# ARBONIA ANNUAL REPORT

# 2021

ARBONIA

## Heating, Ventilation and Air Conditioning Division (HVAC)

**Areas of activity**

- Air handling units
- Fan Coils
- Heat pumps
- Indoor air filtration
- Radiant panels
- Radiators
- Surface temperature control
- Unit heaters
- Ventilation

**Brands**

- Arbonia
- Brugman
- Cicsa
- Kermi
- Prolux
- Sabiana
- Superia
- Tecna
- Termovent
- Vasco

**Production sites**

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

**Average headcount in FTE 2021**

3 076

## Doors Division

**Areas of activity**

- Acrylic / mineral cast bathtubs and shower trays
- Functional doors
- Frames
- Interior doors
- Shower areas
- Shower enclosure
- Shower unit

**Brands**

- Baduscho
- Garant
- Invado
- Kermi
- Koralle
- Prüm
- RWD Schlatter

**Production sites**

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

**Average headcount in FTE 2021**

2 977

# Key figures 2016 – 2021

| in CHF million | 2021 [1] | 2020 [1] | 2019 [1] | 2018 [2] | 2017 [2] | 2016 |
|---|---|---|---|---|---|---|
| Net revenue | 1 186.2 | 1 038.4 | 1 057.8 | 1 374.0 | 1 245.6 | 995.3 |
| EBITDA [3] | 124.7 | 116.3 | 100.7 | 130.5 | 120.3 | 68.7 |
| EBIT [3] | 53.3 | 53.9 | 40.1 | 61.0 | 61.3 | 29.1 |
| Group result [3] | 27.5 | 29.7 | 22.5 | 38.7 | 37.5 | 7.6 |
| Total assets | 1 623.3 | 1 515.2 | 1 534.4 | 1 511.9 | 1 416.6 | 1 526.9 |
| Shareholders' equity | 1 044.3 | 893.2 | 873.3 | 887.7 | 863.1 | 728.8 |
| in % of total assets | 64.3 | 59.0 | 56.9 | 58.7 | 60.9 | 47.7 |
| Net cash/debt | –93.2 [4] | 140.6 [4] | 180.6 [4] | 116.8 | 43.3 | 225.1 |
| Cash flow from operating activities | 92.8 | 141.3 | 111.8 | 69.6 | 68.8 | 32.0 |
| Free cash flow | 252.7 | 52.5 | 8.4 | –53.8 | 190.4 | –67.3 |
| Capex | 149.1 | 95.5 | 113.0 | 134.7 | 105.1 | 62.1 |
| Average headcount in FTE | 6 177 | 5 813 | 5 783 | 8 198 | 7 754 | 6 325 |
| Market capitalisation | 1 431.1 | 987 | 875 | 750 | 1 129 | 1 123 |

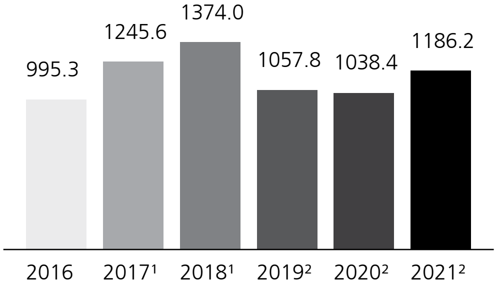
1 Continuing operations (without Windows Division)
2 Continuing operations (without Profile Systems and Industrial Services)
3 With one-time effects
4 Incl. IFRS 16

# Information for Investors

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Share price on 31.12. in CHF | 20.6 | 14.2 | 12.6 | 10.8 | 16.3 | 16.4 |
| Market capitalisation in CHF million [5] | 1 431.1 | 986.5 | 875.4 | 750.3 | 1 128.9 | 1 123.2 |
| Earnings per share in CHF | 2.0 [6] | 0.7 | 0.4 | 0.7 | 0.7 | 0.2 |
| Price/earnings ratio per share [5] | 10.3 | 22.0 | 33.4 | 16.3 | 24.2 | 102.3 |
| Gross dividend per share in CHF | 0.30 | 0.47 [7] | 0.00 [8] | 0.20 | 0.00 | 0.00 |

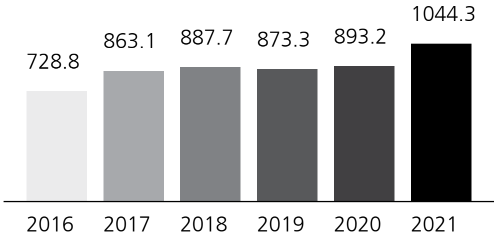
5 Calculated on the basis of the share price on 31 December
6 2021 includes the proceeds from the sale of the Windows Division
7 Combined dividend for the 2019 financial year of CHF 0.22 and the 2020 financial year of CHF 0.25
8 Dividende of CHF 0.22 for the 2019 financial year deferred due to COVID-19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

### Net revenue

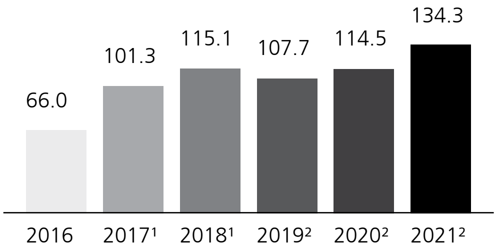



¹ Continuing operations (without Profile Systems and Industrial Services)
² Continuing operations (without Windows Division)

### Shareholders' equity

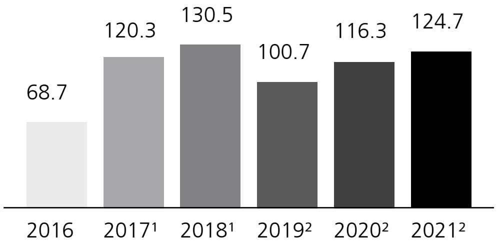



### EBITDA wihtout one-time effects



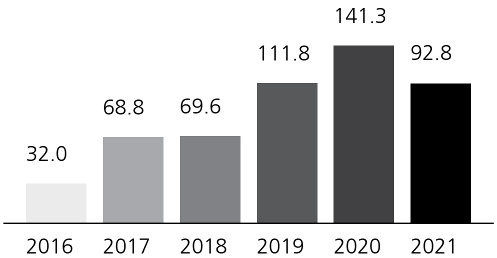

¹ Continuing operations (without Profile Systems and Industrial Services)
² Continuing operations (without Windows Division)

### EBITDA with one-time effects

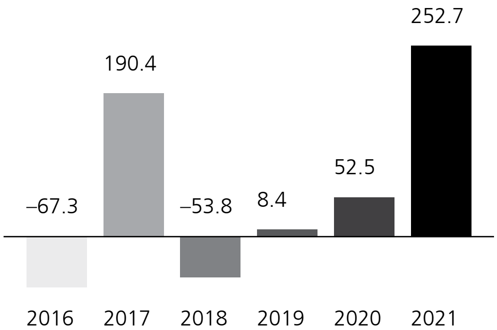



¹ Continuing operations (without Profile Systems and Industrial Services)
² Continuing operations (without Windows Division)

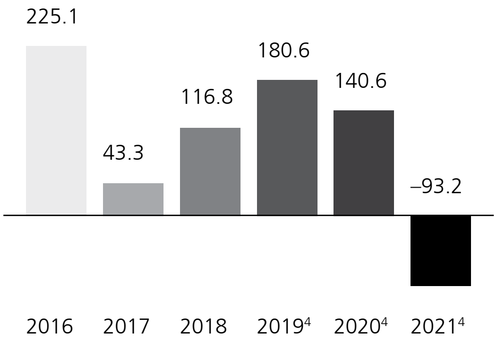
### Cash flow from operating activities




### Free cash flow

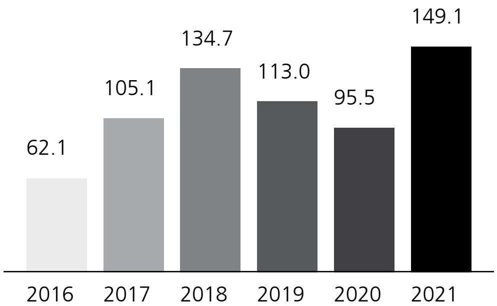



### Net cash/debt




⁴ Inkl. IFRS 16

### Capex




All figures in CHF M

# Report section



# Financial section



# Notes

# Letter to the Shareholders

In 2021, Arbonia once again achieved respectable results. This was accomplished despite considerable challenges in the raw material markets and the resulting unprecedented material price increases, as well as the unavailability of materials and components due to supply bottlenecks.

In addition to the good structural, economic, and regulatory environment ("EU Green Deal"), the strongly performing German market for construction supply products in particular is responsible for Arbonia's impressive numbers. The considerable investments that have been strategically made for many years to automate the production sites, increase the vertical integration, as well as further develop the product portfolio allow Arbonia to benefit from the positive environment now and in the future. Arbonia is intensifying its commitment to sustainability in order to counteract human-caused global warming and to minimise the impact of this, among other things. Since 2015, Arbonia has invested several hundred million Swiss francs in modern and thus efficient manufacturing.

Dear Shareholders
Dear Ladies and Gentlemen

The financial year 2021 was very successful for Arbonia. Sharply increased raw material prices as well as massively higher energy and, to a certain extent, freight costs negatively impacted the margins. Nevertheless, the investments of the past years in increasing efficiency and productivity had a positive effect and, together with a careful price policy, they were able to more than compensate for the negative effects. The selective investment of capital in the central production sites and the focus on a few state-of-the-art and efficient production sites, as well as selected sales markets with the right products made it possible to considerably increase organic revenue growth as well as profitability, thereby gaining further market shares. In addition, it was necessary to master the challenges in Arbonia's own supply chain in all markets and to guarantee the availability as well as the prices of raw materials and intermediate products. Arbonia managed to ensure the availability of raw materials and to pass on price increases to customers. There were only delivery delays in a few cases, which were due to record-high order volumes within tense procurement markets.

Following the sale of the Windows Division and the integration of the former Sanitary Equipment Division into the Doors Division, the Arbonia Group now consists of the two divisions Heating, Ventilation and Air Conditioning (HVAC) and Doors, which is why the reporting has also been adjusted accordingly.

A revenue growth of 11.6% when adjusted for currency and acquisition effects, or an increase of 14.2% in Swiss francs from CHF 1038.4 million to CHF 1186.2 million, resulted for the 2021 financial year. Without one-time effects, Arbonia increased its EBITDA by 17.4% from CHF 114.5 million to CHF 134.3 million and thereby succeeded in increasing its EBITDA margin to 11.3% in a challenging environment. Arbonia increased EBIT without one-time effects by 28.6% from CHF 52.1 million to CHF 67.0 million. Arbonia was able to increase the Group result from continuing operations without one-time effects by 46.2% to CHF 41.1 million (previous year: CHF 28.1 million). The reported Group result, which includes the continuing and discontinued operations, amounted to CHF 138.7 million (previous year: CHF 44.9 million) especially thanks to the proceeds from the sale of the Windows Division.

The free cash flow was CHF 252.7 million in the reporting year (previous year: CHF 52.5 million). The positive development resulted from the cash inflow from the sale of the Windows Division and despite outflows of liquidity of around CHF 130 million from acquisitions, through the accelerated investment programme, balance sheet optimisations (discontinuation of factoring and purchase of the Garant production site) and the increase in net working capital.

As of 31 December 2021, the total assets of Arbonia increased compared to the previous year by around CHF 108 million to CHF 1623.3 million (previous year: CHF 1515.2 million). The increase came about from the cash inflow from the sale of the Windows Division, the increase in inventory, the trade accounts receivable, as well as the increase in non-current assets (investments and acquisitions).

The net debt of CHF -140.6 million at the end of the 2020 financial year turned into a net cash position of CHF 93.2 million due to the cash inflow and the decline in liabilities from the sale of the Windows Division, despite considerable investments in non-current assets, acquisitions, and other cost-optimising measures.

The shareholders' equity increased by around CHF 150 million to now CHF 1044 million, which meant an increase in the equity ratio from 59.0% to 64.3% as of the end of 2021. This increase is mostly due to the Group result of CHF 138.7 million, which consists of the capital gains of the Windows Division and the net profit of the continuing operations.

The strong balance sheets also makes it possible to distribute a 20% higher dividend of CHF 0.30 per registered share (CHF 0.25 for the financial year 2020) to the shareholders for the financial year 2021, for the fourth year in a row since the start of dividend payments. For this reason, the Board of Directors will propose to the General Meeting on 22 April 2022 to distribute a cash dividend of CHF 0.30 per registered share for the 2021 financial year, half from retained earnings and, tax-neutral for Swiss shareholders, half from capital contribution reserves.

**Market environment 2021**
In the year 2021, as in the previous year, residential construction and other building construction developed differently almost everywhere in Europe. The same trends apply that had already appeared in 2020 due to the pandemic. A positive development was the increased savings of private households used to upgrade private living space, which has become more important due to working from home. This has already led to a noticeable increase in renovation projects. The still record-low interest rates also contribute to the attractive environment for the construction industry. On the other hand, the temporary closures of cultural, sports, and shopping centres, as well as other places of assembly, had a negative impact – especially in the case of retail and tourism properties.

While the pandemic continued to affect everyday life in Arbonia's most important market, **Germany**, its impact on the construction industry was once again relatively minor. In the first quarter of 2021, the comparatively cold winter as well as anticipatory effects, especially due to VAT being reduced until the end of 2020, still had a negative effect. Demand rose strongly, especially in residential construction, at the latest with the announcement of the first easing measures starting in March 2021. The construction industry in Germany continues to be at its capacity limit, however, due to a shortage of skilled workers and lengthy approval processes. Together with the uncertainty in retail business and tourism, these limiting aspects led to a slight decrease in building construction on the whole, while residential construction was able to increase slightly from an already very high level. This continually strong demand for living space, caused in particular by the state support of energy efficiency, which the new government would like to expand further, and limited capacities will ensure well-filled order books in the medium to long term.

Arbonia's second domestic market, **Switzerland**, was able to develop well in the past year. The rapidly increased savings rate during the pandemic together with changed requirements contributed to a quick recovery in residential construction. This led to the vacancy rate declining again for the first time in twelve years. In addition, Swiss industry was also able to recover quickly from the pandemic. In particular the export and pharmaceuticals industries continue to invest in new production and research facilities as well as in office space, allowing the remaining building construction to increase too. The special cycle in residential construction due to the desire to optimise one's own living space will probably also continue in 2022 before the situation starts to normalise here. As in Germany, the renovation of living space will come back into focus, which together with the investments of business and the state sector should ensure growth in building construction.

Arbonia's eastern European markets were characterised by a strong recovery from the effects of the pandemic. The economic output in **Poland**, for example, had already reached the pre-Corona level in the second quarter of 2021 and was supported by a dynamic construction industry. In the first three quarters of 2021, the construction of almost one third more living space was started than in the previous year; the number of building permits even increased by >30%. This boom in residential construction should continue to have a positive impact at least in the next two years. In the **Czech Republic**, residential construction also recovered robustly. The market potentials of the next few years are limited, however, due to the already very high capacity utilisation and long approval processes.

In **Italy**, the strong impact of the pandemic in 2020 led to a massive and rapid recovery of the economy in 2021. Another contributing factor here was the "superbonus" that subsidised energy-related renovation measures with up to 110%. As a consequence of this generous support, EUR 7.5 billion of subsidies had already been approved by the end of September 2021, increasing the renovation of residential buildings by more than 20% compared to the previous year. However, the other sectors of building construction also increased due to the fast economic recovery in the previous year. By contrast, the situation is expected to considerably normalise again in 2022.

In **Belgium**, the construction industry was able to recover from its sharp decline in 2020 for the most part and significantly increased its output in residential construction as well as in non-residential construction during the reporting year. However, due to delays in the implementation of EU support programmes for reviving the economy, no trend is foreseeable yet. In renovation, a one-time effect is expected for the next one to two years, though: The flood damage to residential buildings from summer 2021 alone represents around 10% of the added value in this segment. In the **Netherlands**, the pandemic did not have much effect on the construction industry. Instead, there was a catch-up effect in the reporting year for new construction projects that had been halted in 2020 due to environmental restrictions. These absorbed capacities, which had been previously used for renovation, are the reason why this segment shrank in the reporting year. For the coming years, strong growth in new residential construction is expected in order to meet the strong demand for living space.

**Strategy and development of the Arbonia Group**
Following the sale of the Windows Division and the integration of the Sanitary Equipment Division in the Doors Division, Arbonia focused on the two divisions Heating, Ventilation and Air Conditioning (HVAC) and Doors in the 2021 reporting year. These divisions are independently continuing their strategic development and are essentially focused on the megatrends of **energy efficiency, urbanisation, digitisation, as well as automation**.

**Heating, Ventilation and Air Conditioning Division (HVAC)**
The strategy of the **HVAC Division** clearly reflects the important megatrends of "$CO_2$ reduction" as well as "healthy and sustainable indoor climate". The recently adopted comprehensive climate protection package of the EU Commission, corresponding to those of the member states, which has climate targets of 55% greenhouse gas savings by 2030 and climate neutrality by 2050, confirms the long-term strategic orientation of the division. For several years now, as in the reporting year, the division has consistently pursued a strategy of being an innovative provider of sustainable heating systems and their components: from modern heat generation and optimum heat exchange to energy storage for all types of buildings and scopes of application, both for new construction and renovation markets.

The expansion of the strong market position in the established product groups continues to be the basis for the business model, however. In the reporting year, targeted investments and acquisitions were made to underpin the product and production strategy based on the following four pillars:
– "Best in class" production for radiators
– Use of renewable energies with heat pump and battery storage products
– Radiant heating and cooling for modern buildings
– Ventilation and indoor air quality

With the construction of the new production plant in Opočno (CZ), the division is ideally positioning itself in the strongly growing market for heat pumps, with a capacity of approx. 10 000 units per year. In line with this strategy, a new resource-saving, highly efficient generation of air-to-water heat pumps for the lower and medium output range was launched in the reporting year. As an optimal addition to the heat pump range, a new hot water and layered buffer storage tank was also launched, which offers many advantages thanks to its modular design and high degree of pre-assembly. In addition, the division is currently developing a battery storage system based on the sustainable redox flow technology, making it a future-oriented alternative to conventional lithium-ion batteries for both private and commercial residential construction. This product offers convincing features such as the important safety aspect of non-flammability, a high number of charging cycles without loss of capacity, and economic efficiency as well as sustainable production and operation.

In addition, the strategy of «best in class» production with steel panel radiators continues to be implemented through the consolidation of production volumes of steel panel radiators with the planned closure of the production plant in Tubbergen (NL). Ongoing projects have also been initiated to reduce complexity and lower costs.

