents	1 537
Accounts receivables	1 667
Other current assets	56
Inventories	304
Deferred expenses	18
Property, plant and equipment	46
Intangible assets	1 639
Financial assets	2
<b>Total assets</b>	<b>5 268</b>
<b>Liabilities</b>	
Accounts payables	1 432
Other liabilities	288
Accruals and deferred income	74
Provisions	127
Deferred income tax liabilities	531
<b>Total liabilities</b>	<b>2 453</b>
<b>Net assets acquired</b>	<b>2 815</b>
<b>Cost of acquisition</b>	
Cost of acquisition	2 815
<b>Total cost of acquisition</b>	<b>2 815</b>
<b>Net cash outflow was as follows:</b>	
Purchase price	2 815
Cash and cash equivalents acquired	-1 537
<b>Net cash outflow on acquisition</b>	<b>1 278</b>

As of 28 July 2016, Arbonia acquired 100% of the shares of Sabiatherm SAS, FR-Tassin-la-Demi-Lune. Sabiatherm purchased goods from Sabiana and sold them in the French market. The newly acquired company was allocated to the Building Technology Division. The purchase price amounted to CHF 2.8 million. From the date of acquisition, Sabiatherm contributed in 2016 CHF 1.2 million in net revenues and CHF 0.06 million in profit to the Group. Had the acquisition taken place on 1 January 2016, net revenues for 2016 would have been CHF 2.8 million and profit, including amortisation charges on intangible assets from acquisitions, would have been CHF 0.2 million. The gross carrying amount of accounts receivables amounted to CHF 1.8 million, of which CHF 0.14 million were considered uncollectable. The acquisition-related costs amounted to CHF 0.1 million and were included in operating expenses in 2016.

#### Sabiana

According to the original purchase contract from 2014, Arbonia had the right to buy the remaining 10% of Sabiana S.p.A., IT-Corbetta after four years, at the earliest within one year, at a fixed price. The owners had the right to sell their remaining 10% to Arbonia at any time up to the end of the fifth year at a fixed price. In the first half of 2016, the parties cancelled this call-and-put option agreement and mutually agreed to already sell the remaining 10% of Sabiana S.p.A. in June 2016 to Arbonia. The purchase price of CHF 10.6 million was settled in the amount of CHF 5.8 million in equity instruments of Arbonia and CHF 4.8 million were paid in cash (see notes 43 and 47).

## 41 Financial debts

On 14 September 2016, Arbonia AG entered into a syndicated loan for CHF 500 million. This loan, arranged with a consortium of banks, had a line of credit of CHF 100 million with a due date no later than 31 December 2017 and was used to finance the cash settlement of the Looser acquisition. The other line of credit of 400 million matures on 14 September 2021. However due to the sale of the business unit Industrial Services in 2017, the credit line was reduced to CHF 350 million. As a result of the new borrowing facility the existing syndicated loan of CHF 250 million, established on 2 December 2013 and maturing on 30 November 2018, was replaced prematurely. Due to the sale of the Coatings segment, the credit line of CHF 87 million used to finance the cash settlement of the Looser acquisition was completely repaid by 10 July 2017.

The bond of CHF 200 million at 3.375% with a duration of 6 years was repaid on time by 12 May 2016.

The financial debts are comprised of the following:

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Syndicated loan	103 675	311 570
Mortgages	13 097	25 215
Bank loans	2 769	5 645
<b>Total</b>	<b>119 541</b>	<b>342 430</b>

The new as well as the replaced syndicated loan include covenants covering key ratios such as minimum net worth, interest coverage ratio and leverage ratio. 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 covenants in 2017 and 2016.

The maturities of the financial debts are as follows:

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
within 1 year	107 276	322 217
between 1 and 5 years	4 638	11 869
after 5 years	7 627	8 344
<b>Total</b>	<b>119 541</b>	<b>342 430</b>

The effective interest rates for the financial debts at the balance sheet date were as follows:

31/12/2017			
	CHF	EUR	PLN
Financial debt	1.5%	1.8%	1.8%

  

31/12/2016			
	CHF	EUR	PLN
Financial debt	1.7%	2.0%	2.7%

The breakdown for the financial debts by currency was as follows:

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
CHF	10 003	171 808
EUR	107 820	169 090
PLN	1 719	1 532
<b>Total</b>	<b>119 541</b>	<b>342 430</b>

The syndicated loan and bank loans have variable interest rates, whereas the mortgages have fixed interest rates.

## 42 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:

31/12/2017							
	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
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Non-derivative financial instruments</b>							
Accounts payable	108 053	108 053	107 990	63			
Other liabilities (without derivatives)	38 867	47 076	25 799	24	1 208	45	20 000
Finance lease liabilities	12 914	15 786	1 367	1 317	2 472	4 517	6 113
Financial debts	119 541	121 586	106 973	1 541	1 489	4 781	6 802
<b>Derivative financial instruments</b>							
Interest rate swaps	1 797						
Cash outflow		1 797	139	135	252	611	661
<b>Total</b>	<b>281 172</b>	<b>294 298</b>	<b>242 268</b>	<b>3 080</b>	<b>5 421</b>	<b>9 954</b>	<b>33 576</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.

	31/12/2016						
	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
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Non-derivative financial instruments</b>							
Accounts payable	91 913	91 913	91 828	85			
Other liabilities (without derivatives)	37 058	45 568	25 186	20	326	36	20 000
Finance lease liabilities	14 336	17 768	1 423	1 368	3 175	4 379	7 423
Financial debts	342 430	345 298	320 284	3 895	7 264	5 433	8 422
<b>Derivative financial instruments</b>							
Interest rate swaps	1 956						
Cash outflow		1 956	157	159	231	587	822
<b>Total</b>	<b>487 693</b>	<b>502 503</b>	<b>438 878</b>	<b>5 527</b>	<b>10 996</b>	<b>10 435</b>	<b>36 667</b>

### 43 Additional disclosures on financial instruments

The relation between the relevant balance sheet items and the measurement categories in accordance with IAS 39 and the disclosure of fair values of financial instruments is as follows:

	31/12/2017					
	FA FVTPL designated	L&AR	FL FVTPL trading	FL AC/NPV	Book value at 31/12/2017	Fair Value at 31/12/2017
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Cash and cash equivalents		82 703			82 703	82 703
Accounts receivable		126 387			126 387	126 387
Other current assets		25 383			25 383	25 383
Other financial assets		417			417	417
Loans		4 004			4 004	4 004
<b>Assets</b>		<b>238 894</b>			<b>238 894</b>	<b>238 894</b>
Accounts payable				108 053	108 053	108 053
Other liabilities			1 797	38 866	40 663	40 663
Finance lease liabilities				12 914	12 914	13 952
Syndicated loan				103 675	103 675	103 675
Loans				2 769	2 769	2 769
Mortgages				13 097	13 097	14 140
<b>Liabilities</b>			<b>1 797</b>	<b>279 374</b>	<b>281 171</b>	<b>283 252</b>

Abbreviations in the header of this table are explained in note 9 "financial instruments" on page 97.

31/12/2016						
	FA FVTPL designated	L&AR	FL FVTPL trading	FL AC/NPV	Book value at 31/12/2016	Fair Value at 31/12/2016
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Cash and cash equivalents		111 754			111 754	111 754
Securities	2 360				2 360	2 360
Accounts receivable		115 777			115 777	115 777
Other current assets		21 325			21 325	21 325
Other financial assets		411			411	411
Loans		4 742			4 742	4 742
<b>Assets</b>	<b>2 360</b>	<b>254 009</b>			<b>256 369</b>	<b>256 369</b>
Accounts payable				91 913	91 913	91 913
Other liabilities			1 956	37 058	39 014	39 014
Finance lease liabilities				14 336	14 336	15 595
Syndicated loan				311 570	311 570	311 570
Loans				5 645	5 645	5 667
Mortgages				25 215	25 215	26 443
<b>Liabilities</b>			<b>1 956</b>	<b>485 737</b>	<b>487 693</b>	<b>490 202</b>

In the line item Other liabilities as of 31 December 2017, the purchase commitment of CHF 12.5 million (2016: CHF 11.7 million) for the Corporate Center in CH-Arbon towards Credit Suisse Funds AG is included. The purchase commitment was recorded at the balance sheet date at present value and at the time of transfer of ownership, the purchase price will amount to CHF 20 million (see note 37).

IFRS 13 "Fair value measurements" requires for financial instruments measured at fair value the disclosure and allocation to the pre-defined following three hierarchy levels:

- 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.