With the acquisition of the Serbian company Termovent as of 1 July 2021, the HVAC Division was not only able to expand its geographical presence in South-Eastern Europe but also significantly deepened its expertise in the area of air handling units. Cleanroom technology is the second focus of Termovent and rounds off the division's product portfolio in the commercial and industrial ventilation systems segment. In the first half of 2021, the HVAC Division also acquired the Spanish company Cicsa to strengthen its sales position in Spain and Portugal.

**Doors Division**
In the middle of the reporting year, the Sanitary Equipment Division with its shower doors and partitions was integrated into the **Doors Division** as the **Glass Solutions Business Unit**. The strategic logic of the integration lies in the better use of synergies in joint market development in contract sales on the one hand and in procurement on the other. In addition, the product range of the **Wood Solutions Business Unit** with functional and interior doors will be expanded to include shower doors, and in the medium term the glass doors and glass partitions area can be expanded for interiors.

The focus of the Wood Solutions Business Unit continues to be on the strategic, **multi-year investment programme for increasing productivity and expanding capacity with the goal of improving delivery performance and the market position.**

Most of the investments went into the capacity expansion of the two German door plants Prüm and Garant. The largest individual items were the purchase of the property of Garant and the second high-bay warehouse, the combined heat and power plant (CHP), and the construction of the new door frame plant at Prüm. Arbonia also invested in a coating robot at RWD Schlatter and started the planning for a raw materials and finished goods warehouse at this Swiss site.

As a result of these investments, the Wood Solutions Business Unit will be able to produce around 900 000 more doors with corresponding frames than before across all locations in 2023/2024, thus increasing their capacity to 3.5 million doors and frames.

The division additionally invested in IT and the digitisation of processes. It is in the process of rolling out SAP S4/Hana in the Wood Solutions Business Unit, for example. Harmonising the ERP system will make the future cooperation between the four door companies more efficient.

Another important milestone in the reporting year was the acquisition of Glasverarbeitungs-Gesellschaft Deggendorf mbH (GVG). The Glass Solutions Business Unit is thus increasing its vertical integration by sourcing processed single-pane safety glass within the Group now. The separation of GVG from the Saint-Gobain Group and its integration into the Glass Solutions Business Unit of the Doors Division is proceeding according to plan. This sets the stage for future growth and further process improvements.

**Intensification of sustainability**
**Highlights in 2021**
To achieve the "1.5°C" scenario of the Paris Climate Accords, companies are required to reduce their emissions from their own operations (Scope 1 and Scope 2) by more than 4% and reduce indirect emissions (Scope 3) by over 2.5% per year (in relation to the reference year) annually. **Arbonia is committed to this. It has set itself the goal of reducing the intensity of its Scope 1–3 emissions on the basis of the Science Based Targets Initiative by 2035 so much that it will contribute to the global climate target despite further organic growth.**

In the two divisions HVAC and Doors, Arbonia is not limited the vision of a zero emissions policy. Over the course of the reporting year, it also defined further ambitious medium-term goals for responsible handling and use of resources. In the year 2021, the company started the process of joining the UN Global Compact and thus commits itself to observing and promoting the ten universal principles. Since the beginning of the year, the Arbonia Group has officially been a member of the UN Global Compact.

The HVAC Division is developing a storage system for electricity generated from solar energy. The division thereby rounds off its product portfolio with the energy storage (battery): It can now offer a complete, coordinated system of products for heat and energy management of living space. This energy store, which is environmentally friendly and sustainable in manufacturing and operation, will also contribute to the energy transition in general and the energy self-sufficiency of houses in particular.

In addition to the implementation of photovoltaic systems at some sites, the refurbishment of the welding line cooling as well as the heat recovery in the welding fume extraction in the steel panel radiator production at the large site of Plattling (D) led to a considerable reduction in the energy consumption in the reporting year.

The Doors Division is reducing $CO_2$ through two new CHP plants at its two production sites in Germany. With the planned CHP plants that are being implemented, the Prüm and Garant door companies are pursuing the following goals:

1. Own production and use of $CO_2$-neutral electricity,
2. Own production and use of $CO_2$-neutral heat and
3. 100% use and pollution-free disposal of wooden residue directly at the production site and thus elimination of some external disposal

The new plant that is already being implemented at Prüm will cover approx. 60% of the entire power requirement of the door production plant and additionally heat an area of around 24 000 m².

**Outlook**

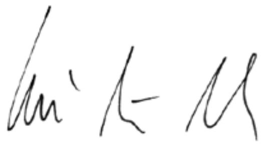
In the core markets of Arbonia in Europe, the construction sector is expected to grow further due to the continuing housing shortage. It continues to benefit from a strong construction industry that has a considerable pent-up demand from the last decades, especially in Germany. Investments in housing have become more attractive, on the one hand due to a variety of subsidy programmes for building modernisation, and on the other hand due to people's focus on their own four walls during the pandemic. The German market, which is important to Arbonia, is being stimulated further by the large housing programme presented by the government coalition at the end of 2021. According to this programme, at least 400 000 new apartments are to be completed – despite a shortage of skilled workers – each year (currently around 300 000 per year).

However, the lack of material availability and the resulting shortage will continue to be felt in 2022 to some extent. The resulting enormous material price increases, especially for steel, aluminium and wood, as well as the considerably higher energy and freight costs, could also continue to lead to exceptional price increases, thus causing construction projects to be postponed due to excessive building costs. The shortage of skilled workers is intensifying and is evident in a massive shortage of installer capacities, which are in even more demand because of the attractive support policies for heating and regenerative energies. Correspondingly, many labour market observers now expect that no longer a lack of work but a lack of workers will be even more of an issue in the future than previously. The main reason for this development is certainly the retirement of the babyboom generation born in the 1950s. In addition to this lower labour participation of the domestic population, the immigration of foreign workers will also decrease.

Nevertheless, the well-known, long-term economic and growth drivers for the construction (materials) industry remain in place in 2022: the still low interest rates as well as the high number of flats in need of renovation, and last but not least government subsidy programmes for energy-efficient living and additional, affordable living space. The latter is also being strongly promoted by the new German government. Germany wants to nearly triple the speed for decreasing climate-damaging emissions. This is to be achieved by expanding wind and solar energy more intensively; solar roofs are to be obligatory for new buildings. In addition, an explosion in the heating costs of fossil-fuel heating systems could result in the more rapid testing and implementation of alternatives. This will continue to drive the demand for the corresponding Arbonia products, with a revenue share of ~70% in residential construction, even more.

**Guidance**

Arbonia looks to the future with great confidence, despite the stated challenges but with the described positive market impulses in combination with the operative activities in the two divisions for the next few years. The specific guidance for the full year 2022 can be found in the press release when the 2021 annual results are published on 1 March 2022.



**Alexander von Witzleben**
Chairman of the Board of Directors
and CEO

**Daniel Wüest**
CFO

# Divisional structure

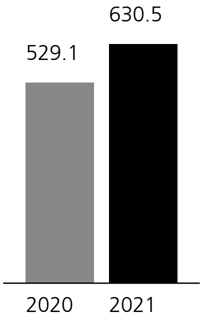
**ARBONIA**

| Heating, Ventilation and Air Conditioning Division (HVAC) | | Doors Division | |
|---|---|---|---|
| | | Wood Solutions Business Unit | Glass Solutions Business Unit |
| arbonia | SABIANA | GARANT Türen für mein Zuhause | Baduscho |
| BRUGMAN | superia | INVADO | KERMI |
| cicsa | TECNA | PRÜM Türen die zu mir passen | Koralle |
| KERMI | TERMOVENT | RWD Schlatter Objekttüren nach Mass | |
| prolux | VASCO | | |

# HVAC Division

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

**Net revenue**
in million CHF

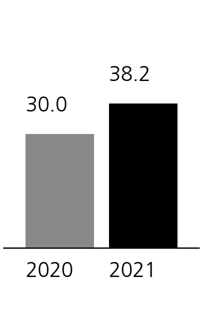



**Average headcount**
(full-time equivalent)

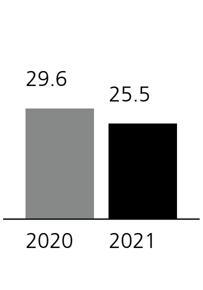

**EBITDA**
without one-time effects
in million CHF


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


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




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




## Market trends

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

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

The HVAC Division is in a stable position and mastered the challenges of the reporting year thanks to its flexibility and innovative strength. It was thus able to benefit from the positive development of the relevant product markets throughout Europe. In some countries, there was pent-up demand due to lockdown measures in 2020. Investments in housing have become more attractive, on the one hand due to a variety of subsidy programmes for building modernisation, and on the other hand due to people's focus on their own four walls during the pandemic. In many countries, insufficient capacity of skilled workers caused a bottleneck. Nevertheless, the division was able to expand its market position and gain further shares in this environment. In the second half of 2021, an unprecedented dynamics in material price increases coupled with supply shortages posed a particular challenge. As a result, sales prices had to be increased, but this was implemented promptly and the impact on delivery times was mostly kept to a minimum.

With the acquisition of the Serbian company Termovent as of 1 July 2021, the HVAC Division was not only able to expand its geographical presence in South-Eastern Europe but also significantly deepened its expertise in the area of air handling units. Cleanroom technology is the second focus of Termovent and rounds off the division's product portfolio in the commercial and industrial ventilation systems segment. In the first half of 2021, the HVAC Division also acquired the Spanish company Cicsa to strengthen its sales position in Spain and Portugal.

The strategy of the HVAC Division is centered on the important megatrends of «$CO_2$ reduction» and a «healthy and comfortable indoor climate». With regard to the development of the product portfolio, the focus is on new products for the growth markets while expanding the strong position in the established product groups at the same time. In the reporting year, targeted investments were made to underpin the product and production strategy based on the following four pillars:

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

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

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

The use of renewable energies is another important pillar of the division strategy. With the construction of the new heat pump factory in Opočno (CZ), the HVAC Division is ideally positioned in the attractive heat pump sector, which is currently experiencing above-average market growth. In line with this strategy, a new resource-saving, highly efficient generation of air-to-water heat pumps for the lower and medium output range was launched in the reporting year. As an optimal addition to the heat pump range, a new hot water and layered storage tank was also launched, which offers many advantages thanks to its modular design and high degree of pre-assembly. In addition, the division is currently developing a battery storage system based on the sustainable redox flow technology, making it a future-oriented alternative to conventional lithium-ion batteries for both private and commercial residential construction. This product offers convincing features such as non-flammability (an important safety aspect), a high number of charging cycles without loss of capacity, and economic efficiency. The battery storage system will be launched on the market in mid-2022.

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

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

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

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

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

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

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


**The ideal connection**

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



**New year, new concept**

As trade fairs with face-to-face meetings were cancelled in 2021, the Arbonia, Kermi and Vasco brands found a number of alternative ways to introduce new products. One of the highlights was the presentation of new products in mobile exhibition vehicles. The field service team used the space of approx. 10 m² to demonstrate the products to customers in live events.

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**New production site for air handling units**

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

**Academy opens training centre**

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

# Doors Division

Following the integration of the former Sanitary Equipment Division, the **Doors Division** now consists of two Business Units: Wood Solutions and Glass Solutions.

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

As a specialist for shower enclosures and shower area products, the **Glass Solutions Business Unit** offers conclusive solutions for all generations, lifestyles, and types of residences. Thanks to its strong brands Kermi, Koralle, and Baduscho, the business unit is the European market leader. In addition to the integrated production site in Germany and a locally oriented manufacturing site in Switzerland, the business unit also has distribution companies in Austria, Poland, the Czech Republic and Russia.

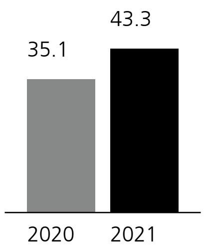
**Net revenue**
in million CHF


**Average headcount**
full-time equivalent

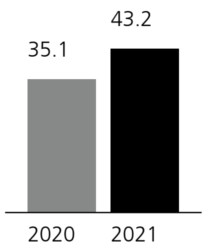

**EBITDA**
without one-time effects
in million CHF


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


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




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




## Market trends

The Doors Division achieved a revenue growth of 8.3% in the reporting year, from CHF 509.4 million in the previous year to CHF 551.8 million. When adjusted for currency and acquisition effects, the revenue increased by 6.9%. EBITDA without one-time effects grew from CHF 66.1 million in the previous year to CHF 76.3 million (+15.3%). With one-time effects, the division achieved a 15.2% higher EBITDA of CHF 76.2 million (previous year: CHF 66.1 million). EBIT without one-time effects amounted to CHF 43.3 million, compared to CHF 35.1 million in the previous year (+23.1%). With one-time effects, a 22.8% higher EBIT of CHF 43.2 million resulted in comparison to the previous year (previous year: CHF 35.1 million). All figures for the previous year refer to the former Doors Division including the former Sanitary Equipment Division.

The division's considerable revenue growth in the reporting year is primarily due to the very well performing German market, which continues to benefit from a strong construction industry that has a considerable pent-up demand from the last decades. However, a lack of material availability and a resulting shortage was felt especially in the second half of 2021, resulting in postponements and delays on construction sites. However, in the end, the enormous increases in material prices, combined with supply shortages, caused the start of even already approved construction projects to be postponed.

The assurance of material availability and the price increases were unprecedented and aggravating challenges. Due to a pandemic-related supplier shortfallo, wood-based materials flew off the shelves in the USA and China and were missing in terms of volume on the european markets. In addition, steel and aluminium prices also rose to an all-time high. It was therefore unavoidable to integrate material price increases into the sales prices. It was possible to maintain the supply chains with a great deal of dedication.

The **German market** shows a high pent-up demand for new residential construction. In recent years, new construction volume of around 260 000 to 280 000 flats has been realised, while the actual annual demand is up to 400 000 new flats. The reason for this is primarily the shortage of skilled workers in the German construction industry. The construction backlog amounts to roughly 700 000 flats, which corresponds to a new construction volume of more than two years.

The renovation market, on the other hand, remained very stable. The division, and especially the Wood Solutions Business Unit, is increasingly observing that doors installed after German reunification have now reached the end of their life cycle and need to be replaced.

The Wood Solutions Business Unit succeeded in further expanding its market share in residential construction in Germany. It is growing strongly in the area of institutional clients such as housing companies and is also seeing an increase in hotel and retirement home construction due to the attractive mix of quality and quantity. For the Glass Solutions Business Unit, the first half-year of 2021 was very positive, especially in comparison with the previous year: The sanitary industry was hardly affected by lockdown measures, while at the same time many consumers concentrated on their own housing situation since the beginning of the pandemic and many construction and renovation projects were realised with the usual lead time. In addition, trade and crafts increased their stocks for fear of supply shortages.

However, the market turned around in the summer and the momentum slowed down noticeably, while the base effect had an impact at the same time. Since the pent-up demand in the second half-year of 2020 was strong resulting from the pandemic-related weak first half-year of 2020, the picture in the second half-year of 2021 was much more moderate. Towards the end of the reporting year, construction delays caused by a lack of materials on many construction sites further slowed down the development.

The division was also able to improve its revenue level in the stagnating **Swiss market**. In Switzerland, the Wood Solutions Business Unit, with the company RWD Schlatter, is traditionally focussing heavily on the project business, where it was able to significantly increase its market share. The commercial business, in which the business unit has a much smaller market share, showed a slightly declining development in the reporting year.

The Wood Solutions Business Unit will be able to increase its market share in this segment again and for this purpose has built up an experienced team with a sales location in Jongny (CH) in the reporting year. This new approach to regional market development promises growth opportunities and strategically closer links to architects and finishing trade.

The Glass Solutions Business Unit benefited from continued stable demand for high-quality shower solutions in Switzerland. In all countries, the target groups of prefabricated house and wet cell manufacturers are gaining relevance due to the steadily increasing demand in the market and are to be focused on even more strongly in the future. The topic of service continues to play a central role. In order to meet the customers' requirements, the service business is continuously being successfully expanded.

The Polish company Invado had to deal with exceptionally difficult challenges. The extreme price increases and limited availability of materials on the **Eastern European** markets affected Invado disproportionately. Further temporary closures of customer branches due to the pandemic situation in almost all export markets led to a decline in regular demand. The negative effects from these particular challenges in 2021 were offset by cost-saving programmes and productivity increases aimed at expanding market shares in Poland, the Czech Republic and Slovakia in the coming years.

**Products, technology, and innovation**
One of the most important differentiating features of doors is the edge technology, since the edge is the most technologically demanding part in the door production process. In addition, the door edge is also the most exposed part of a door and is most affected by damage (impacts). The Wood Solutions Business Unit has therefore invested in a new premium door edge that offers new opportunities, especially in the project business in Germany.

A large part of the investments went into the capacity expansion of the two German production plants Prüm and Garant of the Wood Solutions Business Unit. The largest items were the purchase of the property at Garant and at Prüm the second high-bay warehouse, the combined heat and power plant (CHP) and the construction of the new frame plant. Arbonia also invested in a coating robot at RWD Schlatter and started the planning for a raw materials and finished goods warehouse.

The division also invested in IT and digitisation of processes, which is progressing at all locations. For example, the Doors Division is in the process of rolling out SAP S4/Hana in the Wood Solutions Business Unit. Harmonising the ERP system will make the cooperation between the four door companies much more efficient. The new "DoorIT – The Platform for Doors" will also be brought to market in early 2023. The platform allows for more efficient collaboration with specialist trade partners in the areas of configuration, quotation, and order processing. With the new tool, the division will have a clear differentiation potential compared to competitors.

An important milestone in the reporting year was the acquisition of Glasverarbeitungs-Gesellschaft Deggendorf mbH (GVG). The Glass Solutions Business Unit is thus increasing its vertical integration by sourcing processed single-pane safety glass within the Group. The separation of GVG from the Saint-Gobain Group and its integration into the Glass Solutions Business Unit is proceeding according to plan, and the most important milestones were already successfully completed at the end of 2021. This sets the stage for future growth and further process improvement.

In the product range of Kermi shower designs, the "MENA" series was supplemented and "NICA" was expanded to include attractive versions without a wall profile. The Koralle range presented new products such as the new double series "Koralle SL750 / SL757". The Swiss company Bekon-Koralle of the Glass Solutions Business Unit presented the fourth mounting system of the "X88 Free" series. The "X88 Free GT" (Glue Tec, a seamless fastening technology) is only glued to the wall and floor and thus stands out not only in terms of technology and function, but also with exceptional aesthetics.

**Outlook**

Germany, the most important market for the division, is expected to continue to grow due to the housing shortage. The Swiss market is expected to stagnate at a very good level and, like the Eastern European markets, offers opportunities to further expand market shares. The prospects in 2022 could be somewhat weakened by the progress of material price increases, material shortages and the associated postponement or suspension of construction projects. The division expects the turbulent supply situation on the procurement markets and the pandemic-related restrictions to calm down in the course of 2022. Until then, supply chain and delivery reliability will remain challenging. The high and rising level of energy prices and the continuing shortage of skilled workers in many industries will continue to have a negative impact.

Appreciation for housing has increased during the COVID-19 pandemic. This applies to both the built quality and the living space. In addition, the construction industry is likely to benefit from stimulus programmes from public authorities. In particular, the new government coalition in Germany intends to continuously support residential construction.

The Doors Division will therefore continue to improve its processes and drive forward its high product quality and service orientation. Thus, the division sees itself in a good starting position to continue to grow profitably.

## Trend-setting organisation as of 1 July 2021

The Sanitary Equipment Division with its shower doors and shower partitions will be integrated into the Doors Division. The strategic logic of the integration lies in the better use of synergies in joint market development in the project business on the one hand and in procurement on the other. In addition, the product range of the Doors Division with functional and interior doors will be expanded to include shower doors, and in the medium term the glass doors and glass partitions business can be expanded for interiors.

## $CO_2$ reduction through new CHP plant

The two major investments at the German Prüm and Garant sites enable self-generation of $CO_2$-neutral electricity and $CO_2$-neutral heat on the one hand and 100% use of wood-based production residues on the other. The two new plants will start operation in 2023 and 2024 respectively.


**THE platform for doors on the market**

The unique "PRÜM DIGITAL" and "GARANT DIGITAL" concept promises the division's partners transparency, infotainment, speed, simplification and stabilisation of processes, as well as connection to the customer's client. The digital door configurator was awarded the highest industry award, the "Woody Award" for new media.

Award ceremony video


**The Doors Division convinces with major projects**

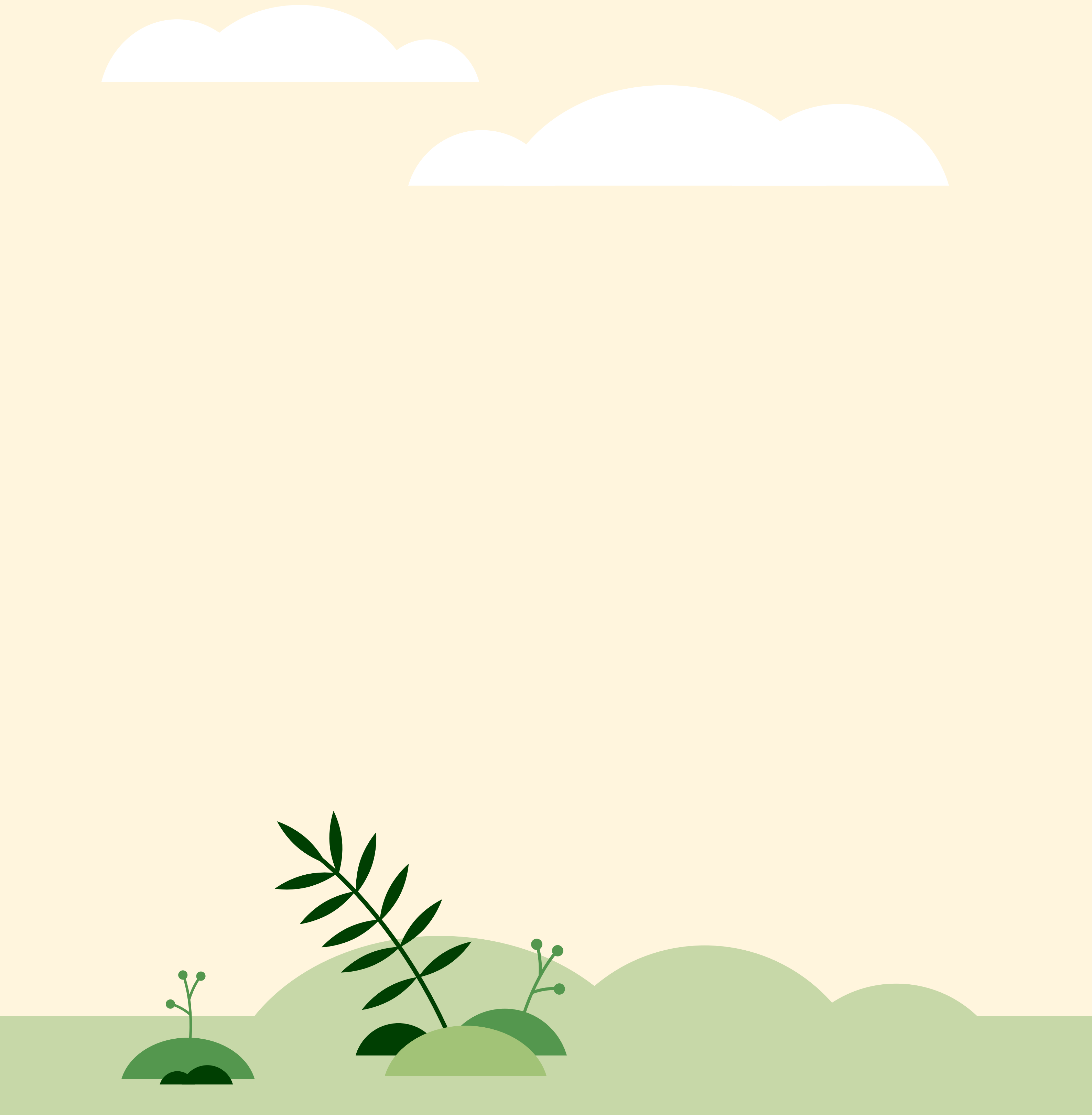
The division not only wins various hotel construction projects in Germany (a tripling of the number of projects compared to the previous year), but is also able to convince with its products in important projects in Switzerland: Children's Hospital Zurich, Inselspital Bern, St. Gallen Canton Hospital

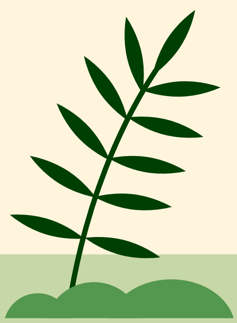
**Increasing the vertical integration**

An important milestone in the reporting year was the acquisition of Glasverarbeitungs-Gesellschaft Deggendorf mbH (GVG). The Glass Solutions Business Unit is thus increasing its vertical integration by sourcing processed single-pane safety glass within the Group.

# Sustainability Report

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





# Facts and figures

SUSTAINABLE DEVELOPMENT GOALS

Arbonia is committed to the sustainable development goals of the United Nations and contributes to the SDGs.

## 4.2%

annual reduction in the operational $CO_2$ emissions from Scope 1 and Scope 2 until 2035 compared to the reference year 2020.

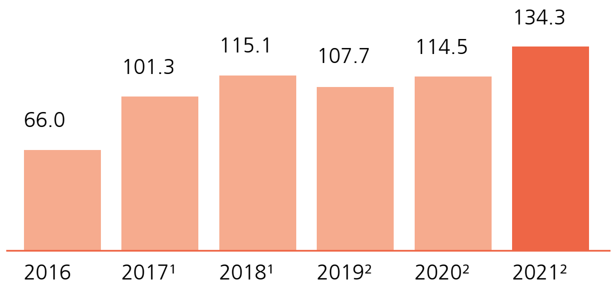
## 15%

annual dividend increase starting in financial year 2022.

## 100%

use of the wood-type production residue through the use of new combined heat and power plants.

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




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

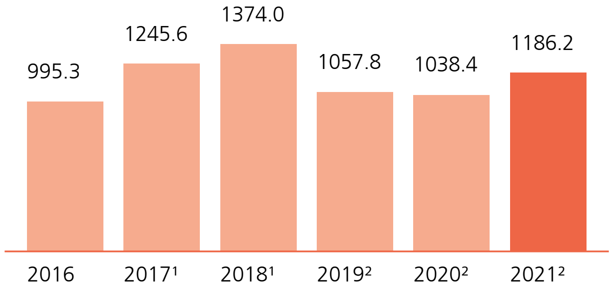
Return to the holding structure without Chairman/CEO double mandate starting in April 2022.

**WE SUPPORT**

UN GLOBAL COMPACT

We have joined the UN Global Compact and are committed to its 10 universal principles.

**Net revenue**
in CHF million




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

"I believe that sustainable corporate management requires not only an outward responsibility towards society and the environment, but also an inward responsibility towards a company's own employees."

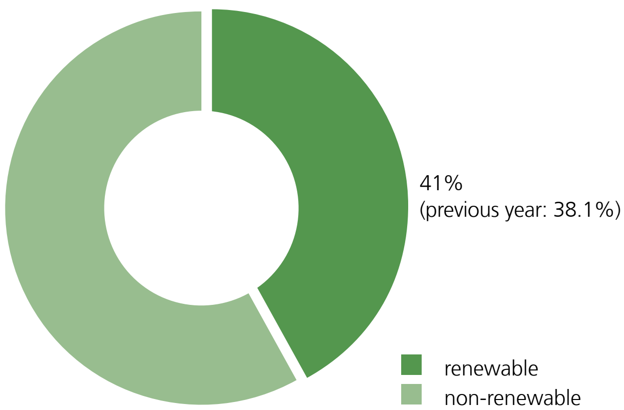
**Claudius Moor,**
**CEO Doors Division**

25%
reduction in days lost due to work accidents until 2025.

"If money were not an issue, then we would pursue the goal of operating $CO_2$-neutral production plants very quickly."

**Alexander Kaiss,**
**CEO HVAC Division**

**Energy consumption by energy source in 2021**



# Preface

## We are intensifying our sustainability commitment again and are committed to the $CO_2$ reduction strategy based on the Science Based Targets Initiative, taking the entire value added chain into account.

**Our highlight in respect to sustainability**
As Arbonia we are making the commitment to substantially reduce our $CO_2$ emissions in Scope 1, 2, and 3 by 2035, to contribute to effectively limiting global warming to 1.5 degrees Celsius. The starting point for this are the emissions of the financial year 2020, with the reduction path additionally taking into account an increase in emissions from an average business growth of 5% per year until 2035. We will compensate for this increase in $CO_2$ emissions with additional measures.

**Our performance in the past year**
In the two divisions Heating, Ventilation and Air Conditioning (HVAC) and Doors, we not only have the vision of an environmental policy that wants to reduce $CO_2$ emissions to a very large degree but we also defined ambitious medium-term goals over the course of the past year 2021 to protect our planet through the responsible use of resources. For this purpose, we are orienting ourselves to the Science Based Target Initiative (SBTI). We are convinced that this behaviour will secure, if not even increase, the competitiveness of Arbonia. The following examples of a few ESG measures show the importance and the value of sustainability within the Group.

At the beginning of the year, we announced that Arbonia was returning to a corporate governance with separate mandates after the radical reorganisation since 2015. The adaptation of the previous organisation, in which I perform the function of Chairman of the Board of Directors as well as CEO, will be replaced by a holding structure without a dual mandate as of the General Meeting 2022. The Board of Directors proposes to the 2022 General Meeting that I hold the office of the Executive Chairman of the Board of Directors.

In the past year 2021, we started the process of joining the UN Global Compact and are thus committed to observing and promoting the ten universal principles. In addition, we strengthened our internal ESG team by supporting our employees with further training (e.g. in corporate responsibility) on the one hand and additionally recruiting new employees for the sustainability team. The Group has also called for and mandated the acceleration of efforts to conserve resources, in particular regarding water and waste. For this reason, Arbonia has enacted a water policy and a waste policy in the reporting year.

**The highlights of our divisions**
The **HVAC Division** is developing a sustainable, non-degenerating, resource-conserving storage system for the electricity generated from solar energy. The division thereby rounds off its product portfolio with the energy store: It can now offer a complete, coordinated system of products for the heat and energy management of living space. This energy storage also contributes to the energy transition in general and the energy self-sufficiency of houses in particular.

In addition to the installation of photovoltaic systems at some sites, the refurbishment of the welding line cooling as well as the heat recovery in the welding fume extraction in the steel panel radiator production at the major production site of Plattling (D) led to a considerable reduction in the energy consumption of Arbonia in the reporting year.

The **Doors Division** is reducing $CO_2$ through two new combined heat and power plants (CHP) at its two production sites in Germany. With the planned CHP plants that are being implemented, the Prüm and Garant doors companies are pursuing the following goals:

1. Own production and use of $CO_2$-neutral electricity,
2. Own production and use of $CO_2$-neutral heat and
3. 100% use and pollution-free disposal of wood-type residue

The new plant at Prüm will cover approx. 60% of the entire power requirement of the door plant and also heat an area of around 24 000 m².

Since 2015, Arbonia has invested **several hundred million Swiss francs in sustainable manufacturing**. This includes energy-saving and -optimised sites with more efficient machines and the use of Industry 4.0 technologies in the entire product lifecycle. This leads to less harmful energy sources, materials, and chemicals as well as optimised energy efficiency at less cost. At Arbonia, every site is to contribute to preserving the regenerative capacity of the environment.

**Our goals related to the Paris Climate Accords**
To achieve the "1.5 °C" scenario of the Paris Climate Accords, companies are required to reduce their operating emissions (Scope 1 and Scope 2) by more than 4% and reduce indirect emissions (Scope 3) by over 2.5% (in relation to the reference year). **We are committed to this. We have set ourselves the goal of reducing the intensity of our Scope 1-3 emissions based on the Science Based Targets Initiative by 2035 so much that we will contribute to the global climate target despite further organic growth.**

In this sustainability report for 2021, we have also defined goals and ambitions on the Group, division, and company level to improve our sustainability performance. We will measure and evaluate these as well as report on our progress each year.

Dear readers, Arbonia will do everything in its power with regard to climate protection to counteract global warming and minimise its impact.

Alexander von Witzleben
Chairman of the Board of Directors and CEO

# Companies of Arbonia

## Production companies

| Company | Location | Division / business unit | Manufactured products |
|---|---|---|---|
| AFG RUS | Stupino (RUS) | HVAC | Flat panel radiators |
| Bekon-Koralle AG | Dagmersellen (CH) | Doors / Glass Solutions | Shower stalls |
| Brugman Fabryka Grzejników Sp. z o.o. | Legnica (PL) | HVAC | Design and steel panel radiators |
| Brugman Radiatorenfabriek BV [1] | Tubbergen (NL) | HVAC | Flat panel radiators |
| GARANT Türen und Zargen GmbH | Amt Wachsenburg (DE) | Doors / Wood Solutions | Interior doors and frames |
| Glasverarbeitungs-Gesellschaft Deggendorf mbH | Deggendorf (DE) | Doors / Glass Solutions | Construction glass |
| Invado Sp. z o.o. | Ciasna (PL) | Doors / Wood Solutions | Interior doors |
| Kermi GmbH | Plattling (DE) | HVAC<br>Doors / Glass Solutions | Flat panel radiators<br>Shower enclosures |
| Kermi s.r.o. | Stříbro (CZ) | HVAC | Special radiators |
| PRÜM-Türenwerk GmbH | Weinsheim (DE) | Doors / Glass Solutions | Interior doors |
| PZP Heating a.s. | Dobré (CZ) | HVAC | Heat pumps |
| RWD Schlatter AG | Roggwil (CH) | Doors / Wood Solutions | Functional doors |
| Sabiana | Corbetta (IT) | HVAC | Ventilation and air conditioning units (gas fired unit heaters, radiant panels, fan coils, central air conditioning units, heat recovery, filter technology, evaporative coolers) |
| Termovent Komerc d.o.o. | Kladovo (SRB) | HVAC | Air-handling units for cleanrooms |
| TPO Holz-Systeme GmbH | Leutershausen (DE) | Doors / Wood Solutions | Special doors incl. door frame and door trim |
| Vasco BV | Dilsen (BE) | HVAC | Design radiators, ventilation, pipes for underfloor heating |

[1] Closure of the production plant in Tubbergen (NL) at the end of 2022, announced in November 2021.

The key environmental figures of this sustainability report include the resource consumption of all manufacturing companies of the Arbonia Group as well as the headquarters in Arbon (CH). Pure administration and distribution companies were not included due to their comparatively low environmental impact. The key figures relating to employees include all companies.

The key figures of the Doors Division also include the key figures of the former Sanitary Equipment Division, which was integrated during the reporting year, for all years.

The Windows Division was sold during the reporting year. For this reason, the data for the reporting years 2019 and 2020 have been adjusted for its key figures.

# Administration and distribution companies

| Company | Location | Division / business unit | Type of location |
|---|---|---|---|
| AFG Shanghai Building Materials Co. Ltd. | Shanghai (CN) | Doors / Glass Solutions | Sales |
| Arbonia AG | Arbon (CH) | Group | Holding |
| Arbonia Doors AG | Arbon (CH) | Doors / Wood Solutions | Administration, sales |
| Arbonia Doors GmbH | Erfurt (DE) | Doors / Wood Solutions | Administration, sales |
| Arbonia France sarl | Hagenbach (FR) | HVAC | Sales |
| Arbonia HVAC AG | Arbon (CH) | HVAC | Administration, sales |
| Arbonia Management AG | Arbon (CH) | Group | Administration |
| Arbonia Riesa GmbH | Riesa (DE) | HVAC | Sales |
| Arbonia Services AG | Arbon (CH) | Group | Administration |
| Arbonia Solutions AG | Arbon (CH) | HVAC | Sales |
| Baduscho Dusch- und Badeeinrichtungen Produktions- u Vertriebsgesellschaft mbH | Margarethen am Moos (AT) | Doors / Glass Solutions | Sales |
| CICSA Industriales del Calor S.L. | Madrid (ES) | HVAC | Sales |
| Kermi Sp. z o.o. | Wroclaw (PL) | HVAC | Sales |
| Koralle Sanitärprodukte GmbH | Vlotho (DE) | Doors / Glass Solutions | Sales |
| Prolux Solutions AG | Arbon (CH) | HVAC | Sales |
| Tecna S.L. | Madrid (ES) | HVAC | Sales |
| Termovent Komerc d.o.o. | Belgrade (SRB) | HVAC | Administration, sales |
| Vasco Group BV | Tubbergen (NL) | HVAC | Sales |
| Vasco Group GmbH | Dortmund (DE) | HVAC | Sales |
| Vasco Group NV | Dilsen (BE) | HVAC | Administration, sales |
| Vasco Group Sarl | Nogent-sur-Marne (FR) | HVAC | Sales |
| Vasco Group Sp. z o.o. | Legnica (PL) | HVAC | Sales |


# A look behind the scenes

Alexander Kaiss (AK) and Claudius Moor (CM) provide an insight into how they think about sustainability, the challenges that they face in this regard, and how they deal with them.