Financial instruments measured at fair value are allocated to the respective hierarchy levels as follows:

	Level 2		Level 2	
	in 1000 CHF	Fair Value at 31/12/2017 in 1000 CHF	in 1000 CHF	Fair Value at 31/12/2016 in 1000 CHF
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss (FA FVTPL designated)</b>				
Investment funds			2 360	2 360
<b>Total assets</b>			<b>2 360</b>	<b>2 360</b>
<b>Liabilities</b>				
<b>Financial liabilities at fair value through profit or loss – trading (FL FVTPL trading)</b>				
Interest rate swaps without hedges	1 797	1 797	1 956	1 956
<b>Total liabilities</b>	<b>1 797</b>	<b>1 797</b>	<b>1 956</b>	<b>1 956</b>

The fair value of interest rate swap transactions of level 2 is the present value of expected interest payments, which are discounted at market rates. The determination of the fair value of these transactions is made by the banks with which these transactions were entered into. The fair value of investment funds of level 2 was determined based on market prices in the OTC market.

In 2017 and 2016, no reclassifications occurred between the levels 1 and 2.

The movement in the fair value changes of level 3 items is as follows:

	Contingent consideration liability	Purchase commitment on non-controlling interests
	in 1000 CHF	in 1000 CHF
<b>Balance 01/01/2016</b>	<b>554</b>	<b>7 879</b>
Within financial results recognised unrealised foreign exchange gains	-5	
Within financial results recognised unrealised foreign exchange losses		301
Within financial results recognised expenses from compounding	59	2 436
Within financial results recognised income from derecognition	-608	
Settlement		-10 616
<b>Balance 31/12/2016</b>		

The contingent consideration liability concerned the acquisition of Bloxer Ronchi S.r.l. in 2015. Based on an assessment in 2016, the achievement of certain agreed targets for the years 2016 to 2018 was considered to be highly unlikely. Consequently, the fair value of the contingent consideration liability was reversed completely by the year-end 2016.

The purchase commitment on non-controlling interests related to the remaining 10% of Sabiana S.p.A., IT-Corbetta, which was settled premature in the first half of 2016 (see note 40 and 47).

## 44 Provisions

	Warranty <sup>1</sup>	Personnel	Restructuring	Other provisions	Total
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Balance at 01/01/2016</b>	<b>10 982</b>	<b>4 500</b>	<b>16 947</b>	<b>12 336</b>	<b>44 765</b>
Foreign exchange differences	-77	-70	-41	-23	-211
Change in scope of consolidation <sup>1</sup>	1 175	2 842		433	4 450
Additional provisions	7 185	2 383	3 618	1 118	14 304
Used during the year	-6 690	-1 434	-6 202	-2 538	-16 864
Unused amounts reversed	-291	-2	-3 134	-8 114	-11 541
<b>Balance at 31/12/2016<sup>1</sup></b>	<b>12 284</b>	<b>8 219</b>	<b>11 188</b>	<b>3 212</b>	<b>34 903</b>
Foreign exchange differences	822	741	137	59	1 759
Change in scope of consolidation	-22	42		43	63
Additional provisions	7 871	2 007	1 005	3 298	14 181
Used during the year	-7 131	-1 985	-6 322	-1 419	-16 857
Unused amounts reversed	-317	-150	-1 628	-620	-2 715
Reclassification to liabilities associated with assets held for sale	-169		-207		-376
<b>Balance at 31/12/2017</b>	<b>13 338</b>	<b>8 874</b>	<b>4 173</b>	<b>4 573</b>	<b>30 958</b>
thereof current at 31/12/2016	7 863	3 152	10 498	2 323	23 836
thereof current at 31/12/2017	8 892	3 456	4 173	4 291	20 812

<sup>1</sup> see note 2 "Restatement of prior year figures"

The current provision is expected to be fully utilised during 2018. The non-current provision is expected to be utilised as follows:

	Warranty	Personnel	Restructuring	Other provisions	Total
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
between 1 and 5 years	4 446	4 402		11	8 859
after 5 years		1 016		269	1 285

### **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 a provision for partial retirement.

### **Restructuring**

As of 31 December 2016, the restructuring provision comprised costs of CHF 8.5 million in connection with the reorganisations announced on 3 March 2015 and 13 August 2015 for the heating and window business in Switzerland. Furthermore the position included CHF 2.5 million of restructuring costs of the Division Building Technology for personnel measures in the wake of the relocation of logistics and production activities within Germany from Vlotho to Plattling, planned for 2017. In the reporting period, incurred costs for those three restructurings of CHF 6.3 million were booked against this provision, CHF 1 million were additionally

booked due to new estimates and CHF 1.6 million were reversed as a result of voluntary staff departures and risk reduction measures. The restructuring of the heating business was completed in 2017. The remaining provision of CHF 4.1 million is considered adequate. It is assumed that the relocation from Vlotho to Plattling will be completed by spring 2018 and the restructuring of the window business in the second half of 2018.

### **Other provisions**

As of 31 December 2015, the other provisions comprised costs totalling CHF 7.4 million for the long-term lease agreement of the Corporate Center due to under-utilisation of the existing rental space. This provision was reversed completely in 2016 due to a new signed contract (see note 37). Furthermore costs of CHF 1.7 million were included for obligations arising from the Arbonia arena naming-right until the end of the contract due to the premature termination of the contract. The utilisation of the 2017 and 2016 share occurred as expected. Other provisions also include costs for environmental risks, legal claims and various risks that could arise in the normal course of business.

## 45 Deferred income taxes

Deferred tax assets and liabilities arise due to differences between the group valuation and tax valuation in the following balance sheet items:

	31/12/2017		31/12/2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
<b>Assets</b>				
Cash and cash equivalents and securities	3			19
Accounts receivable	681	216	790	564
Other current assets		46		200
Inventories	1 291	176	1 032	2 419
Non-current assets held for sale		7		
Property, plant and equipment <sup>1</sup>		17 554	3	28 226
Investment property	981		1 186	
Intangible assets <sup>1</sup>	6	52 031	40	55 505
Capitalised pension surplus and financial assets	263	7 131	477	2 717
<b>Liabilities</b>				
Current liabilities	3 657	1 902	4 623	2 952
Non-current liabilities		84		143
Current and non-current provisions <sup>1</sup>	683	304	519	1 109
Employee benefit obligations	7 903	7	9 634	3
<b>Deferred taxes from timing differences</b>	<b>15 468</b>	<b>79 458</b>	<b>18 304</b>	<b>93 857</b>
Deferred tax assets derived from tax loss carryforwards	19 631		21 874	
Valuation allowance	-15 195		-15 634	
<b>Net deferred taxes from timing differences</b>	<b>19 904</b>	<b>79 458</b>	<b>24 544</b>	<b>93 857</b>
Offset of deferred tax assets and liabilities	-14 334	-14 334	-15 595	-15 595
<b>Total deferred taxes<sup>1</sup></b>	<b>5 570</b>	<b>65 124</b>	<b>8 949</b>	<b>78 262</b>

<sup>1</sup> see note 2 "Restatement of prior year figures"

From the capitalised pension surplus and employee benefit obligations, CHF 5.8 million (2016: CHF 1 million) of deferred taxes were recorded in comprehensive income of the continuing operations. All other changes of assets and liabilities were recorded through the income statement.

Deferred income tax assets are recognised as tax loss carryforwards and temporary differences, to the extent that the realisation of the related tax benefit through future taxable profits is probable.

There are temporary differences totalling CHF 66.2 million (2016: CHF 55.1 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 also deductible temporary differences of CHF 2.8 million on which no deferred tax assets have been recognised.

Activity in the deferred income tax account on a net basis is as follows:

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Balance at 01/01</b>	<b>69 313</b>	<b>10 128</b>
Change in scope of consolidation <sup>1</sup>	-16 471	60 912
Changes to other comprehensive income for continuing operations	5 736	230
Changes to other comprehensive income for discontinued operations	503	762
Changes to the income statement for continuing operations	-1 467	-2 210
Changes to the income statement for discontinued operations	325	-429
Reclassification to assets held for sale	23	
Reclassification to liabilities associated with assets held for sale	-3 232	
Foreign exchange differences	4 824	-80
<b>Balance 31/12<sup>1</sup></b>	<b>59 554</b>	<b>69 313</b>

<sup>1</sup> see note 2 "Restatement of prior year figures"

Unrecognised tax loss carryforwards	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Tax loss carryforwards	208 556	230 169
thereof recognised as deferred taxes	-40 239	-49 703
<b>Unrecognised tax loss carryforwards</b>	<b>168 317</b>	<b>180 466</b>
<b>Portion expiring:</b>		
within 1 year	16 116	12
between 1 and 5 years	130 790	75 904
after 5 years	21 411	104 550
<b>Total</b>	<b>168 317</b>	<b>180 466</b>
<b>Tax effect on unrecognised tax loss carryforwards</b>	<b>15 195</b>	<b>15 634</b>
thereof pertaining to tax rates below 15%	11 900	13 201
thereof pertaining to tax rates between 15% and 20%	2 363	1 356
thereof pertaining to tax rates between 21% and 25%		284
thereof pertaining to tax rates between 26% and 30%	932	793

## 46 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 businesses acquired in 2016 participate in a multi-employer plan. 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. In multi-employer plans however, no underfunding as per BVG can occur.

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.

During 2014, the obligation to provide pension benefits was partially transferred to other foundations (settlement) as a result of the sale of certain businesses. Complying with the regulations, a partial liquidation was carried out and completed in 2016. As a result of staff reductions in the Swiss heating business a further partial liquidation will be carried out.

In the first half of 2016, Arbonia re-assessed the possibility of offsetting the capitalised pension surplus of a pension foundation with the employee benefit obligations of two pension plans. The re-assessment concluded that an offsetting was permitted, so that in 2016 the capitalised pension surplus in the amount of CHF 9.4 million was offset with the employee benefit obligations.

### 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:

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Present value of funded obligations	300 841	382 342
Fair value of plan assets	329 885	377 048
<b>Over-/underfunding</b>	<b>-29 044</b>	<b>5 294</b>
Present value of unfunded obligations	51 200	49 275
Adjustment to asset ceiling		2 116
<b>Liability (net) recognised in the balance sheet</b>	<b>22 156</b>	<b>56 685</b>
thereof recorded as employee benefit obligations	55 698	62 618
thereof recorded as capitalised pension surplus	-33 542	-5 933

The movement in the defined benefit obligation over the year is as follows:

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Balance at 01/01</b>	<b>431 617</b>	<b>391 859</b>
Changes in scope of consolidation	-23 775	41 065
Interest cost	3 367	4 021
Current service cost	11 262	9 696
Past service cost	-3 412	
Contributions by plan participants	5 895	5 488
Benefits paid	-16 420	-17 141
Actuarial losses arising from changes in demographic assumptions		3 122
Actuarial gains/losses arising from changes in financial assumptions	-1 408	9 439
Actuarial losses/gains arising from experience adjustments	15 146	-4 230
Settlements/partial liquidation	-41 694	-11 498
Administration cost	189	176
Reclassification from/to liabilities associated with assets held for sale	-33 060	
Foreign exchange differences	4 336	-380
<b>Balance at 31/12</b>	<b>352 041</b>	<b>431 617</b>
thereof for active members	222 412	263 064
thereof for pensioners	126 354	166 397
thereof for deferred members	3 275	2 155

The movement in the fair value of plan assets over the year is as follows:

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Balance at 01/01</b>	<b>377 048</b>	<b>339 275</b>
Changes in scope of consolidation	-19 607	30 723
Interest income	2 444	3 022
Return on plan assets excl. interest income	44 479	16 166
Contributions by the employer	8 437	7 934
Contributions by plan participants	5 895	5 488
Benefits paid	-16 347	-17 102
Settlements/partial liquidation	-33 499	-8 458
Reclassification from/to assets held for sale	-38 965	
<b>Balance at 31/12</b>	<b>329 885</b>	<b>377 048</b>

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

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Balance at 01/01</b>	<b>2 116</b>	<b>2 026</b>
Interest cost	15	90
Change in effect of asset ceiling excl. interest cost	-2 131	
<b>Balance at 31/12</b>		<b>2 116</b>

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

	2017	2016
	in 1000 CHF	in 1000 CHF
Actuarial gains	10 813	3 979
Actuarial gains from discontinued operations	2 925	4 352
Return on plan assets excl. interest income	-44 479	-16 166
Change in effect of asset ceiling excl. interest cost	-2 131	
<b>Remeasurements of employee benefit obligations</b>	<b>-32 872</b>	<b>-7 835</b>



The amounts recognised in the income statement are as follows:

	2017	2016
	in 1000 CHF	in 1000 CHF
Current service cost	11 262	9 696
Past service cost	-3 412	
Net interest result	923	999
Interest cost on effect of asset ceiling	15	90
Administration cost	189	176
Settlements/partial liquidation	-8 195	-3 040
<b>Net charges for defined benefit plans</b>	<b>781</b>	<b>7 920</b>
thereof recorded under personnel expenses from continuing operations	189	6 516
thereof recorded under financial expenses from continuing operations	938	1 076
thereof recorded under Group result from discontinued operations after taxes	-345	329

The principal actuarial assumptions used were as follows:

Weighted average	2017	2016	
Discount rate at 31/12	0.9%	0.8%	
Future salary increases	1.1%	1.1%	
Future pension increases	0.2%	0.2%	
Mortality tables	Switzerland Germany	BVG 2015 GT HB 2005 GT	BVG 2015 GT HB 2005 GT

The sensitivity of employee benefit obligations due to changes of principal assumptions for all operations are as follows:

Impact on employee benefit obligations	Change in assumption	2017	2016
Discount rate	- 0.25%	15 546	17 190
	+ 0.25%	-14 493	-16 020
Salary increases	- 0.25%	-1 285	-1 801
	+ 0.25%	1 291	1 780
Life expectancy	+ 1 year	10 173	11 467
	- 1 year	-10 325	-11 664
Service cost 2018 with discount rate	+ 0.25%	-600	-834

The weighted average duration of employee benefit obligations is 15.7 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:

	quoted	unquoted	31/12/2017 Total	quoted	unquoted	31/12/2016 Total
Cash and cash equivalents	6 340	2 030	8 370	5 788	2 619	8 407
Equity instruments	45 343		45 343	49 305		49 305
Debt instruments	51 191		51 191	61 380	26	61 406
Real estate	8 128	128 029	136 157	8 272	111 889	120 161
Investment funds	51 118	3 403	54 521	55 131	3 470	58 601
Others	10 536	23 767	34 303	11 925	67 243	79 168
<b>Total plan assets</b>	<b>172 656</b>	<b>157 229</b>	<b>329 885</b>	<b>191 801</b>	<b>185 247</b>	<b>377 048</b>

Plan assets invested in Swiss multi-employer plans are allocated to the category "Others". Furthermore, this category includes assets from discontinued full insurance contracts terminated some years ago.

The expected maturity profile of benefit payments for unfunded plans is as follows:

	up to 1 year	between 1 and 2 years	between 2 and 5 years	next 5 years
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Benefit payments	1 300	1 336	4 694	9 317

Expected contributions to pension plans for the year ending 31 December 2018 for continuing operations amount to CHF 11.5 million (2017: CHF 15.8 million for all operations), of which CHF 6.9 million (2017: CHF 9.4 million for all operations) are attributable to the employer.

## 47 Share capital

The capital structure is as follows:

Category	31/12/2017			31/12/2016		
	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	68 485 790	4.20	287 640 318

On 28 April 2017, the Board of Directors of Arbonia AG approved two authorised capital increases. Both capital increases were completed on 28 June 2017. For the first transaction, the share capital was increased through the issue of 600 000 new registered shares with a par value of CHF 4.20 by CHF 2 520 000 to CHF 290 160 318. These new registered shares are designated for the participation of employees and the Board of Directors of Arbonia. For the second transaction, the share capital was increased through the issue of 387 453 new registered shares with a par value of CHF 4.20 by CHF 1 627 302.60 to CHF 291 787 620.60 (see note 50). These new shares with a current value of CHF 6.9 million were used for the remaining and by the cancellation affected shareholders of Looser Holding AG. The capital surplus resulting from this capital increase in the amount of CHF 5.2 million was allocated to share premium.

As a result of the completed authorised capital increase on 28 June 2017 of 600 000 new registered shares, the maximum amount and number of registered shares allocated to raise new capital were reduced to CHF 10 700 117.40 and 2 547 647 shares respectively.

On 1 November 2016, the Extraordinary Shareholders' Meeting of Arbonia AG approved amongst others the following in view of the acquisition of Looser Holding AG: To authorise the Board of Directors to create additional share capital by a maximum amount of CHF 87 814 650 through the issue of a maximum 20 908 250 fully paid registered shares with a par value of CHF 4.20 each (authorised capital).