**How sustainable has your day been so far?**

**AK:** All in all, the day has already been quite sustainable. I have already been jogging – instead of pursuing an environmentally harmful hobby such as motorbike riding, for example. In addition, I have refrained from printing out the 140-page Group Management documents. However, I have to confess that I will be driving my car to our largest Swiss customer for heat pumps, which is not that sustainable, of course. Since heat pumps greatly contribute to sustainability, I have a somewhat less guilty conscience, though. And I am already travelling through Switzerland anyhow and not making a special trip for this appointment.

**CM:** If you also consider employee satisfaction to be part of sustainability, then my day started very positively. I have already jogged for an hour, enjoyed the tranquility of nature, and prepared myself mentally for the working day. I believe that sustainable corporate management requires not only an outward responsibility towards society and the environment, but also an inward responsibility towards a company's own employees. In my opinion, it is not just about conserving resources but also about not "consuming" people.

Afterwards, I had a good conversation on the topic of "sustainable doors with a much lower $CO_2$ footprint". We are testing various sustainable materials that would greatly reduce the burden on the climate. As the European market leader in the doors area, we feel that it is our duty to constantly check our products for improvement potential, especially in regard to their sustainability.

**In what direction do you think the construction industry will develop in respect to sustainability?**

**AK:** Legal regulation will play a great role. The European-wide direction is to reduce greenhouse gas emissions. Among other things, this can be seen in the definition of new construction standards that lead to buildings being significantly better insulated in the future, which in turn reduces heating requirements. The result is that no fresh air is exchanged through leaks, which is why the ventilation needs heat recovery. And we are fully on top of this. The energy that is still needed in a well-insulated house, we want to generate this as sustainably as possible with our products – namely with a heat pump, which is ideally powered only with green electricity.

« Companies that do not invest in their sustainability today will have difficulty in the future. »

**CM:** To my regret, certified sustainable wood-based materials have not prevailed in project tenders as I had hoped. Nonetheless, we use sustainable, certified materials in our doors. We are noticing a stronger focus especially on $CO_2$-neutral production and on Scope 3, in other words, the emissions that result from upstream and downstream activities. The supply chain must be reviewed in this respect, because customers want sustainable products and also demand this from us. Arbonia will be investing EUR 50 million in sustainable energy supply in the Doors Division alone, among other things in CHP plants at Prüm and Garant as well as in the frame production at Prüm. This is essential. I think that this will result in a natural consolidation of the competitive environment, because companies that are not investing in their sustainability today will have difficulty in the future.

**What effect does this development have on the sustainability of your division or your products?**

**AK:** This development has an extremely positive effect on the sustainability of our division. We have always said that there are two big megatrends that drive our business: on the one hand, the issue of $CO_2$ neutrality or $CO_2$ reduction and on the other hand, a healthy indoor climate. We are optimally positioned with our heat pumps, residential ventilation, heat and energy storage, as well as underfloor heating and efficient radiators. We recognised these trends early on, laid the foundations accordingly, and are now profiting from this.

**CM:** At our German door companies Prüm and Garant, the investments in new combined heat and power plants (CHP) are very important. In the future, the production residue of the sites (in this case wood dust, chopped wood, and so-called flakes) will be converted into energy in these plants, and the energy released in the process will be used for heating and, with the aid of a turbine, for power generation. As a result, we have effective $CO_2$ savings.

Looking inwards is also very important at our division. Employee satisfaction is gaining importance as a pillar for sustainable success, because in this day and age, well-trained skilled workers are scarce and replacing employees who leave the company is expensive.

**What are the most important issues and milestones in your division in respect to sustainability in the reporting year and in the coming years?**

**AK:** Our entire product range will significantly contribute to sustainability for customers. As Arbonia, with our production processes, we also have to do everything that we can to manufacture the products as sustainably as possible. Otherwise, it would be counteractive. For this reason, we have invested a lot in new technologies: servo motors for presses, for example, that use significantly less energy per se with the same output. This is the first building block, and the second is naturally that we are gradually moving towards producing this energy as renewably as possible or buying it green. What does producing renewably mean? For this purpose, in the HVAC Division we are currently also investing in a CHP plant in Plattling (D), for example, and in other projects that will bring us closer to our goal.

**CM:** An important milestone is the commissioning of the previously mentioned CHP plants as well as issues concerning environmentally friendly packaging options. The latter is becoming increasingly important because the disposal costs for packaging are becoming more and more expensive.

To further increase our attractiveness as an employer and thus reduce the already very low fluctuation, we will be further improving the training and development of employees and apprentices.

**The topic of sustainability is omnipresent. To what extent do you notice this among your employees and customers?**

**AK:** I find that customers as well as employees are paying more and more attention to the topic. Customers are asking more intense questions, and I am convinced that customers would like to buy as environmentally friendly as possible. Employees also prefer to work at a company that is committed to sustainability. At works meetings and via infoterminals, we inform our employees about what we are doing and that we are setting $CO_2$ reduction goals for ourselves, for example. This also helps us to be perceived as an attractive employer.

> « With more financial resources, we would dramatically accelerate our efforts to produce 100% climate-friendly ourselves. »

**CM:** We notice an increased interest in demonstrable sustainability on the part of our customers. They see that we are aware of our ecological and social responsibility as a company and are specifically investing in sustainability. This is directly reflected in the economic performance of our division.

**Assuming that money were not an issue: What all would you do in the area of sustainability?**

**AK:** If money were not an issue, then we would pursue the goal of operating $CO_2$-neutral production plants very quickly. Today, we are able to cover around 10–20% of our energy requirements ourselves with our photovoltaic systems and other technologies. With even more financial resources, we could dramatically accelerate our efforts to produce 100% climate-friendly ourselves. From a purely technical view, that would be possible. But at the end of the day, we have several sustainability goals that we would like to achieve as a company. These include wanting to grow profitably and creating value for shareholders. Therefore, we cannot just act in one direction but have to operate in a stakeholder-friendly way. It thus makes sense for us to work in the way that we are now.

**CM:** In the future, we will cover 100% of our heat requirements for Prüm and Garant through our own production with the CHP plants. An expansion from 60% to 100% self-generated electricity is also desirable. I would increase the electricity production at all our sites through photovoltaic systems. This would bring us a big step closer to our goal of becoming completely $CO_2$-neutral as a division.

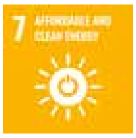
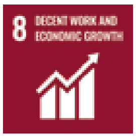
I would also invest in $CO_2$ capture and storage in order to compensate for the remaining $CO_2$ emission or alternatively think about high-quality certificates.

# Arbonia's contribution to the SDGs

Arbonia is aware of its economic, environmental, and social responsibility and strives to operate more sustainably over the long term. It already makes a substantial contribution to climate protection with its products that lower energy consumption in buildings. Thanks to extensive investments in its production plants as well as in the further development of its products, it drives innovation in its two core areas of indoor climate and interior doors. In addition, Arbonia lives a dynamic, open corporate culture and creates a pleasant, appreciative, and supportive working environment with attractive working conditions.

As regional employers, the companies of Arbonia are an important economic factor in the respective regions.

Arbonia is committed to the sustainable development goals of the United Nations and **specifically contributes to the following six Sustainable Development Goals** (SDGs).

| SDG | Internal | External |
|---|---|---|
|  | Arbonia increasingly relies on using self-generated, renewable energies, e.g. by installing photovoltaic systems on the roofs of its production sites or by investing in new CHP plants. In addition, it aims to increase the energy efficiency at its sites with targeted measures.<br><br>See chapter:<br>– $CO_2$ and energy (from page 52) | The products of Arbonia help to increase the energy efficiency in buildings. At the same time, the company develops products that increase the utilisation degree of renewable energies and promote the energy self-sufficiency of households.<br><br>See chapter:<br>– Innovative products and solutions (from page 49)<br>– Sustainable business strategy and market orientation (from page 79) |
|  | Arbonia promotes a culture of safety and health at a high level and operates safe production plants as well as distribution and logistics sites. In addition, it promotes a positive work environment, which increases competitiveness among other things. Furthermore, it strives to improve resource efficiency with as little manufacturing defects as possible and a continuous improvement of material consumption.<br><br>See chapter:<br>– Occupational health and safety (from page 65)<br>– Dynamic corporate culture (from page 69) | |
|  | With future-oriented investments in the production resources at its production plants, Arbonia strives for continual modernisation with the goal of a higher resource and energy efficiency.<br><br>See chapter:<br>– $CO_2$ and energy (from page 52)<br>– Resource efficiency (from page 58) | With its energy-efficient products such as heat pumps, ventilation solutions, as well as heat and energy storage, Arbonia supports the development of a high-quality and sustainable infrastructure that also promotes the well-being of building users and residents.<br><br>See chapter:<br>– A look behind the scenes (from page 36)<br>– Product management (from page 84) |

| SDG | Internal | External |
|---|---|---|
| 11 SUSTAINABLE CITIES AND COMMUNITIES | | The products of Arbonia substantially help to reduce the energy consumption of buildings. In particular, the use of integrated system solutions, from modern heat generation and optimum heat exchange to energy storage of solar energy for all building types and applications allows significant improvements to be achieved. Furthermore, the interior doors made of wood and glass help to reduce the energy consumption thanks to their insulation.<br><br>See chapter:<br>– $CO_2$ and energy (from page 52) |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | The stated goal of Arbonia is to protect natural resources. A sound resource management and waste avoidance relieves the burden on the environment while reducing material consumption and scrap at the same time. Furthermore, a sustainable supply chain makes it possible to control and optimise costs and resources, which can lead to efficiency and savings in the long term.<br><br>See chapter:<br>– Resource efficiency (from page 58)<br>– Procurement and supply chain (from page 61) | Arbonia strives to increase the recyclability of its products as well as to reduce packaging materials.<br><br>See chapter:<br>– Innovative products and solutions (from page 49)<br>– Resource efficiency (from page 58) |
| 13 CLIMATE ACTION | Arbonia wants to operate with as few emissions as possible in its own operations, in production, and in the area of transport and logistics, and thereby make a significant contribution to climate protection. Arbonia has set itself the goal of reducing the intensity of its Scope 1–3 emissions on the basis of the Science Based Targets Initiative by 2035 so much that it will contribute to the global climate target despite organic growth.<br><br>See chapter:<br>– $CO_2$ and energy (from page 52) | The use of Arbonia products allows fossil fuels to be replaced by regenerative and efficient energy sources.<br><br>See chapter:<br>– Innovative products and solutions (from page 49)<br>– $CO_2$ and energy (from page 52)<br>– Sustainable business strategy and market orientation (from page 79) |

# Sustainability approach

Arbonia is convinced that conscientious action and responsible treatment of employees, suppliers, customers, and investors, as well as the environment and resources, are essential for the long-term success of the business.

Arbonia's sustainability strategy is divided into the three subareas of "Climate", (ecological issues), "Community" (social issues), and "Cash" (economic issues). In these areas, the company wants to continually optimise its sustainability performance beyond the legal requirements.

## Sustainability strategy

Arbonia takes the approach of responsibly creating (added) value from raw materials. The consistent focus on a sustainable and long-term business model has brought changes in recent years. Arbonia makes investments with the objective of making both its product portfolio and its production processes even more sustainable. In addition, it supports agreements to reduce greenhouse gas emissions such as the "Paris Agreement" of the Paris Climate Conference and the "European Green Deal" and actively contributes to minimising global warming. For this purpose, Arbonia defined the first $CO_2$ reduction targets for its emissions from Scope 1 and Scope 2 in the reporting year, based on the Science Based Targets Initiative (see "$CO_2$ and energy", p. 52).

The sustainable group strategy is practised in the entire corporate group and supported by the Board of Directors. This is also demonstrated by joining the United Nations (UN) Global Compact, which was initiated in the reporting year. Since the beginning of the year, the Arbonia Group has officially been a member of the UN Global Compact.

In addition to the central coordination and definition of targets, the two divisions HVAC and Doors have a high degree of responsibility due to the decentralised organisation. They develop specific plans to support and implement the group-wide sustainability strategy and to expand the product portfolio.

## Sustainability governance

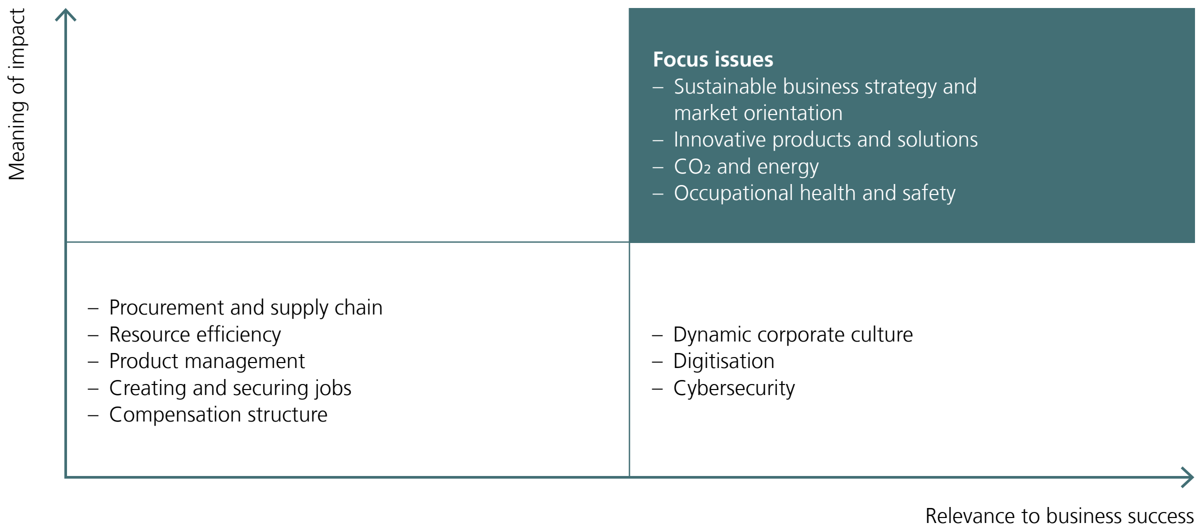
Arbonia has a decentralised structure. Group Management – consisting of the CEO, CFO, and the division heads – defines the measures to implement the strategy set by the Board of Directors. The responsibility for the operational business lies with the divisions.

Sustainability is part of the group strategy set by the Board of Directors. Management of the topic within the Group is the responsibility of the CFO of Arbonia. The CFO develops the sustainability strategy together with the Sustainability Committee and representatives of the department of Corporate Communications & Investor Relations, which is responsible for the group-wide coordination. The Sustainability Committee consists of a representative of the HVAC Division and one representative each from the Wood Solutions Business Unit and the Glass Solutions Business Unit of the Doors Division. The implementation as well as the derivation of measures is the responsibility of the divisions or their companies in consultation and coordination with the Group. Group Management discusses and evaluates the most important initiatives and projects on a monthly basis. Arbonia's Board of Directors is responsible for the decision-making and control of all measures as well as the assessment of performance in line with defined goals.

# Materiality analysis

This second sustainability report of Arbonia is based on a materiality analysis that was carried out in 2020. In this analysis, Arbonia determined which issues are relevant for long-term business success and with which issues the group has a significant impact on the environment and society. The materiality analysis was carried out on the basis of a wide spectrum of contents that included the criteria of ESG rating agencies and the orientation of similar companies, in addition to issues of the Global Reporting Initiative (GRI) standards and the Sustainability Accounting Standards Board (SASB). Related topic areas were first consolidated in a core team. Afterwards, the relevance of the topics was evaluated in a workshop – by representatives of the two divisions, HVAC and Doors, as well as by various corporate functions (e.g. Human Resources and Legal & Compliance). This process was supported by an external specialist, and the result of the analysis was mapped in the following materiality matrix:

**Materiality matrix**



# Ethics and integrity

Arbonia is aware of its economic, ecological, and social responsibility and ha committed itself in its Code of Conduct 1.) to respecting human rights, especially taking into account the prohibition of child labour, 2.) to ensuring the occupational health and safety of its employees, 3.) to cooperating with suppliers who meet their obligation to sustainability and social responsibility, 4.) to observing environmental protection standards, and 5.) to using resources carefully.

**Code of Conduct**
The Board of Directors last revised the Code of Conduct in 2018. The Code of Conduct has been translated into thirteen languages and is available on the Intranet for all white collar employees. The Code of Conduct is supplemented by further directives, such as the anticorruption directive, the directive concerning insider trading, the directive for protection against sexual harassment, bullying, and discrimination at the workplace, and many more. In the reporting year, Group Management also issued a group-wide water policy and waste policy that went into effect on 1 January 2022.

All employees sign the Code of Conduct upon joining the Arbonia Group and commit to observing the values as well as the ethical and social principles of the Arbonia Group.

In addition to the Code of Conduct, the Board of Directors issued the "Supplement to the Code of Conduct", which is specifically directed to blue collar employees, in 2018. The "Supplement to the Code of Conduct " contains more in-depth topics and regulations for production – for example, on dealing with resources, on occupational safety, or on environmental protection. It does not include specific topics such as competition law. The "Supplement to the Code of Conduct" is displayed on posters in the production halls and taught by the plant or shift managers.

**Whistleblowing concept**
The participation of employees is of critical importance for compliance with the Code of Conduct, including the "Supplement to the Code of Conduct" (collectively referred to as "Code of Conduct" in the following). For this reason, the Board of Directors introduced reporting offices for whistleblowing in 2013. All employees who learn of violations of the Code of Conduct are requested to report these either through the regular official channels or to one of the three reporting offices. A central element of the whistleblowing concept is to protect reporting employees. Whistleblowers must not be subjected to any disciplinary, legal, or other measures to their detriment as a result of their reporting.

The Board of Directors is informed in detail about all whistleblowing reports, the corresponding clarification results, and initiated measures.

Against the background of the new EU Directive on the protection of persons who report breaches of European Union law ("EU Whistleblowing Directive") and its implementation in various national legislation, Arbonia will review its whistleblowing concept in 2022 and make adaptations as necessary.

**Code of Conduct training courses**
White collar employees regularly take part in Code of Conduct training courses. These training courses discuss all the core topics of the Code of Conduct and go into greater depth on individual, more detailed instructions. The topic of whistleblowing is part of the Code of Conduct training. The employees are shown where they can make whistleblowing reports and what the further procedure is after a report has been received.

In the reporting year, preparations were made to survey the knowledge of white collar employees on the Code of Conduct in 2022 via an electronic learning platform.

## Risk management

The risk management process of Arbonia has been institutionalised for some time and is as follows: Once every three to five years, the risk catalogue is redefined from the bottom up and the top down on the level of business units, divisions and the group using a greenfield approach. In the other years, the existing risks are checked and adjusted if necessary, and additional risks are continually identified. The risk catalogue comprises strategic, operative, financial, economic, as well as external risks and forms the basis for the risk analysis workshops, which take place on the Group as well as the division level with independent, external support.