On 12 December 2016, the capital increase was completed by means of the acquisition of Looser Holding AG (see note 40). The share capital was increased through the issue of 20 373 996 new registered shares with a par value of CHF 4.20 by CHF 85 570 783.20 from CHF 202 069 534.80 to CHF 287 640 318. The capital surplus resulting from the capital increase in the amount of CHF 219.5 million (net of all transaction costs of CHF 5.3 mil-

lion) was allocated to share premium. In November 2017, the Federal Tax Administration refunded to Arbonia AG CHF 3.1 million of the paid stamp duty, as this transaction was not subject to such duties. The amount was allocated to share premium.

On 14 September 2016, the Board of Directors of Arbonia AG approved an authorised capital increase under exclusion of subscription rights for existing shareholders. The capital increase was completed on 21 September 2016. The share capital was increased through the issue of 2 640 000 new registered shares with a par value of CHF 4.20 by CHF 11 088 000 to CHF 202 069 534.80 and was used to finance the acquisition of the Koralle Group. The capital surplus resulting from the capital increase in the amount of CHF 25.7 million (net of all transaction costs of CHF 0.9 million) was allocated to share premium.

On 22 April 2016, the Board of Directors of Arbonia AG approved an authorised capital increase under exclusion of subscription rights for existing shareholders. The capital increase was completed on 7 June 2016. The share capital was increased through the issue of 914 669 new registered shares with a par value of CHF 4.20 by CHF 3 841 609.80 to CHF 190 981 534.80. 514 669 of these new shares with a counter value of CHF 5.8 million and CHF 4.8 million in cash were used for the purchase price settlement of the remaining 10% of Sabiana S.p.A., IT-Corbetta. The remaining 400 000 new registered shares are designated for the participation of employees and the Board of Directors of Arbonia. The capital surplus resulting from the capital increase in the amount of CHF 6.4 million (net of all transaction costs of CHF 0.1 million) was allocated to share premium.

On 22 April 2016 the Annual General Meeting approved amongst others the following:

To authorise the Board of Directors to create additional share capital by a maximum amount of CHF 33 600 000 through the issue of a maximum 8 000 000 fully paid

registered shares with a par value of CHF 4.20 each until 22 April 2018 (authorised capital).  
To increase the share capital in the amount of CHF 33 600 000 by issuing a maximum of 8 000 000 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 33 600 000.

Earnings per share	2017	2016
	in 1 000 CHF	in 1 000 CHF
Group earnings from continuing operations after non-controlling interests (in 1 000 CHF)	37 489	5 353
Group earnings from discontinued operations after non-controlling interests (in 1 000 CHF)	8 889	2 250
Group earnings for the year (in 1 000 CHF)	46 378	7 603
	2017	2016
Outstanding shares (average)	69 061 804	47 448 515
Less treasury shares (average)	-780 967	-576 710
<b>Average number of shares outstanding for the calculation</b>	<b>68 280 838</b>	<b>46 871 805</b>

There were no dilutive effects impacting the calculation.

## 48 Treasury shares

	2017			2016		
	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>13</b>	<b>664 351</b>	<b>8 576</b>	<b>15</b>	<b>509 681</b>	<b>7 553</b>
Transfer for share based payments	13	-143 953	-1 846	14	-249 351	-3 404
Purchase	17	118 391	2 054	13	196 058	2 555
Sale	12	-115 468	-1 372	14	-192 108	-2 673
Purchase of non-controlling interests	13	-129 173	-1 668			
Share capital increase	4	600 000	2 520	11	400 071	4 545
<b>Balance at 31/12</b>	<b>8</b>	<b>994 148</b>	<b>8 265</b>	<b>13</b>	<b>664 351</b>	<b>8 576</b>

The balance of treasury shares has been increased on a net basis by 329 797 since 31 December 2016 mainly due to the capital increase carried out in June 2017.

## 49 Other comprehensive income and other reserves

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

	Other reserves	Retained earnings	Total other comprehensive income 31/12/2017	Other reserves	Retained earnings	Total other comprehensive income 31/12/2016
	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Remeasurements of employee benefit obligations		32 871	32 871		7 835	7 835
Deferred tax effect		-6 239	-6 239		-992	-992
<b>Total items that will not be reclassified to income statement</b>		<b>26 632</b>	<b>26 632</b>		<b>6 843</b>	<b>6 843</b>
Currency translation differences	57 587		57 587	-2 706		-2 706
Cumulative currency translation differences transferred to the income statement	-367		-367	15		15
<b>Total items that may be subsequently reclassified to income statement</b>	<b>57 220</b>		<b>57 220</b>	<b>-2 691</b>		<b>-2 691</b>
<b>Other comprehensive income after taxes</b>	<b>57 220</b>	<b>26 632</b>	<b>83 852</b>	<b>-2 691</b>	<b>6 843</b>	<b>4 152</b>

### Other reserves

	Currency translation	Total
	in 1000 CHF	in 1000 CHF
<b>Balance at 31/12/2015</b>	<b>-84 288</b>	<b>-84 288</b>
Currency translation differences	-2 691	-2 691
<b>Balance at 31/12/2016</b>	<b>-86 979</b>	<b>-86 979</b>
Currency translation differences	57 220	57 220
<b>Balance at 31/12/2017</b>	<b>-29 759</b>	<b>-29 759</b>

## 50 Non-controlling interests

On 27 January 2017 and 28 June 2017, Arbonia increased its share in Looser Holding AG from 97.53% to 98.15% and 100%, respectively. The offer price for one registered share of Looser Holding AG amounted to 5.5 shares of Arbonia AG plus CHF 23 in cash. On 27 January 2017, 129 173 treasury shares plus CHF 0.54 million in cash were used for the purchase of 23 486 registered shares of Looser Holding AG. On 28 June 2017, 387 453 newly created shares of Arbonia AG plus CHF 1.62 million in cash were used for the remaining 70 446 shares of

Looser Holding AG to compensate those shareholders affected by the cancellation. In order to increase Arbonia's share of Looser Holding AG from 97.53% to 100%, a cash consideration totalling CHF 2.16 million was spent during the reporting period. Altogether the outstanding non-controlling interests with a book value of CHF 10.1 million were purchased at a price of CHF 11.3 million. The proportion of the price exceeding the carrying value of the non-controlling interests has been recognised directly in equity.

## 51 Financial results

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Financial income</b>		
Bank and other interest	749	1 021
Interest on net pension surplus	52	19
<b>Total interest income</b>	<b>801</b>	<b>1 040</b>
Impact of exchange rate fluctuations		78
Income from securities designated at fair value through profit or loss	181	327
Held for trading derivative financial instruments	313	13
Other financial income	1 255	7
<b>Total other financial income</b>	<b>1 749</b>	<b>425</b>
<b>Total financial income</b>	<b>2 550</b>	<b>1 465</b>
<b>Financial expenses</b>		
Bank and other interest	492	1 609
Interest on finance leases	602	365
Interest on non-current financial debts and syndicated loan	5 275	3 045
Interest on net employee benefit obligations	990	1 095
Amortisation charges on bond		201
Compounding of liabilities	900	2 934
<b>Total interest expenses</b>	<b>8 259</b>	<b>9 249</b>
Impact of exchange rate fluctuations	687	
Expenses from securities designated at fair value through profit or loss	7	
Held for trading derivative financial instruments	25	7
Foreign currency exchange loss from sale/liquidation of subsidiaries		15
Minority share from associated companies	1 244	122
Impairment on loans	1 200	
Bank charges and other financial expenses	2 021	5 925
<b>Total other financial expenses</b>	<b>5 184</b>	<b>6 069</b>
<b>Total financial expenses</b>	<b>13 443</b>	<b>15 318</b>
<b>Total net financial results</b>	<b>-10 893</b>	<b>-13 853</b>

## 52 Income taxes

	2017	2016
	in 1000 CHF	in 1000 CHF
Current income taxes	14 286	10 238
Changes in deferred income taxes	-1 467	-2 210
<b>Total</b>	<b>12 819</b>	<b>8 028</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:

	2017	2016
	in 1000 CHF	in 1000 CHF
<b>Earnings before income tax</b>	<b>50 367</b>	<b>13 381</b>
Weighted average tax rate in %	24.5	39.4
<b>Expected tax expense</b>	<b>12 328</b>	<b>5 269</b>
<b>Income tax reconciliation</b>		
Effect of utilisation of previously unrecognised tax losses	-2 579	-1 709
Effect of not capitalised losses for the year	1 931	1 887
Effect of non-tax-deductible expenses and non-taxable income	551	1 752
Effect of income and expenses taxed at special rates	513	261
Effect of tax charges related to prior years	72	1 079
Effect of tax rate changes	637	34
Change in unrecognised deferred tax assets	-842	-343
Other items	209	-202
<b>Effective tax expense</b>	<b>12 819</b>	<b>8 028</b>
Effective tax rate in %	25.5	60.0

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 significantly compared to previous year. The decrease is predominantly due to the significant increased share of taxable profit of some Swiss companies with significant lower tax rates compared to those of foreign companies. There were no significant changes in local tax rates compared to 2016.

## 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 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 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 Group companies.

The Group's financial resources are not used for speculation purposes.

### 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, on the one hand, relates to trade accounts receivable but also to cash and cash equivalents,

fixed-term deposits and derivative financial instruments having a positive fair value.

The credit or default risk in relation to receivables 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's continuing operations as of the balance sheet date accounted for a share of 20.4% (2016: 10.3% for all operations) of existing trade receivables. The 10 largest customers of the continuing operations generated 20.4% (2016: 20.7% for all operations) 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 52%/18%/9% of total liquid funds as of the balance sheet date (2016: 21%/17%/13% for all operations).

The maximum credit risk corresponds to the book values or fair values reported in note 43 for the financial asset categories "Financial instruments held for trading purposes" and "Loans and receivables". 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:

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Cash and cash equivalents and securities	82 703	114 114
+ undrawn credit facilities	306 772	199 448
<b>Total available liquidity</b>	<b>389 475</b>	<b>313 562</b>

The syndicated loan includes covenants. If such covenants are not complied with, the banks may demand immediate redemption of their share. In 2017 and 2016, Arbonia complied with all covenants. Due to restrictions on the leverage ratio, undrawn credit facilities are not fully utilisable.

The contractually agreed maturities of financial liabilities within the meaning of IFRS 7 are set forth in note 42.

## 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 and CZK.

A currency risk arises from transactions settled in foreign currencies (transaction risks) and paid in the Group company's functional currency. The standard policy is that subsidiaries must hedge 100% of the relevant net risk position for the risk horizon period through hedging transactions via 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 (2016: 5%), a 5% increase (decrease) of the CZK against the CHF (2016: 5%) or a 5% increase (decrease) of the PLN against the CHF (2016: 5%) would have the following effects on Arbonia's Group earnings as of the balance sheet date:

31/12/2017			
	EUR/CHF	CZK/CHF	PLN/CHF
	in 1000 CHF	in 1000 CHF	in 1000 CHF
Reasonably possible change	5.0%	5.0%	5.0%
Impact of an increase on group earnings	5 444	701	531
Impact of a decrease on group earnings	-5 444	-701	-531

  

31/12/2016			
	EUR/CHF	CZK/CHF	PLN/CHF
	in 1000 CHF	in 1000 CHF	in 1000 CHF
Reasonably possible change	5.0%	5.0%	5.0%
Impact of an increase on group earnings	-2 039	48	592
Impact of a decrease on group earnings	2 039	-48	-592

#### (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 upon prior approval. Excess cash is also invested via group treasury. 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 and only upon consultation with or according to the instruction of group treasury.

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 (2016: 50 basis points) or by 50 basis points for EUR interest rates (2016: 50 basis points) would have the effects set forth below on Group earnings of Arbonia:

31/12/2017		
	CHF interest rate	EUR interest rate
	in 1000 CHF	in 1000 CHF
Reasonably possible change in basis points	50	50
<b>Variable interest-bearing financial instruments</b>		
Impact of an increase on group earnings	170	-363
Impact of a decrease on group earnings	-170	363
<b>Interest rate swaps</b>		
Impact of an increase on group earnings		314
Impact of a decrease on group earnings		-328
31/12/2016		
	CHF interest rate	EUR interest rate
	in 1000 CHF	in 1000 CHF
Reasonably possible change in basis points	50	50
<b>Variable interest-bearing financial instruments</b>		
Impact of an increase on group earnings	-502	-494
Impact of a decrease on group earnings	502	494
<b>Interest rate swaps</b>		
Impact of an increase on group earnings		326
Impact of a decrease on group earnings		-326

### (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.

As of the balance sheet date, Arbonia reported no significant equity instruments under investments or securities classified as available-for-sale.

#### 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 attributable to equity holders of Arbonia AG as reported in the consolidated balance sheet is deemed Arbonia's relevant equity and corresponds to an equity ratio of 60.9% as of the balance sheet date (2016: 47.1%). The high increase in the equity ratio compared to the previous year is due to lower total assets as a result of the sales of the Industrial Services and Coatings businesses. Furthermore, currency translation differences declined due to the weaker CHF, whereas Group profit increased significantly.

With regard to the ordinary and authorised capital increases carried out in 2017 and 2016, as well as the possible creation of new share capital, see note 47.

The syndicated loan includes covenants. One of these covenants prescribes a minimum equity ratio (see also note 41). 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 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:

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
<b>Liabilities</b>		
Interest rate swaps without hedges	1 797	1 956

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.

## 55 Additional information on the cash flow statements

	2017	2016
	in 1000 CHF	in 1000 CHF
<i>Changes in non-cash transactions</i>		
Changes in deferred taxes	-1 169	-2 639
Changes in provisions	11 887	2 763
Changes in capitalised pension surplus/employee benefit obligations	-7 797	-52
Share based payments	3 301	3 089
Impairment on loans and compounding of liabilities	1 977	2 538
Minority share from associated companies	1 232	122
Other non-cash effects	5 066	-1 524
<b>Total changes in non-cash transactions</b>	<b>14 497</b>	<b>4 297</b>
<i>Changes in working capital</i>		
Changes in accounts receivable	-20 583	-4 667
Changes in inventories	-8 868	15 237
Investments/divestments rental park	-8 259	
Changes in other working capital items	-5 343	1 154
<b>Total changes in working capital</b>	<b>-43 053</b>	<b>11 724</b>
<i>Changes in liabilities</i>		
Changes in accounts payable	15 548	-2 901
Changes in advance payments by customers	-6 109	-10 886
Changes in provisions	-16 857	-16 865
Changes in other current liabilities	16 181	3 316
<b>Total changes in liabilities</b>	<b>8 763</b>	<b>-27 336</b>

	Current and non-current financial debts
	in 1000 CHF
<b>Balance at 31/12/2016</b>	<b>342 430</b>
Foreign exchange differences	1 503
Change in scope of consolidation	-9 625
Proceeds from financial debts	35 636
Repayments of financial debts	-267 305
Non-cash foreign exchange effects	16 902
<b>Balance at 31/12/2017</b>	<b>119 541</b>

  

	Finance lease liabilities
	in 1000 CHF
<b>Balance at 31/12/2016</b>	<b>14 336</b>
Foreign exchange differences	315
Finance lease additions	657
Finance lease liability payments	-2 394
<b>Balance at 31/12/2017</b>	<b>12 914</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 40% (2016: 40%) and the other employees 30% (2016: 30%) 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 2017, Group Management and certain other employees received for their work in the year 2016 a total of

41 954 (2016: 30 585 shares) allotted shares at a fair value of CHF 0.7 million (2016: CHF 0.3 million) and CHF 17.08 per share respectively (2016: CHF 11.36). The CEO received a larger portion of his base compensation for his employment 2017 in shares. He was allocated 60 000 shares (2016: 60 000) at a fair value of CHF 1 million (2016: CHF 0.6 million) and CHF 16.66 per share respectively (2016: CHF 9.34). A Group Management member received in 2017 for his work 11 292 allotted shares at a fair value of CHF 0.2 million and CHF 16.61 per share respectively. The members of the Board of Directors received for their work from 23 April 2016 up to the Annual General Meeting on 28 April 2017 a total of 30 707 shares (2016: 45 767 shares) at a fair value of CHF 0.5 million (2016: CHF 0.5 million) and CHF 17.08 per share respectively (2016: CHF 11.36).

Arbonia agreed in 2016 to a salary adjustment which took effect from 1 July 2016 with three executive staff of Sabiana. These people received in a first tranche a total

of 112 999 shares at a fair value of CHF 1.3 million or CHF 9.34 per share. A second tranche of an additional 112 999 shares will be payable by 30 June 2019, provided that at that time they are still in an employment relationship with Sabiana.