The workshops are designed so that a wide and varied circle of responsible people participate in them (generally eight to twelve participants per workshop). In the first step, the central changes compared to the previous year are discussed and integrated into the risk catalogue in the workshop. In the second step, the participants assess the risks in relation to the extent of damage, probability of occurrence and effect on reputation. In addition, they discuss and define the cashflow relevance and the risk-reward ratio. This results in a corresponding risk matrix and associated expected values of the risks, which are finally discussed in comparison to the previous year and checked for plausibility in the group. After the workshops, the risk owners define how to handle the risks or determine appropriate measures for risk reduction within a defined period of time. These measures are reviewed and updated semi-yearly.

The results from the workshops are aggregated over all divisions (bottom up) and a comparison is made with the Group (top down). Group Management then discusses and adopts this assessment and quantification of the risks together with the measures for the top risks before they are submitted to the Audit Committee and the Board of Directors.

## Stakeholder engagement

Arbonia maintains an extensive exchange with all stakeholders that have a significant influence on the economic, ecological, and social goals of the company. This group of internal and external stakeholders includes customers, employees, shareholders and investors, analysts, public authorities, neighbours, and communities at the company locations – as well as partners such as transport companies, suppliers, research institutes, and associations as well as the general public. The communication with these groups takes place in the framework of personal discussions, meetings, conferences, and trade fairs, as well as surveys. The table "Inclusion of stakeholders and their concerns" gives an overview of the dealings with the individual stakeholders.

Membership in the most important chambers and associations – including Swissmem (association of the Swiss mechanical, electrical, and metals industry), SwissHoldings, Thurgau Chamber of Commerce and Industry, the employer's association, the German Federal Association of Building Systems, and the German-Swiss Chamber of Commerce – allow Arbonia continuous communication with companies in related sectors and relevant interest groups. In 2021, Arbonia also initiated the accession to the UN Global Compact and will publish a communication on progress for the first time in the following year.

Arbonia is consistently committed to the communities at its production sites. For example, there are numerous donation programmes and supports for non-profit organisations at Arbonia. Many of the companies promote sports activities for youth and adults. The companies of Arbonia are also involved in some financing activities for scholarships to technical colleges. One company sponsored protective masks for senior citizens in Ciasna (PL) in conjunction with the COVID-19 pandemic. The company in Prüm (D) collected donations after the flood disaster in July 2021, supplemented them, and distributed them to the affected region.

This page addresses the following GRI standards: 102-42, 102-43.

**Inclusion of stakeholders and their concerns**

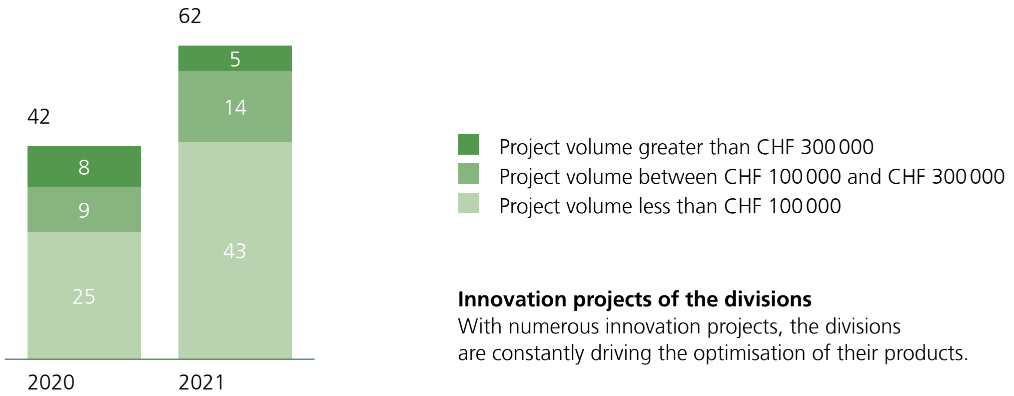
| Stakeholders | Form of inclusion | Concern |
|---|---|---|
| Customers | Internal and external customer surveys<br>Personal discussions | Product quality, product life cycle, customer satisfaction |
| Employees | Staff meetings,<br>Employee representatives,<br>Labour unions,<br>CEO messages | Occupational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

# Climate

As a building components supplier for products and solutions centred around indoor climate as well as interior doors made of wood and glass, Arbonia takes responsibility for protecting the environment and climate. The focus is on the development of innovative products and solutions that are intended to continuously reduce the ecological effects of the company and its customers on the environment. However, saving $CO_2$ emissions and energy as well as carefully using resources at our own company as well as in procurement and the supply chain are also central issues that the company addresses.

## Innovative products and solutions

The permanent further development and improvement of existing products as well as the design of new, innovative products and solutions make a significant contribution to the long-term security and further expansion of Arbonia's market position. With the development of energy-efficient products and a consistent focus on green technologies and solutions, Arbonia creates further innovation impulses. Arbonia's innovations allow it to respond to the increasing requirements of customers, residents and legislators. At the same time, the higher energy efficiency of these innovations helps to reduce energy consumption and thus achieve savings for customers as well.




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

## Heating, Ventilation and Air Conditioning Division

**Energy efficiency thanks to new products**
The HVAC Division strives to continuously add environmentally friendly and energy-saving products and solutions to its existing portfolio. This is of great interest to the division because traditional heat transfer media as well as modern indoor climate solutions benefit from the European subsidy programmes due to their contribution to reducing the $CO_2$ emission of buildings and are therefore in great demand for new construction as well as for renovation. A current example for a corresponding product innovation is the newly developed storage system for electricity generated from solar energy. This product will be launched on the market in mid 2022 (see "Sustainable business development and market orientation", p. 82).

Another example for the innovative capability of the division is the electrostatic filter system "Crystall", which impresses with a 75% lower power consumption compared to conventional systems and has been in strong demand especially during the COVID-19 pandemic thanks to its ability to purify air in indoor spaces.

At the HVAC Division, the development of a new heat pump generation and their own energy storage proceeded as planned. Thanks to the technology used, the new energy storage is considerably more ecological than conventional storage. Because the topic of sustainability is central in the area of indoor climate, this has top priority at the division and drives the company today and in the future – in the improvement of existing products and in the development of new ones as well as in further process optimisation.

The HVAC Division secures additional innovation impulses through participation in specialist trade fairs, studying specialist literature, cooperation in industry associations and standardisation committees, as well as consistent further training of employees. New developments are secured by applying for intellectual property rights if possible. The continuous and controlled product optimisation is ensured with regular reports to management as well as with a complete deadline and cost monitoring, among others.

**Action instead of reaction**
The HVAC Division strives to consistently develop environmentally friendly and resource-saving products and solutions that are compatible with the economic balance of the company in the future as well. The stated goal is to identify changed market requirements – for example, due to new regulations and laws – early on and to offer new solutions proactively. A good example of this is found in the Indoor Air Quality (IAQ) area at

Sabiana: Because the regulations concerning air quality are changing and increasingly oriented to energy efficiency at the same time, the use of brushless DC motors (ECM) is progressively becoming standard. The revenue generated with such components has increased from 10 to 18% in the past five years and should grow to up to 20% of the total revenue of Sabiana by 2023.

**Mastered challenges**
As a result of the COVID-19 pandemic, many customer visits were cancelled again in this reporting year as well. Digital means of communication were all the more important – from webinars on various topics to the individualised homepages of the individual brands to product configurators based on augmented reality. The expanded use of these channels as well as the commitment to ensuring an optimum customer experience led to increased efforts in the area of digital security at the same time (see "Cybersecurity", p. 75).

**Key figures of innovative products and solutions: HVAC Division**

| | 2021 | 2020 | Delta |
|---|---|---|---|
| Employees in research & development (FTE) | 72 | 58 | 25% |
| Expenditure on research & development (TCHF) | 10649 | 8986 | 19% |
| Expenditure on research & development as a share of revenues | 1.7% | 1.7% | |
| Share of net revenues from third parties with new products[1] | 10.8% | 13.3% | |
| Share of investments in new revenue sources | 26.1% | 43.9% | |

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

| Priorities and goals | Targets for 2025 | Status 2021 |
|---|---|---|
| The HVAC Division achieves additive $CO_2$ savings through the operation of energy-efficient products[1] at customers. | Savings of 350000 tonnes of $CO_2$ | Savings of 125000 tonnes of $CO_2$ |

[1] Among other things: heat pumps, X2 radiators, ventilation with heat recovery, energy stores

# Doors Division

**Complete offer delights customers**
The innovative products and solutions of the Doors Division are of critical importance to the struggle for new market shares. At the forefront is the production of wood and glass doors according to individual customer wishes as well as the development and manufacture of technical doors and fire protection doors as part of a joint project within the entire Wood Solutions Business Unit. The production is supplemented by various service solutions. For example, intensive support of customers during the construction phase is just as natural as maintaining the value of the manufactured products – for example, by providing specific cleaning agents and maintenance instructions.

**Customer-oriented products**
An efficient use of resources allows lean production at the division, which also successfully cushions the increased cost pressure. The development of high-quality products with minimal material usage will remain one of the great challenges for the coming years as well. This is based on an in-depth market observation: With regular customer surveys, the division guarantees that the wishes and demands of the customers are considered and reflected in the innovation process. In product development, the division not only concentrates on technical progress but also on an innovative design that is equally convincing to users and fitters. Knowledge sharing between the companies and the division as well as contact with research centres is also an important tool, although the continuing COVID-19 pandemic sometimes makes this communication difficult.

With customer-oriented new developments, a consistent optimisation of portfolio and production as well as with a further strengthening of customer relations through the continuous expansion of the service offer, the division aims to strengthen its leading position in Switzerland, Germany and in other markets. Concrete steps for this are the further expansion of digitisation and the reduction of packaging material – as well as the development of new production lines. A good example from the Wood Solutions Business Unit are the new functional doors that have been designed by the division's development team on the basis of extensive tests and certification steps. The introduction of products with different edge designs in respect to decor and material as well as the implementation of a new soft-forming technology with radius R4, a smaller and more modern radius for wooden doors from Invado, which offers customers products with enhanced aesthetics, is also innovative and in line with the current market trends. The new plant equipment used for this purpose also offers additional advantages: It works more energy-efficiently, allows the production of special sizes in smaller quantities, and requires less material due to a new procedure.

Success monitoring for new developments is ensured with a systematic project management and regular reporting to management. Through their active participation in bodies and committees, the companies of both business units make an important contribution to developing future standards and regulations. In addition, this makes it possible to identify trends early on, in order to adapt the strategic orientation.

### Award-winning success

The success of the companies in the Doors Division was not only confirmed by numerous positive responses from customers in the reporting year, but also repeatedly documented by independent bodies. The Wood Solutions Business Unit with Prüm and Garant received the "Woody Award 2021" (awarded by the German Timber Trade Association) as an innovation prize for the point of experience and online configurator "DieTÜR". The Glass Solutions Business Unit with Kermi also won first place in the product group "Shower enclosures" in the biannual survey of the German trade journal "markt intern" for the ninth time in a row. The "White Line" of the company received three awards in 2021: the"German Design Award", the "IF Design Award" and the "Iconic Award". "Kermi EXTRA" was also named "Universal Design Winner Expert 2021".

**Key figures of innovative products and solutions: Doors Division**

| | 2021 | 2020 | Delta |
|---|---|---|---|
| Employees in research & development (FTE) | 50 | 44 | 12% |
| Expenditure on research & development (TCHF) | 4950 | 4610 | 7% |
| Expenditure on research & development as a share of revenues | 0.9% | 0.9% | |
| Share of net revenues from third parties with new products[1] | 21.4% | 18.4% | |
| Share of investments in new revenue sources | 46.9% | 54.3% | |

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

| Priorities and goals | Targets for 2025 | Status 2021 |
|---|---|---|
| Invado and RWD Schlatter are increasing their share of certified products for "healthy living buildings" (emission label and environmental product declaration). | yearly increase of 5% | 0% |

# $CO_2$ and energy

The issue of "$CO_2$ and energy" is important to Arbonia in two ways: A great potential for reducing greenhouse gases is found in buildings, which are the largest cause of $CO_2$ emissions in Europe after mobility, with a share of over 30%. There is therefore a high demand for products that reduce the energy consumption in buildings and ensure a pleasant indoor climate at the same time. Arbonia recognised this trend early on and makes a substantial contribution with its products. Improvements can be achieved with new buildings as well as with renovations – especially through the use of integrated system solutions, but also through the use of individual components of the HVAC Division. Furthermore, the interior doors made of wood and glass help to reduce the energy consumption of buildings thanks to their insulation.

At the same time, Arbonia wants to emit as few emissions as possible in its own operations, in production and in the area of transport and logistics. In the reporting year, the Group has defined a reduction path for its own $CO_2$ emissions (Scope 1 and 2) on the basis of the Science Based Targets Initiative and defined corresponding targets and measures. Arbonia is aware that the emissions of the upstream and downstream value added chain (Scope 3) are likely to be a large part of all emissions. It is therefore in the process of identifying the largest influencing factors for the Scope 3 emissions, in order to formulate reduction goals and measures for this as well.

In the reporting year, Arbonia already succeeded in increasing the share of renewable energy in total energy consumption to 41.0% (previous year: 38.1%). The 15% increase in the company's own electricity production through the expansion of photovoltaic systems significantly contributed to this. As a result of this and the increased use of renewable electricity, Arbonia was able to increase the share of renewable energy in the total electricity consumption from 23.6% to 32.7%. A further success was the 18.7% reduction in oil consumption for heat generation. On the whole, Arbonia has succeeded in reducing its GHG intensity (greenhouse gas emissions in $kgCO_2e$/CHF net revenue) by 11.2% despite a considerably higher productivity.

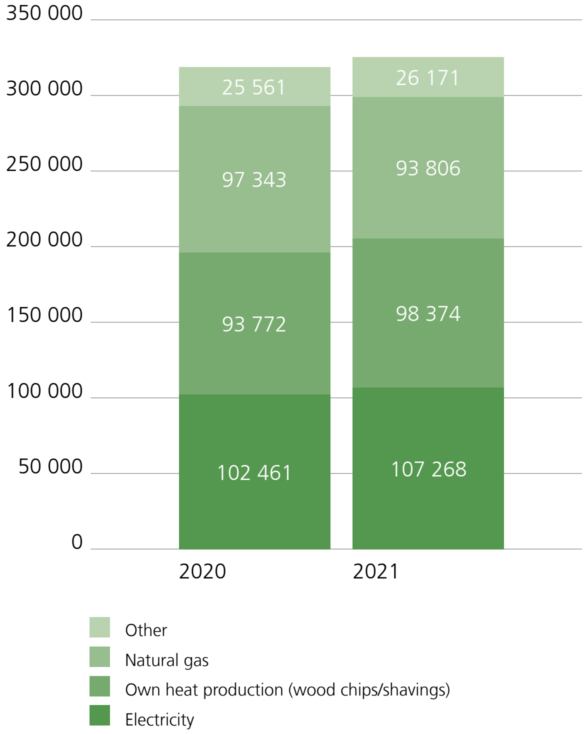
In addition, Arbonia is planning to publish its environmental data in accordance with the Carbon Disclosure Project (CDP) in 2022. The commitment in the area of $CO_2$ and energy is beneficial to Arbonia because it allows the company to meet the increasing customer expectations concerning sustainability as well as growing legal requirements.

**Key environmental figures**

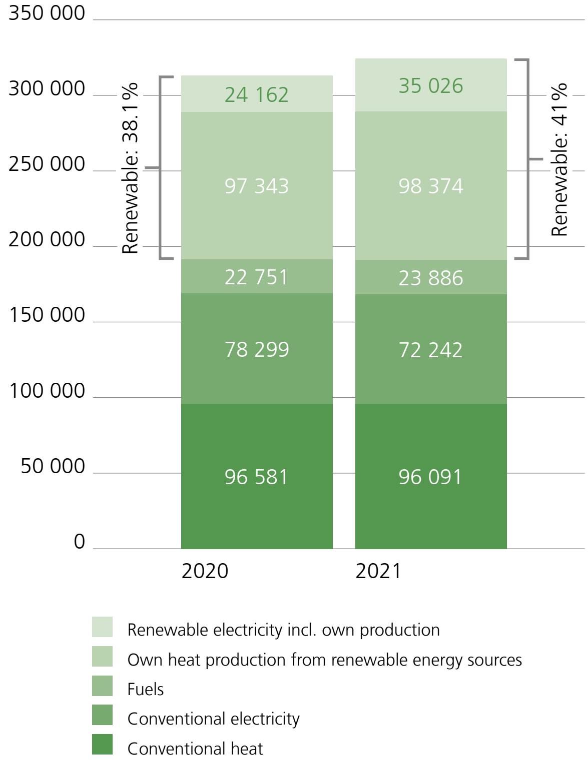
| | 2021 | 2020 | Delta |
|---|---|---|---|
| **Energy consumption in MWh** | **325 618** | **319 136** | **2.0%** |
| Thereof renewable | 41.0% | 38.1% | |
| **Electricity** | **107 268** | **102 461** | **4.7%** |
| Own electricity production [1] | 12.2% | 10.6% | |
| Total renewable electricity | 32.7% | 23.6% | |
| **Heat** | **194 464** | **193 924** | **0.3%** |
| Own heat production (wood chips/shavings) | 98 374 | 97 343 | 1.1% |
| Natural gas | 93 806 | 93 772 | 0.0% |
| Heating oil | 2 285 | 2 810 | –18.7% |
| District heating | 0 | 0 | 0.0% |
| **Fuels** | **23 886** | **22 751** | **5.0%** |
| Diesel | 22 624 | 21 402 | 5.7% |
| Petrol and Liquified Petroleum Gas (LPG) | 1 262 | 1 349 | –6.5% |
| **Energy consumption in kWh/CHF Net revenues** | **0.28** | **0.31** | **–10.4%** |
| **Greenhouse gas emissions in $tCO_2e$** | **65 759** | **65 046** | **1.1%** |
| **Scope 1** | **27 719** | **27 530** | **0.7%** |
| Own heat production (wood chips/shavings) [2] | 1 520 | 1 504 | 1.1% |
| Natural gas | 19 227 | 19 220 | 0.0% |
| Heating oil | 611 | 751 | –18.7% |
| Diesel | 6 049 | 5 722 | 5.7% |
| Petrol and Liquified Petroleum Gas (LPG) | 312 | 332 | –6.0% |
| **Scope 2** | **38 040** | **37 516** | **1.4%** |
| Electricity | 38 040 | 37 516 | 1.4% |
| District heating | 0 | 0 | 0.0% |
| **Greenhouse gas emissions in $kgCO_2e$/CHF Net revenues** | **0.056** | **0.063** | **–11.2%** |

[1] The company's own electricity is produced by means of photovoltaic systems and a wind turbine. These plants do not cause any $CO_2$ emissions during operation.
[2] Direct emissions due to the production of the greenhouse gases methane and nitrous oxide, which are not absorbed during growth. Biogenic $CO_2$ emissions are reported outside of scopes according to the GHG protocol and amounted to 34 782 t $CO_2e$ in 2021 and 34 417 t $CO_2e$ in 2020.