Personnel expenses in 2017 for share based payments totalled CHF 2.9 million (2016: CHF 3 million).

## 57 Related party transactions

Members of the Board of Directors and Group Management were compensated as follows:

	2017	2016
	in 1 000 CHF	in 1 000 CHF
Salaries and other short-term employee benefits	2 882	3 081
Share based payments	2 149	1 458
Pension and social security contributions	729	748
<b>Total</b>	<b>5 760</b>	<b>5 287</b>

The detailed disclosures regarding executive remuneration required by Swiss law are included in the compensation report on pages 74–76.

The following transactions were carried out with related parties and the following balances were outstanding as of the balance sheet date respectively:

	Purchase of services	Sale of goods	Purchase of goods	Balance on receivables
	2017			31/12/2017
	in 1 000 CHF	in 1 000 CHF	in 1 000 CHF	in 1 000 CHF
Key management personnel		41		30
Other related parties	41	1 482	44	108
<b>Total</b>	<b>41</b>	<b>1 523</b>	<b>44</b>	<b>138</b>

	Purchase of services	Sale of goods	Purchase of goods	Balance on receivables
	2016			31/12/2016
	in 1 000 CHF	in 1 000 CHF	in 1 000 CHF	in 1 000 CHF
Other related parties	71	465	19	
<b>Total</b>	<b>71</b>	<b>465</b>	<b>19</b>	

The law firm Bratschi AG (previously Bratschi Wiederkehr & Buob AG), of which Christian Stambach (non-executive member of the Board of Directors until 28 April 2017) a partner is, charged in the reporting period up until 28 April 2017 for legal advice and representation TCHF 31 (2016: TCHF 70) to Arbonia and its Group companies. These expenses are included in the purchase of services and were at arm's length. The sale of goods in 2017 and 2016 relates almost exclusively to Arbonia products purchased at market prices by companies owned by Michael Pieper (non-executive member of the Board of Directors). 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 36.

Major shareholders are disclosed in the notes to the 2017 financial statements of Arbonia AG on page 177.

## **58 Contingencies**

There were no contingencies.

## **59 Events after the balance sheet date**

On 22 January 2018, the closing of the sale of the business unit Profile Systems to Belgian Reynaers Group, announced on 15 November 2017, was completed.

On 23 January 2018, Arbonia announced the splitting of the Building Technology Division, beginning in 2018, into two segments: the HVAC Division (Heating, Ventilation and Air Conditioning) and the Sanitary Equipment Division.

No other events occurred between the balance sheet date and the date of this report which could have a significant influence on the 2017 consolidated financial statements.

## 60 Subsidiaries

Company	Head Office	Share Capital in million	Interest in Capital	Room Climate	Shower Stalls	Windows	Profile Systems and Doors Services/Finance
<b>Building Technology Division</b>							
Arbonia Solutions AG	Arbon, CH	4.000 CHF	100%	▲	■		
Bekon-Koralle AG	Dagmersellen, CH	1.000 CHF	100%		▲		
Prolux Solutions AG	Arbon, CH	1.000 CHF	100%	■			
Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft m.b.H	Margarethen am Moos, AT	0.036 EUR	100%		▲		
Kermi s.r.o.	Stříbro, CZ	195.000 CZK	100%	▲	▲		
PZP Heating a.s.	Dobre, CZ	7.200 CZK	100%	▲			
Arbonia Riesa GmbH	Riesa, DE	0.614 EUR	100%	■			
Kermi GmbH	Plattling, DE	15.339 EUR	100%	▲	▲		
Kermi System GmbH	Plattling, DE	0.025 EUR	100%	▲			
Koralle Sanitärprodukte GmbH	Vlotho, DE	2.070 EUR	100%		▲		
Servico-Gesellschaft für Sanitärtechnik mbH	Weissenburg, DE	0.052 EUR	100%		■		
Arbonia France Sàrl	Hagenbach, FR	0.600 EUR	100%	■			
Sabiatherm SAS	Tassin-la-Demi-Lune, FR	0.200 EUR	100%	■			
Kermi (UK) Ltd.	Corby, GB	0.150 GBP	100%				
Sabiana S.p.A.	Corbetta, IT	4.060 EUR	100%	▲			
Kermi Sp.z o.o.	Wroclaw, PL	0.900 PLN	100%	■	■		
<b>Windows Division</b>							
EgoKiefer AG	Altstätten, CH	8.000 CHF	100%			▲	
Arbonia Windows AG	Altstätten, CH	0.250 CHF	100%				●
Wertbau GmbH	Langenwetzendorf, DE	0.025 EUR	100%			▲	
Wertbau-Elemente GmbH	Langenwetzendorf, DE	0.100 EUR	100%			▲	
InnoPaint GmbH	Langenwetzendorf, DE	0.100 EUR	100%			▲	
Dobroplast Fabryka Okien sp. z o.o.	Zambrow, PL	53.355 PLN	100%			▲	
Slovaktual s.r.o.	Pravenec, SK	0.500 EUR	100%			▲	
<b>Doors Division</b>							
Forster Profilsysteme AG	Arbon, CH	4.000 CHF	100%				▲
Arbonia Doors AG	Arbon, CH	0.250 CHF	100%				●
RWD Schlatter AG	Roggwil, CH	2.000 CHF	100%				▲
Forster Profilsysteme GmbH	Wien, AT	0.018 EUR	100%				■
Forster Profilsysteme GmbH	Rottweil, DE	0.100 EUR	100%				■
Prüm-Garant-Holding GmbH	Weinsheim, DE	1.000 EUR	100%				●
Prüm-Türenwerk GmbH	Weinsheim, DE	3.500 EUR	100%				▲
Garant Türen- und Zargen GmbH	Amt Wachsenburg, DE	0.100 EUR	100%				▲
TPO Holz-Systeme GmbH	Leutershausen, DE	0.025 EUR	100%				▲



Company	Head Office	Share Capital in million	Interest in Capital	Room Climate	Shower Stalls	Windows	Profile Systems and Doors Services/Finance
Forster Profile Systems (UK) Ltd	Sheffield, GB	0.000 GBP	100%				■
Bloxer Ronchi S.r.l.	Villafranca Padovana, IT	0.100 EUR	100%				▲
Invado Sp. z o.o.	Dzielna, PL	20.000 PLN	100%				▲
<b>Coatings</b>							
FLH Holding AG	Arbon, CH	0.650 CHF	100%				●
Schekolin SEA Co. Ltd.	Bangkok, TH	3.425 THB	100%				
Schekolin US LLC	Charlotte, US	0.020 USD	100%				
<b>Corporate Services</b>							
Arbonia AG	Arbon, CH	291.8 CHF					●
AFG International AG	Arbon, CH	1.000 CHF	100%				●
AFG Schweiz AG	Arbon, CH	1.000 CHF	100%				●
AFG Immobilien AG	Arbon, CH	12.000 CHF	100%				●
Arbonia Management AG	Arbon, CH	0.250 CHF	100%				●
Arbonia Services AG	Arbon, CH	0.250 CHF	100%				●
Looser Holding AG	Arbon, CH	32.047 CHF	100%				●
Looser Management AG	Arbon, CH	0.100 CHF	100%				●
AFG (Shanghai) Building Materials Co. Ltd.	Shanghai, CN	2.000 USD	100%				●
AFG Arbonia-Forster-Deutschland GmbH	Plattling, DE	0.511 EUR	100%				●
AFG RUS	Moskau, RU	454.500 RUB	100%				●
AFG Middle East Fze.	Dubai, AE	1.000 AED	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 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 85 to 162) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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 and intangible assets



Purchase price allocation (PPA) Looser Group



Discontinued operations

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 and intangible assets

#### Key Audit Matter

As at 31 December 2017, the carrying amounts of the balance sheet line items "Goodwill" and "Intangible assets" amount to:

- Goodwill CHF 212.1 million
- Intangible assets CHF 209.0 million

Management assesses the valuation of goodwill and – in case of existence of impairment triggers – intangible assets based on projected results for the relevant cash generating units.

The impairment tests for these items require significant management judgment with regards to forecast cash flows, margins, growth rates as well as discount rates, and are therefore a key area of audit focus.

#### Our response

Our audit 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 its 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 business plan data with the latest forecasts by management and with business plans approved by the board of directors;
- challenging the robustness of the key assumptions used to determine the recoverable amount, including forecast cash flows, margins, growth rates and discount rates by comparing them with publicly available data and our understanding of the commercial prospects of the relevant assets;
- 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 and intangible assets refer to the following:

- Note 19 „Intangible assets“, page 100
- Note 20 „Impairment of assets“, page 101
- Note 21 „Estimated useful lives“, page 101
- Note 30 „Significant accounting judgments, estimates and assumptions“, paragraphs „Estimated impairment of goodwill“ and „Intangible assets acquired in a business combination“, page 104
- Note 39 „Intangible assets“, page 124



### Purchase price allocation (PPA) Looser Group

#### Key Audit Matter

On 13 December 2016, Arbonia AG acquired control of Looser AG, domiciled in Arbon ("Looser Group"). The purchase price amounted to CHF 400.0 million, with a provisional goodwill determined at CHF 170.6 million.

In the 2017 financial year, the purchase price allocation for the Looser Group was finalized. The final goodwill from this transaction amounted to CHF 163.0 million.

When identifying and valuing intangible assets and determining goodwill, management applies significant professional judgment. Therefore, the accounting treatment of the acquisition of the Looser Group is a key area of audit focus.

#### Our response

We assessed whether the material items on the final opening balance sheet as at 13 December 2016 were recognized in accordance with IFRS 3 "Business Combinations". We used our own valuation specialists to support our procedures.

Amongst others, we performed the following audit procedures:

- assessing the competence and independence of the external expert used to finalize the purchase price allocation;
- verifying the changes between the provisional and the final opening balance sheet;
- assessing the appropriateness of the model used for the valuation of the intangible assets and challenging the robustness of the key valuation parameters, including discount rates, residual useful lives, churn rates and royalty rates by comparing these with publicly available data;
- comparing the considerations received for the sales of the business units "Coatings" and "Industrial Services" with the net assets recognized in the final opening balance sheet;
- considering the appropriateness of the disclosures in the notes to the consolidated financial statements in relation to the finalization of the purchase price allocation.

For further information on the purchase price allocation for the Looser Group refer to the following:

- Note 1 „General information“, paragraph „restatement of prior year figures“, page 94
- Note 19 „Intangible assets“, page 100
- Note 21 „Estimated useful lives“, page 101
- Note 30 „Significant accounting judgments, estimates and assumptions“, paragraphs „Estimated impairment of goodwill“ and „Intangible assets acquired in a business combination“, page 104
- Note 40 „Acquisitions“, section „Acquisitions 2016“, page 128



## Discontinued operations

### Key Audit Matter

In the past financial year, Arbonia AG disposed the entire business unit "Coatings", which it had acquired in the course of its acquisition of Looser Holding AG, in several transactions. The disposal of the business unit "Industrial Services" announced in July 2017 took place in November 2017. In December 2017, the sales contract for the business unit "Profile Systems" was signed.

Due to the significant impact on the consolidated financial statements, these transactions are a key area of audit focus.

### Our response

We assessed whether completed, respectively announced sales transactions were disclosed in the consolidated financial statements in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations".

Amongst others, we performed the following audit procedures:

- reviewing the sales contracts including verifying the signing dates and the closing dates of the transactions;
- agreeing the sales prices according to the sales contracts with the journal entries in the companies involved, as well as with the bank statements for the significant cash flows;
- reviewing the deconsolidation entries including the recycling of the currency translation adjustments to the consolidated income statement;
- assessing the correct split between the results from operating and discontinued activities;
- assessing the disclosures related to the transactions.

For further information on the discontinued operations refer to the following:

- Note 5 „Capital consolidation“, page 96
- Note 16 „Assets held for sale and associated liabilities“, page 99
- Note 16.1 „Discontinued operations“, page 99
- Note 31 „Segment information“, paragraphs „Doors Division“ and „Business Unit Industrial Services“, page 106
- Note 36 „Non-current assets held for sale and discontinued operations“, page 115
- Note 59 „Events after the balance sheet date“, page 160

### Other Matter

The consolidated financial statements of Arbonia AG for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 17 February 2017.

### Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all 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 in the annual report 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 in the annual report 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.

#### **Responsibility of the Board of Directors 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 Swiss Auditing Standards 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 Swiss Auditing Standards, 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 the Swiss Auditing Standard 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

Oliver Eggenberger  
Licensed Audit Expert

St. Gallen, 19 February 2018

**FINANCIAL  
STATEMENTS  
ARBONIA AG**



## Income Statement

	Note	2017		2016	
		in 1000 CHF	in %	in 1000 CHF	in %
Dividend income		2 000			
Financial income	2.6	11 487		16 932	
Other operating income		20		9	
<b>Total income</b>		<b>13 507</b>	<b>100.0</b>	<b>16 941</b>	<b>100.0</b>
Financial expenses	2.7	-23 273	-172.3	-19 846	-117.1
Personnel expenses		-961	-7.1	-882	-5.2
Other operating expenses	2.8	-5 438	-40.3	-5 468	-32.3
<b>Total expenses</b>		<b>-29 672</b>	<b>-219.7</b>	<b>-26 196</b>	<b>-154.6</b>
<b>Net loss for the year</b>		<b>-16 165</b>	<b>-119.7</b>	<b>-9 255</b>	<b>-54.6</b>

The notes on pages 174–178 are an integral part of these financial statements.

## Balance Sheet

	Note	31/12/2017		31/12/2016	
		in 1000 CHF	in %	in 1000 CHF	in %
<b>Assets</b>					
Cash and cash equivalents		17 265		33 698	
Securities with stock exchange price				2 116	
Other receivables					
Third parties		99		778	
Shareholdings		136 701		316 300	
Deferred expenses		30		21	
<b>Current assets</b>		<b>154 095</b>	<b>12.9</b>	<b>352 913</b>	<b>26.9</b>
Loans to shareholdings		250 068		179 646	
Investments	2.1	788 812		777 400	
<b>Non-current assets</b>		<b>1 038 880</b>	<b>87.1</b>	<b>957 046</b>	<b>73.1</b>
<b>Total assets</b>		<b>1 192 975</b>	<b>100.0</b>	<b>1 309 959</b>	<b>100.0</b>

	Note	31/12/2017		31/12/2016	
		in 1000 CHF	in %	in 1000 CHF	in %
<b>Liabilities and shareholders' equity</b>					
Accounts payable					
Third parties		80		2 398	
Shareholdings		7		8	
Interest bearing liabilities					
Bank loans	2.2	103 672		314 570	
Shareholdings		109 396			
Other liabilities					
Third parties		47		30	
Shareholdings				50	
Accruals and deferred income					
		1 770		5 569	
<b>Current liabilities</b>					
		<b>214 972</b>	<b>18.0</b>	<b>322 625</b>	<b>24.6</b>
<b>Total liabilities</b>					
		<b>214 972</b>	<b>18.0</b>	<b>322 625</b>	<b>24.6</b>
Share capital					
	2.3	291 788		287 640	
Legal capital reserves					
Capital contribution reserve	2.4	483 138		475 111	
Other capital reserves		42 812		42 812	
Voluntary reserves					
Free reserves		17 916		15 925	
Reserves for treasury shares				143	
Retained earnings		174 279		183 534	
Net loss for the year		-16 165		-9 255	
Treasury shares	2.5	-15 765		-8 576	
<b>Shareholders' equity</b>					
		<b>978 003</b>	<b>82.0</b>	<b>987 334</b>	<b>75.4</b>
<b>Total liabilities and shareholders' equity</b>					
		<b>1 192 975</b>	<b>100.0</b>	<b>1 309 959</b>	<b>100.0</b>

The notes on pages 174–178 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Accounting policies

### 1.1 General information

These financial statements 2017 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 Securities with stock exchange prices

Short term held securities are valued at cost or lower stock market price at the balance sheet date.

### 1.3 Other current receivables

Other current receivables from shareholdings are short term loans, which are accounted for at nominal value and for which if necessary, have individual specific valuation allowances been booked.

### 1.4 Non-current loans

Non-current loans to shareholdings 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).

### 1.5 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.

### 1.6 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.

### 1.7 Interest bearing liabilities

Interest bearing liabilities are accounted for at nominal value.