**Energy consumption by energy source (MWh)**




**Energy consumption composition (MWh)**




## Data and calculation basis

The key environmental figures include the resource consumption of all manufacturing companies of the Arbonia Group as well as the headquarters in Arbon (CH). Pure distribution companies were not included due to their comparatively low environmental impact. The calculation of the greenhouse gas inventory follows the guidelines of the WRI/WBCSD Greenhouse Gas Protocol.

Scope 1: Emissions from combustibles and fuels.
Scope 2: Country-specific emission factors are used ("location-based approach").
Emission factors used: IEA 2020 and DEFRA.

| Priorities and goals | Targets for 2035 | Status 2021 |
|---|---|---|
| Arbonia reduces its $CO_2$ emissions from Scope 1 and 2. | Reduction by Ø 4.2% per year (in relation to the reference year 2020) | 65 759 $tCO_2e$ |

# Heat and electricity from wooden materials

**Introduction**
At the site of the Doors Division at the production plant at Prüm in Weinsheim (D), the preparations for the new CHP plant are running at full speed. This will replace an existing plant there as well as supplant smaller, decentralised systems for heating the site. These include heating oil systems, among others. In the new CHP plant, the production residue of the site (in this case wood dust, chopped wood and so-called flakes) will be converted into energy and the energy released in the process will be used for heating and for power generation with the aid of a turbine. In this way, Prüm is taking a significant step towards climate-neutrality and simultaneously transferring residual materials to energy recovery in terms of a circular economy.

**Advantages of CHP plants**
With the planned CHP plant that is being implemented, Prüm is pursuing the following three goals:

1. Own production of $CO_2$-neutral electricity,
2. Own production of $CO_2$-neutral heat, and
3. 100% use and pollution-free disposal of wooden residue.

At the forefront is the production of electricity and heat from renewable, regenerative raw materials. These are present in great amounts in the wooden door production at Prüm and therefore do not have to be additionally procured. In addition to the efficient, environmentally friendly electricity and heat production, this has the added advantage that the costly removal of production waste can be avoided. To comply with the legal limits in force, state-of-the-art flue gas filter technology is installed that reduces the emission of sooty particles, nitrogen oxides and $CO_2$ as much as possible. After the energetic recovery, only around 1% of the fuel remains as ash – in other words: Nearly 99% of the wood residue can be converted into heat and electricity.

**Design and objectives of the CHP plant at Prüm**
For the new plant at the Weinsheim (D) site, the considerably increased efficiency as well as the capacity of the existing system are decisive criteria: The existing system is already working at capacity and can therefore no longer utilise all wood residue. Additional wood residue that will result at this site due to the considerable increase in the production capacities (around 1 million additional doors and frames) would therefore have to be disposed of at great cost. The new plant was therefore planned with spare capacity and will be able to absorb the increased production capacities or the associated additional output of production residue in the next years as well.

The new CHP plant was approved in the previous year, 2021; in 2022, construction will begin so that the plant can begin operation as planned in summer 2023. The work is being planned and executed by the company GETEC, which specialises in the planning and operation of energy-efficient solutions for industry. In addition to the complete heat generation for the Prüm door production plant (for heating rooms as well as for production processes such as pressing or painting), the new CHP plant is expected to be able to cover up to 60% of the electricity requirement of the production plant. In addition, there are even energy reserves that can be provided to adjacent companies. Negotiations are currently underway to supply the neighbours with $CO_2$-neutral heat and electricity as well.

The increased electricity production or the resulting reduction in purchased conventional electricity alone, in combination with the increased efficiency of the new plant, should reduce the $CO_2$ emission of the Prüm production plant by around 6 000 tonnes per year or 50% compared to the existing system. In addition, the division also saves the disposal of several thousand tonnes of wood residue and the associated $CO_2$ emissions of several hundred truck journeys.

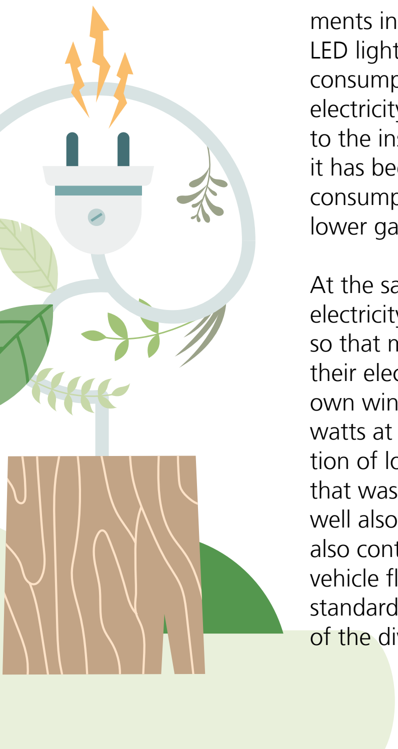
# Heating, Ventilation and Air Conditioning Division

**Better environmental balance for company and customers**

Environmentally related activities affect all business processes – from research and development to production up to logistics and transport. It is correspondingly important that a contribution to reducing greenhouse gas emissions and saving energy is made at every level. The HVAC Division has paid special attention to these topics for many years and is continually taking new measures to improve the environmental balance further. A consistent reduction of energy consumption and $CO_2$ emissions not only makes an important contribution to protecting the environment and resources – it can also improve economic efficiency and the market position as a result. The topic of energy efficiency, which is important for optimising production, is naturally also considered in advance when developing new products: In this way, the HVAC Division ensures that the environmental balance of the customers is also improved by energy-saving products.

**Saving energy – and producing it ourselves**

The HVAC Division has been dealing with the topic of energy efficiency for many years – at the latest since various production sites were certified according to the strict ISO standards 14001 and 50001, which demand continuous monitoring of the energy key figures, among other things. Monitoring and assessment of the energy efficiency within the division are therefore standard – as is a systematic procedure that is ensured by clear responsibilities and the company's own energy officers. These officers from the areas of production and logistics ensure that the goals in the area of energy are met. As in the past years, the energy management has concentrated on the largest consumers: With further investments in modern production plants and energy-saving LED lighting, it has been possible to reduce the electricity consumption. For example, Sabiana has optimised the electricity consumption for the new coating line. Thanks to the installation of LED lights in the halls SAB 2 and 3, it has been possible to reduce the annual energy consumption by 130 000 kW/h. The new plant also has a lower gas consumption.



At the same time, the division has increased the electricity generation with its own photovoltaic systems, so that more and more sites can produce a large part of their electricity requirement themselves. The company's own wind power turbine with an output of 2 megawatts at the Vasco site Dilsen (BE) as well as the installation of low-temperature heating/cooling equipment that was carried out in the reporting year at Vasco as well also help to optimise the energy balance. Kermi has also continued the targeted optimisation of the entire vehicle fleet in Plattling (D) according to the emission standard "Euro 6", which will reduce the $CO_2$ emission of the division by at least 400 tonnes per year. The division is also systematically pursuing the strategy adopted to construct an integrated, $CO_2$-free system for an efficient and energy-conscious generation, transfer and storage of heat. For example, Kermi will be investing in a highly efficient, gas-operated CHP plant at the Plattling (D) site in 2022, which will lead to $CO_2$ savings in the amount of at least 425 tonnes annually. In Czech Opočno and Stříbro, state-of-the-art energy standards are taken into account in the new construction of a new heat pump production plant and in the investment in new compressors. The reduction of energy consumption is analysed and monitored at these sites in the framework of Six Sigma projects, a management system for process improvement.

**Ambitious goals – impressive successes**

The manufacture of energy-efficient products requires energy. The HVAC Division has the goal of reducing this energy and increasingly obtaining it from renewable sources. The reduction of energy consumption and the expansion of energy supply from renewable sources aim to improve the $CO_2$ footprint considerably. Furthermore, the continuously optimised bundling of loads and the resulting decrease in the number of necessary trucks should reduce transport costs. In addition, the division uses telematics data to check and optimise the driving behaviour and routes. Vehicles with high emissions are replaced by new ones, for example, at Sabiana.

In addition to the implementation of the photovoltaic system, the renovation of the welding line cooling as well as the heat recovery in the welding fume extraction in the steel panel radiator production at the large site of Plattling (D) led to a considerable reduction in energy consumption in the reporting year.

**Provision of green areas at local sites**

The preservation of biological diversity is closed linked to commitment in the area of $CO_2$ and energy. After an analysis of the biodiversity at the Plattling (D) site, initial measures were taken to protect and strengthen flora and fauna. The creation of green spaces and the planting of additional trees on the company premises will promote biodiversity at the local sites of the division. In addition to green areas, the supply of innovative and efficient products and the associated production and marketing processes also play a decisive role in promoting biodiversity. The division therefore places value on manufacturing on existing or reduced areas, despite volume growth in the sense of production consolidation. Areas with dense building structures in the production plant are offset with biologically cultivated compensation areas.

**Implementation of the strategy with consistent monitoring**
Because higher energy efficiency and reduced $CO_2$ emission are strategic goals of the HVAC Division, the corresponding measures are checked with a continuous monitoring of the key figures in energy management. This also makes it possible to measure the proportion of regenerative energy in the individual companies of the division. The main goal of all companies is to grow responsibly and strive for maximum energy efficiency.

## Doors Division

**Responsibility for reducing $CO_2$ emissions and energy consumption**
Previously untapped potentials for increasing the energy efficiency and reducing the $CO_2$ emission can be more quickly and more easily identified with a holistic view of the topic. It is a fact that optimising the energy consumption – along with improving the $CO_2$ balance – has long since become a task of all companies, departments and areas of the Doors Division. Specifically, every person has the possibility of pursuing this goal and making their own contributions in the form of suggestions for improvement. All goals in the area of energy efficiency are defined annually and underscored by corresponding actions in the Doors Division.

**Numerous measures for greater environmental protection**
The measures for increased efficiency are checked and ensured through consistent energy management. An annual budget is available for measures for increased efficiency. Furthermore, some of the companies regularly perform certification audits according to the standards ISO 9001, 14001 and 50001. Energy efficiency is an important factor especially in modernising production lines and peripheral systems because it can reduce electricity consumption. Planned or already implemented investments in state-of-the-art production facilities, as well as the consistent use of energy-saving LED lighting, continually reduce the electricity consumption in the companies of the Doors Division. Garant, for example, set a goal in the reporting year to reduce its energy consumption by 100 000 kWh per year by upgrading the lighting to LEDs. Energy-saving technology is of course also used for new buildings and renovations at the operating sites. And finally, the degree of self-supply is continually increased further by constructing new energy supply systems or expanding existing ones. At the door production plant of Prüm, residual materials from manufacturing are used for heat and electricity production: The 30-year-old CHP plant there is currently being replaced by a new plant due to new environmental protection regulations. The new CHP plant, which will go into operation in 2023, can produce twice as much electricity from biomass waste as the old plant. As a result, Prüm will be able to produce up to 60% of its electricity requirements from its own generation. The Garant production plant will be taking a similar path: In 2021 the planning phase was started there for a state-of-the-art CHP plant that will go into operation in 2024. This plant will similarly cover around 50% of the electricity required by the production plant.

**Conservation of biodiversity**
One of the most important direct drivers for the loss of biodiversity are climate changes due to the release of greenhouse gases resulting from fossil fuel consumption. The Doors Division therefore implements concrete measures and innovations to protect biodiversity. It has reduced the total solvent emissions for the manufacture of doors by one third in the past years and now relies more on water-based coating materials. The Prüm company has helped to restore a compensation area of 12 567 m² and guarantees the financial support for the necessary maintenance of the deciduous mixed forest for the next 30 years. Most recently, the division has dedicated itself to creating beehives and bee colonies as part of its wood training workshop.

**Consistently monitored goals**
The Doors Division wants to reduce its own footprint even more in the coming years by reducing its energy consumption and generating its own energy from renewable sources to the greatest possible extent. In addition, not only manufacturing facilities are optimised for increased efficiency but also production processes – such as, for example, with the introduction of a shopfloor management at RWD Schlatter in Switzerland. At Invado in Poland, the electric power consumption

could already be decreased thanks to continuous modernisation of the production facilities. To achieve a maximum effect, the infrastructure components that had a high energy consumption or a high failure rate were replaced first. With further optimisation of the production lines, the use of a monitoring system for electricity consumption, and the replacement of lighting in the production halls, the energy consumption as well as the $CO_2$ emissions per manufactured product are to be reduced further in the coming years. Specifically, the meta-halogen light sources are to be replaced by energy-saving LED lights at Invado. At the Prüm site, it has been possible to lower the energy consumption per manufactured part to 10.95 kWh – considerably below the target value defined in 2020 – through higher machine productivity, the changeover to LED lighting, and the continuous use of energy-saving motors. At Kermi Sanitär in Platting (D), it was also possible to reduce the energy consumption through a changeover to LED lighting and shopfloor management, among other things. At this site, the consumption is monitored via installed meters.

The cross-divisional energy management systems made it possible to considerably simplify the analysis of consumption values, leading to a higher sensitivity for energy savings. At Kermi and Bekon-Koralle, for example, measurements are carried out in production via a modern data acquisition system at least once a month – sometimes even daily – to identify any weak points and immediately replace inefficient consumers. Prüm and Garant ascertain monthly specified energy performance values and have their energy management systems externally checked and certified every year (TÜV and ICG). At Prüm and Garant, the energy and environmental management is also evaluated as part of the yearly management review. The current consumption during operation is also regularly monitored at Invado in Poland and compared with the figures for the previous year. To check the efficiency of the measures taken, the energy consumption as well as the $CO_2$ emission is determined for each manufactured product. In addition, audits are carried out at regular intervals. RWD Schlatter also has its own energy management system: Targeted measures are derived from the energy key figures that are collected and analysed at least once a year.

**Progress and successes**

At Kermi and Bekon-Koralle, a cross-functional team of the Glass Solutions Business Unit has developed a new concept for reducing packaging material: To reduce transport weight – and thus improve the environmental balance – the previous wooden packages were replaced by equally functional but considerably lighter cardboard honeycomb panels. At the Garant production plant, a comprehensive energetic evaluation of the manufacturing facilities and the associated infrastructure was introduced in 2021. The corresponding results are analysed by the energy team every month so that management can intervene immediately if variances should occur. In the reporting year, the company was able to fill the position advertised for the areas of energy and environmental management with an expert, thus achieving an important step in continually improving its sustainability performance. The future CHP plant at the Prüm site is currently in the implementation phase and will be fully operational at the beginning of 2023. The new plant will cover approx. 60% of the entire electricity requirement of the door production plant and additionally heat an area of around 24 000 m². It will be a challenge to keep the energy efficiency ratio at a low level because the future frame production plant of Prüm will require a great deal of electricity during the construction and start-up phase – without producing a corresponding amount of parts.

The use of a new CNC machine at RWD Schlatter led to an increase in efficiency and a reduction in energy consumption in production. The installation and commissioning of the new plant was carried out despite problems from temporary border closings due to the COVID-19 pandemic. Invado also successfully passed an inspection of the Polish environmental protection agency. In the middle of the year, a new edge plant from Homag was also put into operation that reduces rejects thanks to increased production quality. In combination with increased efficiency, this circumstance has a positive effect on the energy consumption per manufactured product.

# Resource efficiency

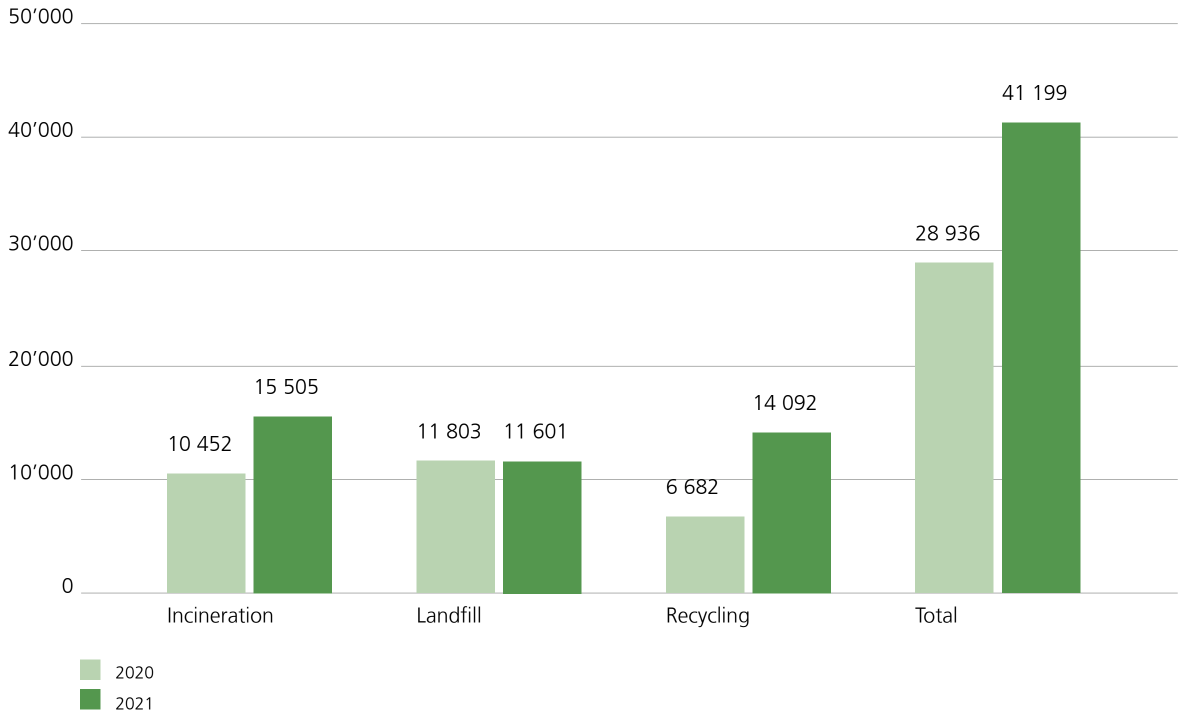
The stated goal of Arbonia is to protect natural resources. A sound resource management and waste avoidance relieves the burden on the environment while reducing material consumption and rejects at the same time. The energy- and material-efficient production on the basis of a good resource management, which extends from energy-efficient procurement of primary materials to the delivery of the products, reduces manufacturing costs and thus increases competitiveness. For this reason, Arbonia takes into account potential energy and material savings in the development of new products as well as in the further development of existing products. Waste that accrues during operation is consistently separated, pretreated where necessary, and sent to recycling. Arbonia companies regularly examine measures for using resources even more sparingly – for example, with a clever product design and a production that is as error-free as possible. To ensure a careful use of resources, in particular regarding water and waste, Arbonia also issued a water policy and a waste policy in the reporting year that went into effect on 1 January 2022.