## 2 Information and notes to the financial statements

### 2.1 Investments

Company	31/12/2017		31/12/2016	
	Share capital in 1000 CHF	Capital and voting interest in %	Share capital in 1000 CHF	Capital and voting interest in %
AFG 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 %
Looser Holding AG, Arbon	32 047	100.00 %	32 047	97.53 %

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

	31/12/2017	31/12/2016
	in 1000 CHF	in 1000 CHF
Bank loans – syndicated loan	103 672	311 570
Bank loans		3 000
Loans to shareholdings	109 396	
<b>Total</b>	<b>213 068</b>	<b>314 570</b>

On 14 September 2016, Arbonia AG entered into a syndicated loan for CHF 500 million. This loan, arranged with a consortium of banks, had a line of credit of CHF 100 million with a due date no later than 31 December 2017 and was used to finance the cash settlement of the Looser acquisition. The other line of credit of 400 million matures on 14 September 2021. However due to the sale of the business unit Industrial Services in 2017,

the credit line was reduced to CHF 350 million. As a result of the new borrowing facility the existing syndicated loan of CHF 250 million, established on 2 December 2013 and maturing on 30 November 2018, was replaced prematurely. Due to the sale of the Coatings segment, the credit line of CHF 87 million used to finance the cash settlement of the Looser acquisition was completely repaid by 10 July 2017. The bond of CHF 200 million at 3.375% with a duration of 6 years was repaid on time by 12 May 2016.

### 2.3 Share capital

Refer to note 47 in the notes to the consolidated financial statements of Arbonia Group.

### 2.4 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 2016) as capital contribution within the meaning of article 5 para. 1bis VStG.

## 2.5 Treasury shares

	2017			2016		
	Ø market value in 1000 CHF	Number of shares	Amount in 1000 CHF	Ø market value in 1000 CHF	Number of shares	Amount in 1000 CHF
Balance at 01/01	13	664 351	8 576	15	509 681	7 553
Purchase	17	718 391	12 074	13	196 058	2 555
Share capital increase				11	400 071	4 545
Transfer for share based payments	17	-143 953	-2 454	11	-249 351	-2 750
Sale	17	-244 641	-4 280	13	-192 108	-2 534
Gain (+) / loss (-)			1 849			-792
Balance at 31/12	16	994 148	15 765	13	664 351	8 576

## 2.6 Financial income

Financial income totals CHF 11.5 million (2016: CHF 16.9 million) and consists mainly of interest income on loans to shareholdings and foreign currency exchange gains.

## 2.7 Financial expenses

Financial expenses totals CHF 23.3 million (2016: CHF 19.8 million) and consists mainly of bank interest and foreign currency exchange losses.

## 2.8 Other operating expenses

	2017	2016
	in 1000 CHF	in 1000 CHF
Administrative costs	4 799	3 662
Consultancy and audit fees	384	915
Other operating expenses	255	891
<b>Total</b>	<b>5 438</b>	<b>5 468</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:

		31/12/2017	31/12/2016
<b>UBS AG</b>			
in favour of AFG Immobilien AG	in 1000 CHF	3 465	3 455
<b>St.Galler Kantonalbank</b>			
in favour of EgoKiefer AG	in 1000 CHF	1 000	1 000
<b>UniCredit Bank</b>			
in favour of Kermi GmbH	in 1000 EUR	1 500	2 000
in favour of Wertbau GmbH	in 1000 EUR	2 500	2 500
<b>Commerzbank</b>			
in favour of AFG Schoch GmbH	in 1000 EUR		1 000

### 3.2 Contingent liabilities

A joint and several liability exists towards the affiliated subsidiaries under the cash pooling agreement with Uni-Credit Bank AG.

### 3.3 Major shareholders

	31/12/2017	31/12/2016
	Voting and capital interest	Voting and capital interest
Artemis Beteiligungen I AG	21.53 %	20.48 %

### 3.4 Headcount in full-time equivalents

Arbonia AG does not employ any staff.

### 3.5 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:

	31/12/2017	31/12/2016
	Number of registered shares	Number of registered shares
Alexander von Witzleben (Chairman of the BoD and Group Management)	171 984	103 201
Peter Barandun (Member of the BoD)	23 801	17 945
Peter E. Bodmer (Member of the BoD)	12 813	9 482
Markus Oppliger (Member of the BoD)	17 557	14 629
Heinz Haller (Member of the BoD)	51 260	47 161
Michael Pieper (Member of the BoD)	14 954 493	14 022 597
Rudolf Huber (Member of the BoD from 13/12/2016)	129 873	129 873
Thomas Lozser (Member of the BoD from 13/12/2016)	397 294	397 294
Christian Stambach (Member of the BoD until 28/04/2017)		25 549
Felix Bodmer (Group Management)	68 168	50 374
Knut Bartsch (Group Management)	39 252	34 439
Harald Pichler (Group Management from 01/02/2016)	9 556	
Peter Spirig (Group Management from 01/05/2016)	2 733	
<b>Total</b>	<b>15 878 784</b>	<b>14 852 544</b>

### 3.6 Consistency in the presentation

The balance sheet item "Result from the sale of treasury shares" is now reported under the voluntary reserves and no longer as a separate item. Accordingly, previous year's figures were restated.

# PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors will propose at the Annual General Meeting of the shareholders on 20 April 2018 the following:

## Appropriation of Retained Earnings

	2017	2016
	in 1000 CHF	in 1000 CHF
Retained earnings carried forward from previous year	174 279	183 534
Net loss for the year	- 16 165	- 9 255
<b>Retained earnings</b>	<b>158 114</b>	<b>174 279</b>
Retained earnings carried forward	158 114	174 279
<b>Total</b>	<b>158 114</b>	<b>174 279</b>



# 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, which comprise the balance sheet as at 31 December 2017, 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 171 to 177) for the year ended 31 December 2017 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 Auditing Standards. 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 entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



#### 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 2017 include investments amounting to CHF 788.9 million and loans due from shareholdings (included in the balance sheet items "Other receivables shareholdings" as well as "Loans to shareholdings") amounting to CHF 386.8 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 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 1.3 „Other current receivables“, page 174
- Note 1.4 „Non-current loans“, page 174
- Note 2.1 „Investments“, page 175

##### Other Matter

The financial statements of Arbonia AG for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 February 2017.

##### Responsibility of the Board of Directors 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 entity'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 entity 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 Swiss Auditing Standards 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 Swiss Auditing Standards, 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 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 entity'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 entity 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 the Swiss Auditing Standard 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

A handwritten signature in black ink, appearing to read 'K. Stocker', written over a faint circular stamp.

Kurt Stocker  
Licensed Audit Expert  
Auditor in Charge

A handwritten signature in black ink, appearing to read 'O. Eggenberger', written over a faint circular stamp.

Oliver Eggenberger  
Licensed Audit Expert

St. Gallen, 19 February 2018

## SUPPLEMENTARY INFORMATION FOR INVESTORS

	2017	2016	2015	2014	2013
<b>Number of shares</b>					
Registered par value CHF 4.20	69 473 243	68 485 790	44 557 125	18 225 603	18 225 603
Registered par value CHF 4.20 average number	69 061 804	47 448 515	29 658 846	18 225 603	18 225 603
<b>Stock market prices in CHF<sup>1</sup></b>					
Highest	19.1	17.0	18.6	26.3	25.2
Lowest	15.1	8.8	8.7	14.0	16.9
31/12	16.3	16.4	10.1	18.2	23.2
<b>Stock market capitalisation in CHF million (31/12)</b>	<b>1 128.9</b>	<b>1 123.2</b>	<b>450.0</b>	<b>449.3</b>	<b>573.2</b>
<b>Per share data<sup>1</sup></b>					
Gross dividend in CHF <sup>2</sup>	0.0	0.0	0.0	0.0	0.3
Pay-out ratio (in % of Group earnings)	0.0	0.0	0.0	0.0	n/a
Group earnings in CHF	0.7	0.2	-6.1	0.6	-2.1
Cash flow from operating activities in CHF	1.0	0.7	1.8	1.6	2.6
Shareholders' equity in CHF	12.4	10.5	7.9	14.7	14.9
Price/earnings ratio (highest)	28.4	106.1	-3.1	31.7	-9.2
Price/earnings ratio (lowest)	22.4	54.6	-1.5	16.9	-6.2
Price/earnings ratio (31/12)	24.2	102.3	-1.7	22.0	-8.5
Price/cash flow ratio (highest)	19.1	25.2	10.1	12.1	7.1
Price/cash flow ratio (lowest)	15.1	13.0	4.8	6.5	4.7
Price/cash flow ratio (31/12)	16.3	24.3	5.5	8.4	6.5

<sup>1</sup> Adjusted for 2015 capital increase

<sup>2</sup> 2018 proposal to the Annual General Meeting