**Key figures for resource efficiency**

| | 2021 | 2020 | Delta |
|---|---|---|---|
| Error costs in % of net revenues | 1.3 | 1.4 | – 4% |
| **Waste in t** | **41 199** | **28 936** | **42%** |
| **Non-hazardous waste** | **32 967** | **19 916** | **66%** |
| Incineration | 9 590 | 4 422 | 117% |
| Landfill | 10 738 | 10 716 | 0% |
| Recycling | 12 639 | 4 777 | 165% |
| **Hazardous waste** | **8 232** | **9 021** | **–9%** |
| Incineration | 5 915 | 6 030 | –1.9% |
| Landfill | 863 | 1 086 | –21% |
| Recycling | 1 453 | 1 905 | –24% |

The figures for commercial and hazardous waste cover all manufacturing companies in the Arbonia Group as well as the headquarters in Arbon, Switzerland. Pure distribution companies were not included. The survey method was changed, which is why the values for 2020 and 2021 are not comparable. In future, the values will be collected consistently.

**Waste by disposal method (in metric tonnes)**



# Heating, Ventilation and Air Conditioning Division

**Continuous resource minimisation and recycling**
The HVAC Division has the goal of minimising the use of material in production. The error costs within the division are to be reduced to significantly below 1% of the annual turnover – while simultaneously increasing productivity. Furthermore, the division wants to use more recycled materials in all areas. The aim is also to reduce waste and the associated direct and indirect costs. The amount of products that are sent to waste incineration and landfills is also to be analysed and minimised. As a result, employees who have been primarily involved with waste disposal and recycling so far can now be used more for projects for increasing sustainability. Last but not least, the division also makes an important contribution to the careful use of resources with its products as well. Flat panel radiators, for example, are nearly completely recyclable and can be recycled at the end of their lifetime.

Within the division, resource efficiency is continuously monitored by, among other methods, tracking key figures for internal and external error costs, internal and supplier audits (functional cost and value analyses), or monthly reporting.

**Impressive results from targeted measures**
By complying with internal and external guidelines and thanks to efficient processes, it was possible to reduce the reject and error costs further in the reporting year. At Kermi, the current projects for reducing sheet thicknesses were advanced further. The greatest challenged turned out to be maintaining the required pressure stability. At the Stříbro site, the packages were optimised: Instead of foil and polystyrene, packages of reusable cardboard are now being consistently used. At Sabiana, it was possible to considerably reduce the copper scrap that occurs. A new ultrafiltration plant allows sustainable water treatment, thereby reducing water consumption. In the reporting year, the Sabiana company also started a consistent waste separation and recycling programme in offices as well as in production.

| Priorities and goals | Targets for 2025 | Status 2021 |
|---|---|---|
| The HVAC Division reduces the use of materials in production. | Reduction of error costs by 3% annually. | <1% |

# Doors Division

**Minimise, recycle, optimise**
In the Doors Division, the topic of resource efficiency primarily comprises minimising production waste, but also dealing with waste that occurs during operation. An efficient use of resources especially includes reducing production residues, but also an optimum configuration of transports to minimise special journeys.

**Resource efficiency along the entire value chain**
Resource efficiency is relevant to the Doors Division along the entire value chain. In order to optimise material consumption and avoid waste, a resource-conserving production is already aimed for in the development stage. The use of old parts or carry-over parts is also checked in this phase. The topic of resource efficiency is closely linked to product quality in the Doors Division – because high-quality products not only mean fewer rejects but also fewer complaints and thus a higher customer satisfaction. In the division, reject and error costs are to be minimised through continuous monitoring of the resource efficiency. For example, the packaging concept of Kermi Sanitär in Plattling (D) has been changed in the past years to avoid the use of polystyrene and foils as much as possible.

An efficient use of the required resources is achieved through stable, simple processes and the consistent reduction of rejects. Residues from production are recycled whenever possible. To improve resource efficiency, permanently informing and training employees is also decisive.

The topic of sustainability certification of the manufactured products is continually gaining relevance: More and more customers demand low-pollutant materials and attach importance to a certification. In addition, numerous products already undergo testing for harmful substances and are correspondingly certified according to the guidelines of the ECO Institute. To define the processes, the individual companies place great value on a close cooperation between the management and the production, maintenance and technical departments. For example, Invado has succeeded in improving the economic efficiency and the resource efficiency of production processes by introducing the one-piece flow principle. The new process ensures considerably lower time, material and resource costs and thus more effective production. Lean manufacturing will make it possible to increase quality and thus reduce the number of complaints to a minimum in the medium term. To achieve the overarching goal – the strengthening and expansion of its market position by providing innovative and reliable products – the division strives to continuously develop and improve its quality management systems. Improvements in manufacturing technology are just as natural as the ongoing modernisation of the machinery and a target-oriented selection of suppliers to improve the quality of raw materials. Other important factors are continuously improving personnel qualifications, involving all employees in implementing all measures, and transferring the responsibility for quality to the employees.

**Ambitious targets**

For the Doors Division, the inclusion of energy-specific and environmentally relevant key figures plays an important role in the planning and design of future production technology. Garant, for example, intends to reduce its energy and resource consumption per manufactured part by at least 3%. This is to be achieved through improved efficiency of the machines, preventive maintenance and servicing, optimisation of production control and reduction of downtimes. RWD Schlatter also wants to make these processes sustainable in the future. With its state-of-the-art machinery, the company has already laid an important foundation for this. Special attention is also to be paid to a further reduction in production waste and a consistent recycling of residues. Invado has set itself the goal of supplying doors and frames exclusively in cardboard packaging in the future. This approach is currently being tested with a pilot solution for products for the French market. In addition, Invado wants to carry on the principle of continuous improvement. The desired implementation of the SAP system (incl. production and detailed planning as well as production control system) is to help with the planning and tracking of production processes. Thanks to this integrated company management software, the company will be able to monitor the production more efficiently, identify the places that produce the most waste – and initiate improvement measures on the basis of this data. The companies of the division also want to reduce their inventories in order to optimise the use of resources here as well and additionally improve delivery accuracy. The targets are monitored through monthly tracking, among others.

**Successes in the reporting year**

At Kermi and Bekon-Koralle, many of the desired measures could be implemented in the area of resource efficiency despite the ongoing pandemic. The commissioning of the new packaging plant at Kermi led to a significant reduction in production waste. With the use of environmentally friendly and reusable packaging materials, it was also possible to reduce the customers' disposal costs as well. Prüm, Garant and RWD Schlatter were able to further increase their material efficiency in the reporting year. Invado introduced a procedure for monitoring and identification of faulty products to optimise manufacturing processes. This process and the initiated corrective measures have already led to a reduction in rejects.

| Priorities and goals | Targets for 2025 |
|---|---|
| The Doors Division reduces its resource consumption for water (in m³), gas (in MWh), and waste (in t). | Annual reduction by 3% |

# Procurement and supply chain

A sustainable supply chain creates innovation and drives the development of new management and production methods, improves reputation and competitiveness, strengthens and maintains customer relationships and attracts investors. Furthermore, a sustainable supply chain makes it possible to control and optimise costs and resources, which can lead to efficiency and savings in the long term.

The topic of procurement and supply chain at Arbonia comprises on the one hand the procurement management for the most commonly used materials and semi-finished goods – in other words, wood, steel, glass and aluminium. On the other hand, the assessment of suppliers according to ecological and social criteria is also a part of it. In this context, respect for human rights in the supply chain is of vital importance. Arbonia also also pays attention to maximum sustainability with its suppliers. Since more than 96% of used materials are sourced from suppliers in Europe, a high standard is already enshrined in law.

The group is raising awareness of ecological and social factors in purchasing and is working on a company-wide standard for supplier assessment according to ESG criteria (environmental, social, governance). Starting in 2022, this assessment is to be mapped on the new e-procurement platform of the Group. For evaluation of the suppliers, external key figures (e. g. creditworthiness, risk indicators, ESG ratings) are also to be collected and combined with the internally generated data for a holistic assessment in the future. For this purpose, Arbonia decided in the reporting year to procure external ESG ratings via EcoVadis starting on 1 January 2022. The aim is to check how many suppliers and what portion of the purchasing volume is covered by an ESG assessment. Suppliers already have to guarantee that human rights are respected and, in particular, that child labour and forced labour are prevented.
In Germany, the Bundestag passed the Supply Chain Due Diligence Act in June 2021, which provides a legal framework for the responsibility of companies along the entire supply chain. The law is graduated according to own business operations, direct suppliers and indirect suppliers. Further graduations take into account the type and scope of the business activity, the company's ability to influence the originator of a violation, the typically expected severity of the violation and the nature of the company's contribution to the cause. The new Supply Chain Due Diligence Act is relevant for all Arbonia companies active in Germany. In the second half of the reporting year, these companies started to evaluate the concrete effects of the new legislation and initiated corresponding measures for compliance. The companies operating in Switzerland also started a comparable process to determine the implications of the counter-proposal to the Corporate Responsibility Initiative, the provisions of which went into force on 1 January 2022 and will apply for the first time in the 2023 financial year.

In addition, Arbonia prepared a Supplier Code of Conduct in the reporting year that is to be successively extended to as many suppliers as possible. In order to promote the local economy and minimise delivery routes, Arbonia prefers to procure the required materials, semi-finished goods and products from local suppliers. In the past year, the purchasing volume of Arbonia has been around 800 million Swiss francs. Almost 65% of this was obtained from local suppliers – in other words, from companies located in the same country as the purchasing company.

| **Priorities and goals** | **Targets for 2025** |
|---|---|
| Arbonia puts an e-procurement platform with an interface to EcoVadis into operation. | Increase in the proportion of our purchasing volume that is covered by sustainability ratings |

# Heating, Ventilation and Air Conditioning Division

**Holistic view of the supply chain**
In the past two years, the COVID-19 pandemic has made it clear that the topic of procurement and supply chain has numerous direct and indirect effects on Arbonia's business. The year 2021, for example, was a challenging year for procurement for the HVAC Division – with price and supply problems in all purchasing categories. The division has therefore taken the widest possible approach: The context of procurement and supply chain not only includes all direct material (all materials that enter the inventory through purchasing and procurement) but also indirect material such as tools and equipment, consultancy and rents. The companies of the HVAC Division take care of this overall demand in the supply chain and consider it part of the value-added chain.

**Increased requirements – new measures**
An intensified procurement of sustainable products is a matter of course for the entire HVAC Division. A good example of this is, among other things, the pilot project for procuring decarbonised steel (with green steel certificate) for the production of steel panel radiators at the site in Platting (D). Sabiana also undertook initiatives together with its suppliers to guarantee the sustainability of the supply chain. For example, 80% of the direct expenditures are covered by supply agreements with the most important suppliers. These include ecological aspects (e. g. environmental protection, prohibited substances) and social issues (e. g. respect for human rights, prohibition of child, forced and compulsory labour). The division checks the suppliers' positions on the regulations concerning prohibited materials annually. In addition, Sabiana has initiated a data survey to check the positions of the suppliers on the topic of conflict minerals (3TG). In regard to waste management, the company has concluded a formal agreement with the suppliers to formalise all aspects (disposal licenses, information on the type, volume and costs of the waste etc.). At Vasco in Dilsen (BE), it was possible to reduce the number of trucks used through a consistent optimisation of the logistics and the logistic partners. In the packaging area, Sabiana launched programmes for different products in which packaging has a great effect on the costs and disposal. For example, the company is involving suppliers in an attempt to introduce multi-use containers, replace conventional wooden pallets with corrugated cardboard pallets, and redesign component packages to avoid waste.

**Clear responsibilities in regard to procurement and supply chain**
Products are to be developed that can be manufactured sustainably, in close cooperation with the customers and the marketing and sales departments. The main goal of Sabiana in 2022 is certification in accordance with ISO standard 14000, which evaluates the effects of the supply chain on the environment. The company intends to achieve this goal through the definition of clear competences and responsibilities, regular exchanges of information, as well as status reports and communication of the key performance indicators (KPI). In the reporting year, Sabiana monitored the progress, results, and achievements of smaller projects (supply agreements, RoHS, REACH, 3TG, etc.) monthly and properly registered them with status reports. In this context, the head of logistics has the goal of monitoring transport costs monthly and optimising them in relation to the value of the transported goods.

# Doors Division

**Local procurement**
The companies in the Doors Division work according to the specifications, values and goals of the Group along the entire value-added chain. Suppliers from the EU or the EEA are preferred; ideally they are businesses from the same country as the producing company. This not only shortens transport routes and minimises environmental pollution but also makes it easier to control the production modalities than in a partnership with suppliers from far-away regions. In the context of the supply chain, the companies of the division pay attention to a consistent control of the wood origin as well as a continuous monitoring of the chemicals used, among other things. This allows the division to avoid toxic substances and replace them with less problematic materials. In addition, the company aims to gradually transition to ecological packaging materials such as cardboard and paper instead of plastic and polystyrene, in addition to avoiding or recycling packaging waste, in order to make the sold products as environmentally friendly as possible along the entire supply chain. In Germany, for example, this is ensured by the consistent

participation of all companies and customers in the dual system (the Green Point). This system helps ensure that consumers separate waste, while companies pay a fee for the volume of packaging materials (e.g. vinyl, paper) of their products. This is to ensure that valuable raw materials are returned to circulation and the cost of this is already borne in advance.

**Targeted measures for success**
Observing criteria in the area of procurement and supply chain is decisive, since audits are also increasingly being carried out by customers. The customers of Invado, for example, regularly check what materials the company uses to manufacture doors and frames and from where raw materials come. To meet the high demands of customers, the division prefers to work with suppliers who have proven themselves for many years.
By avoiding or selling production waste instead of disposing of it, the division wants to reconcile its goals of securing earnings and increasing profit with environmental protection and resource conservation. The effectiveness of the approach taken is checked through continuous tracking of the target indicators. To ensure that the criteria regarding procurement and supply chain are observed, all companies of the division carry out internal as well as external audits in the areas of quality, social issues and energy efficiency. For this reason, a strategic category management was further expanded in the division during the reporting year. This continuously collects and evaluates market information to react to potential risks in the supply chain early on.

In 2021, Kermi and Bekon-Koralle were able to install a completely new packaging concept with a highly automated plant to optimise resources further. This reduced packaging materials by the desired amount (shrink film by 90%, polystyrene by 40% and wood by 67%). By the end of 2022, the Glass Solutions Business Unit will also have achieved the goal of completely film-free packaging. With the selection of new suppliers, it was also possible to minimise the transport routes and thus the $CO_2$ emission.

In logistics, the material supply in cooperation with local carriers is an important building block for operating efficiently and at optimal cost. The so-called milk run concept is a concept of procurement, production and distribution logistics for providing material as needed within companies and between companies. When a carrier supplies material to the division, it will also often take goods for delivery to customers. Analogously, the division carries materials from suppliers to the production plant after customer deliveries. This prevents empty trips.

**Increasing vertical integration**
With the acquisition of Glasverarbeitungsgesellschaft Deggendorf GmbH (GVG), a subsidiary of the Saint-Gobain Group and one of the leading glass processing companies in the segments of single-pane safety glass and laminated safety glass in Germany, the Glass Solutions Business Unit integrated the processing of its most important raw material, glass, into its own production processes, thereby increasing its vertical integration. This makes it possible to flexibly optimise the procurement times for glass and considerably reduce process costs in handling. The division is also reducing its dependency on external partners, also in respect to the issue of sustainability: The division now has the scope to directly influence the parameters for its economic success as well as for the sustainability of one of its most important raw materials – glass.

**Challenges in the supply chain**
As a result of the COVID-19 pandemic, material procurement was also a challenge at RWD Schlatter. Thanks to the outstanding efforts of the procurement team, the company was always able to supply its customers in time. The desired digitisation and modernisation of the procurement and supply chain area are still the focus of RWD Schlatter's efforts, although the resources available for this are sometimes a challenge. In a similar way, the use of a warehouse management system at the Glass Solutions Business Unit was able to contribute to an efficient processing of deliveries.

At Invado, it was possible to maintain the standards specified by the customers in the reporting year. The consistent maintenance of raw material deliveries allowed maximum continuity in production – and thus a punctual delivery of the orders. Here too, problems with the availability of materials and raw materials as well as the related high prices proved to be the greatest challenges.

# Community

Arbonia's employees are the driving force and at the same time ambassadors and implementers of Arbonia's goal, namely to supply its focus markets with energy-efficient, high-quality and durable products for buildings to promote energy-efficient new buildings and renovations for a resource-efficient future. The employees show themselves to be committed, determined, and reliable in their everyday work.

As an internationally active company, Arbonia is aware of its responsibility for respecting human rights and avoiding child labour. In all countries in which it is active, it complies with the United Nations' General Declaration on Human Rights, the UN Convention on overcoming discrimination against women, the UN Convention on the Rights of the Child and additional international humans rights protection standards. In the reporting year, Arbonia also initiated the accession to the UN Global Compact and has committed to supporting the implementation of the ten principles in the sub-areas of human rights, labour standards, environmental protection and fighting corruption. The accession was initiated in 2021 and confirmed in January 2022.

## Occupational health and safety

Arbonia promotes a culture of safety and health at a high level by operating safe production plants as well as distribution and logistics sites. Avoiding accidents and injuries is just as much a part of occupational health and safety as a corresponding risk analysis, derived measures and a health-promoting work environment. This is to reduce absences, prevent illness, and reduce physical and psychological stresses. Risk avoidance and health protection are a central topic in employee training at Arbonia; Arbonia continually analyses the corresponding developments internally and externally.

The topics of work and health protection are precious assets for the two divisions of Arbonia and their companies. All sites of Arbonia fulfil the related legal requirements of the respective countries, but there is no certification according to OHSAS 18001 or ISO 45001.

During the ongoing COVID-19 pandemic, the health and safety of employees is a priority topic. All subsidiaries of Arbonia quickly took measures to comprehensively protect the employees in the production plants as well as in the offices. Thanks to targeted prevention and regular, free tests, it was possible to maintain regular operation everywhere at all sites in 2021 as well. At many Arbonia sites, employees were able to receive a coordinated vaccination offer.

During the reporting year, Arbonia further expanded the company health management system and took targeted measures to minimise non-occupational accidents as well. Safety training takes place depending on the risk profile of the workplaces. For prevention and early detection of health risks of employees, Arbonia regularly holds leadership courses for superiors.

**Key figures of occupational health and safety**

| | **2021** |
|---|---|
| Proportion of employees covered by an occupational health and safety management system | 97% |
| Absence rate | 5.5% |
| Accident frequency rate (number of accidents per 200 000 hours worked) | 6.9 |
| Rate of accident severity (lost days per 200 000 working hours) | 67.8 |

The key figures for occupational health and safety cover the employees of all manufacturing companies of the Arbonia Group as well as the headquarters in Arbon, Switzerland. Pure distribution companies were not included. No comparative value is reported for 2020 because the survey method was changed.

| **Priorities and goals** | **Targets for 2025** | **Status 2021** |
|---|---|---|
| By increasing occupational safety, we reduce the number of days lost as a result of occupational accidents. | Reduction of days lost by 25% | 67.8 days lost |

# Heating, Ventilation and Air Conditioning Division

**Motivation and productivity thanks to high safety standards**

Since health protection and workplace safety directly help to increase employee satisfaction and improve productivity, these topics are of decisive importance to all areas of the HVAC Division. According to this principle, the air quality in offices is just as reliably monitored as measures for increasing safety in the production area. To prevent accidents and injuries, the responsible people of the division regularly evaluate the safety of the production facilities as well as all measures for improving this safety. The same holds true for the risk analysis of the company and the correspondingly derived action plan. Further measures for promoting health and safety are the continuous analysis of the exposure of employees to hazardous substances, an inspection plan for determining risks and improvements, as well as regular safety training. Consistent occupational health and safety is also an important topic for the HVAC Division because of its effects on the operating activities of the companies: Every accident and downtime causes additional costs. Risks involve a slowdown or failures in production, loss of reputation and negative effects on employee morale.

The HVAC Division succeeded in reducing the days lost due to work accidents by 10% compared to 2020 through targeted measures for increasing work safety.

**Prevention thanks to training and process optimisation**

All employees of the HVAC Division receive annual safety and fire protection instruction matched to the needs of their work area. Internal and external safety training courses are regularly offered by the division – training to be a first aider and company paramedic every year, for example. In addition, all relevant training courses of their labour unions are also open to the employees.

Every accident report is tracked by an occupational safety officer in the individual companies. It is checked whether similar accidents can be avoided in the future by changing the procedures or by additional safety measures. The Sabiana company is currently introducing an occupational safety management system according to the international standard ISO 45001 that is based on the already implemented and certified quality management system ISO 9001.

Employees are consistently involved in the design of the occupational safety systems because they have valuable suggestions for improvement. At Kermi, all work processes are regularly checked – with the aim of minimising physically demanding or strenuous activities through technical support or the use of machines. In the administrative area, the individual work situation is continuously optimised thanks to regular area inspections by the company doctors – for example, through the use of height-adjustable desks. At Sabiana, internal area inspections and hazard analyses are standard for all workplaces. Employees benefit from a health insurance that provides preventative medical check-ups for the entire family.

Employees are provided with the protective equipment and work safety clothing required for their work free of charge, and each employee receives safety instructions for their workplace. In addition, defibrillators are available at all locations. If accidents or illness should occur, shift paramedics and first aiders are available.

**Less absence – higher employee satisfaction**

The main goal of the HVAC Division in the area of occupational safety is to promote and maintain the health of all employees. In addition, effort is made to reduce the accident and illness rate and to establish a consistent health and safety culture. This specifically concerns risk identification in all areas of the company as well as measures for reducing these risks and for eliminating potential hazard sources. Further topics are the optimisation of physically strenuous tasks as well as making employees aware of the topics of accident prevention, occupational safety and health promotion. At all companies, statistics concerning the sickness rate and the accident rate give a monthly overview of the current situation. The low absence rate and the high productivity prove that the HVAC Division is well positioned in respect to occupational health and safety.

**A variety of measures – despite COVID-19**

With the "Job Bike" initiative, the HVAC Division gave the employees at the Plattling (D) site access to e-bikes in 2021 as well. Numerous employees took up this offer in order to do part of their personal fitness programme on their way to work and thereby improve their own quality of life and health. At Kermi, a possibility for smoking cessation was offered via the Health Task Force (in a virtual format due to the ongoing COVID-19 pandemic). As a result of the pandemic, no seminars, courses, or lectures on occupational health and safety could be held in the reporting year. Preventative medical check-ups (e.g. skin cancer screening) were also cancelled due to contact restrictions. After the measures due to COVID-19 are repealed, Kermi intends to make these offers available to all employees again. At Sabiana, it was possible to continue the programme for improving machine safety according to the targets.

# Doors Division

**Safety has top priority**
For the Doors Division, avoiding accidents and injuries is just as much a part of occupational health and safety as a corresponding risk analysis. A safe and healthy work environment is made possible by regular safety tours with all parties and corresponding improvement measures. The activities in the area of occupational health and safety include raising the awareness of employees, risk assessment at the workplace, ensuring machine safety, as well as the prevention of accidents and occupational illnesses.

**Health promotion, prevention and training**
Occupational health and safety are central and decisive topics in the entire value chain of the division. The reasons for this are obvious: Increased safety and prevention can prevent injuries and illnesses – and sometimes even save lives. At the same time, a clear commitment to occupational safety can also improve operational processes and profitability as well as reduce the risk of liability: Healthy, effective employees are the basis for optimised processes with less inactive time and higher product quality.

Because the health and safety of employees always have top priority for the Doors Division, the lowest possible accident and illness rate is aimed for. The individual companies take numerous measures to maintain and promote the health and performance of the employees. This includes, among other things, company health programmes such as the platform "Focus on People" at Kermi and Bekon-Koralle or an extensive range of courses and seminars on a variety of topics. Professional company medical care and preventative medical check-ups can also be taken advantage of.

To identify possible hazards early on, the different committees of the companies (work protection committee, health task force, works council task force, work and health protection) hold regular meetings to analyse the current situation and develop suitable measures. Internal area inspections and hazard analyses have been implemented for all workplaces as a cross-divisional standard. Standardised processes make it possible to avoid hazards as much as possible. At Prüm, Garant and Invado, specific employee instructions on safety issues are already the norm. At RWD Schlatter, occupational health and safety is part of quality management; it is continually developed further by the safety officers and the shop floor management. In every work contract, the company also commits to its customers to maintain the highest standards of occupational health and safety. External business partners who work on the business premises of the division also commit to observing the previously communicated safety regulations of the division.

All employees of the Doors Division have access to subsidised occupational health services and programmes for health promotion, such as fitness, yoga, or Pilates. The division also provides each production employee with an individually adapted hearing protection. Health problems such as back pain are actively addressed by optimising the ergonomics at the workplace. Newly hired employees receive an in-depth safety instruction for their workplace and are trained for the requirements in their work area in regular courses.

Invado plans to install an automatic unloading unit for stud doors, in order to avoid manual unloading of heavy material in the future. A door buffer station is also being set up behind the machining centre to eliminate the hard manual work in this area. At the other companies, such automation was already implemented a long time ago – which has led to great relief and increased effectiveness.

**Continually checked targets**
Invado has set itself the goal of offering a comprehensive occupational safety training not only for newly hired employees but also for the technical and administrative employees as well as managers. Specific training courses are to be increasingly offered for technical staff. To achieve these goals, the company is also relying on the regular feedback of external parties, in addition to internal reviews. Examples of this are area inspections by the factory inspectorate and labour unions as well as external safety audits.

At Kermi and Bekon-Koralle, the monthly statistics on sickness and accident rates provide an overview of the current situation and serve management as a tool for optimising occupational health and safety. In addition, the causes of each accident are carefully analysed. This concept has proven to be extremely successful – absences due to accident or illness only occur seldomly at the two companies. Motivation and loyalty to the employer are correspondingly high.

At Garant, Prüm, RWD Schlatter and Invado, the current situation regarding occupational safety is also continuously checked and assessed. At Invado, this check also includes the analysis of the results of work environment tests (e.g. noise, weights) and medical examinations as well as the performance of risk assessments at the workplace. Occupational health and safety is increased further by continuously monitoring the working conditions and the machine efficiency as well as continuous safety training of the employees.

**A year characterised by COVID-19**
As a result of the ongoing pandemic, no seminars, courses, or lectures on occupational health and safety and health-promoting activities could be held at Kermi and Bekon-Koralle. The magazine "Focus on People" was cancelled along with the preventative medical check-ups offered in the previous years. As soon as the COVID-19 measures are repealed, these offers are to be started up again. There will also be more prevention offers and lectures from the health task force again.

At Invado, all courses also had to be held online due to the COVID-19 pandemic. The work system of the company was adjusted according to the COVID-19 regulations: Fewer people and greater distances in the offices as well as the provision of masks and disinfectants allowed safe working with a reduced risk of infection. The department for occupational health and safety and fire protection additionally launched various measures for improving occupational health and safety conditions. All employees have the possibility to express wishes, complaints and comments on this.

# Dynamic corporate culture

Arbonia practices a dynamic, open corporate culture and creates a pleasant, appreciative and supportive working environment. Wages, social benefits, employment level, contractual conditions and compensation comply with the principles of a responsible group. The positive work environment results in motivated and satisfied employees, which not only increases competitiveness but also reduces the gross fluctuation rate (including retirements). This was reduced further at Arbonia in the reporting year – from 10.7% in the previous year to 9.8% in 2021. To maintain and optimise the high level as a fair employer in line with the market, Arbonia regularly compares itself with other internationally operating companies of a similar size.

The diversity of employees, their equal opportunity, non-discrimination, as well as equal treatment in the company have great importance at Arbonia – regardless of sex, nationality, ethnic origin, skin colour, religion, or impairment. Although the labour market is regulated somewhat differently in each country, at Arbonia, the overarching guidelines of the group and the divisions apply at all sites.

**Close social partnership**

The close cooperation with employee representatives in all countries is a decisive factor for the commercial success of Arbonia. In Switzerland, the collective labour agreement of the Swiss mechanical, electrical and metalworking industries (Swissmem) is applied at all companies – unless other mandatory collective labour agreements are valid. The contacts with the social partners in Switzerland therefore generally take place via this association, with which all companies in Switzerland are affiliated. The code of conduct (see "Ethics & integrity", p. 45), the salary system, leadership development, collective labour agreements and wage agreements as well as strategic guidelines for human resources management are approved by the Board of Directors and consistently implemented across all levels down to the local sites. The group supports the divisions in succession planning and leadership development just as much as in collecting key performance indicators to review the effectiveness of measures taken. If necessary, personnel issues are also discussed and addressed across divisions.

**Lawful and transparent starting position**

The individual divisions communicate with their employees about relevant wage agreements via information boards and screens. In addition, the contracts can be viewed via the employee representation. It should be noted that there is no uniform procedure at Arbonia, since the requirements differ depending on the company and the domestic market. However, regular meetings take place everywhere between the company managers and employee representatives of the labour unions. The divisions have a standardised process when an employment relationship is terminated.

**Training programmes as a matter of course**

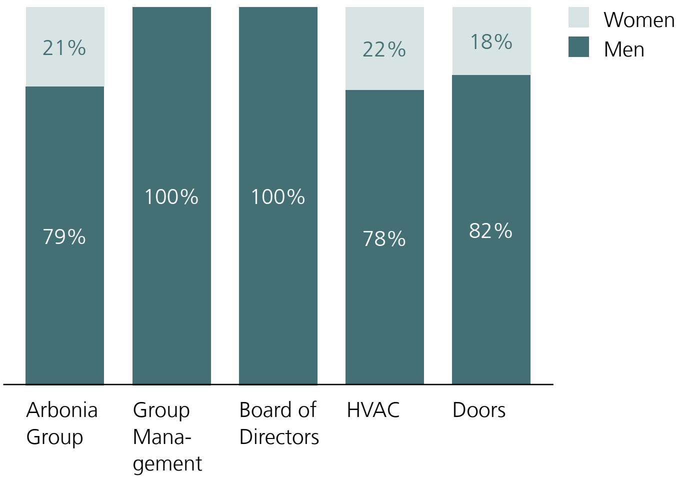
The number of trainees, who largely work at Kermi, Prüm and Garant in Germany, declined slightly – from 160 in the previous year to 156. Arbonia supports the vocational further development of employees with educational leave and shares the costs in some cases. To promote young college students in a practical and targeted manner, the Group offers "dual study places" every year. Internal and external training courses ensure that employees are quickly familiarised with all technical innovations and can thereby optimally prepare themselves for changing technical requirements. Course rooms and exhibits at the production sites offer employees the unique possibility to get to know manufacturing processes during operation. Arbonia determines the further training needs with the help of annual performance reviews and via the close cooperation between superiors and the human resources department. Employees evaluate the quality of the further training after completing the programme and superiors and external training institutions also sometimes fill out an evaluation document.

**Composition of the workforce as of 31 December**

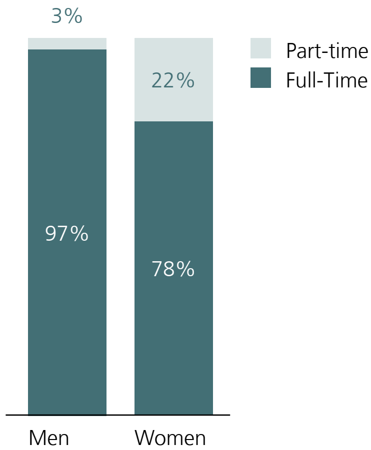
| | 2021 | Share | 2020 [1] | Share |
|---|---|---|---|---|
| Employees (permanent employees only; in FTE) | 6040 | | 5515 | |
| Employees (permanent employees only) | 6232 | 97.6% | 5708 | 97.3% |
| Apprentices, interns and trainees | 165 | 2.4% | 160 | 2.7% |
| **Employees by employment type (permanent employees only)** | | | | |
| Full-time | | 93.0% | | 93.3% |
| Part-time | | 7.0% | | 6.7% |

[1] The companies Temovent, Cicsa and GVG, which were newly acquired in the reporting year, were not taken into account in the previous year.

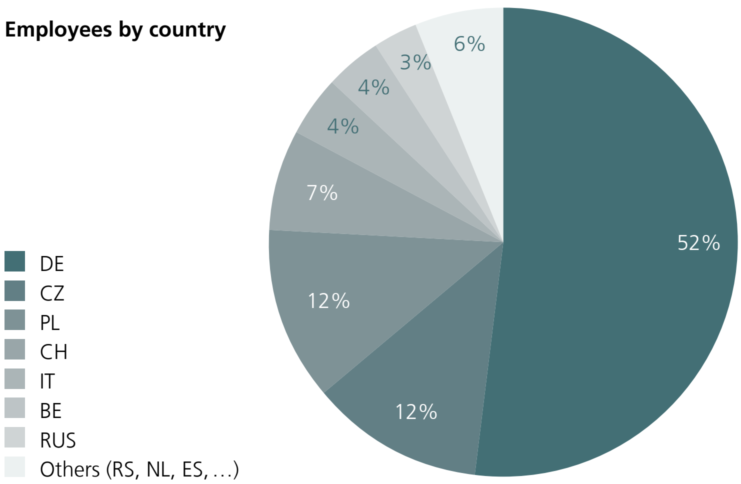
**Diversity by gender**



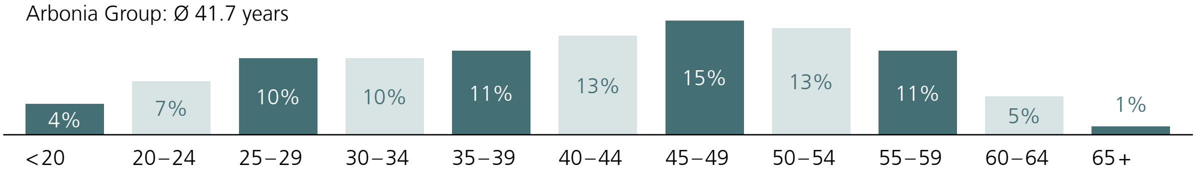

**Diversity by employment typoe**



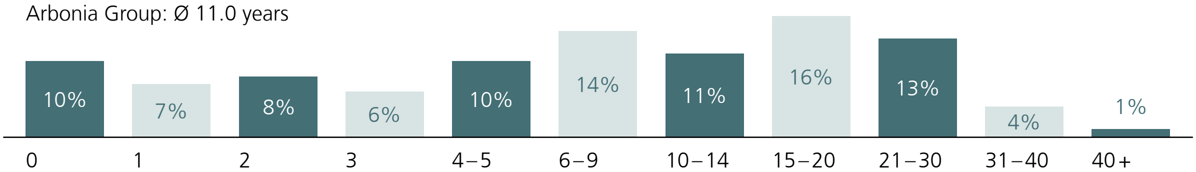

**Employees by country**




**Age structure**
Arbonia Group: Ø 41.7 years




**Seniority structure**
Arbonia Group: Ø 11.0 years



# Heating, Ventilation and Air Conditioning Division

**Principles for a dynamic corporate culture**
A dynamic corporate culture makes it possible to exchange and combine experiences and different perspectives that can improve performance within the company. Because this topic is relevant on all levels and in all areas, the companies of the HVAC Division pay special attention to observing and promoting a dynamic corporate culture.

The division places value on strict compliance with legal principles and the current regulations, including the General Equal Treatment Act (AGG) and the company's code of conduct. In the case of infringements, disciplinary actions are correspondingly initiated. In the reporting year, Sabiana launched a programme for improving human resources management, in order to evaluate the expectations of employees and the management approach in this area. In the case of complaints, employees of the HVAC Division can contact their superiors or the Group's human resources or compliance departments at any time – complaints are always handled anonymously. In the case of complaints regarding the protection of personal data, employees can use an e-mail address provided for this purpose.

**Target-oriented for higher employee satisfaction**
As part of their dynamic corporate culture, the companies of the HVAC Division have set high goals for themselves: Kermi aims to react quickly to changing conditions. A reduction in the fluctuation rate and increasing employee satisfaction remain core goals, which are to be achieved by, among other things, implementing further personnel development measures as well as increasingly integrating employees with a migration background. Concretely, for example, Sabiana aims to reduce fluctuation to below 2% through increased employee satisfaction. It reviews the satisfaction of its employees every two years with a survey. In addition to the survey, an analysis of mental health and work-related stress factors is also carried out. The evaluation is presented to the Managing Director and various measures are evaluated on the basis of this data.

To fill employment vacancies quickly with qualified people, Kermi would like to emphasize employer branding more in the future. Through a targeted recruitment of new employees and increased retention of current employees, the company wants to try to master the demographic development without any loss of quality. Sabiana is basically pursuing the same objectives and intends to partner with a company from the same line of business to promote employee satisfaction via an exchange programme for highly qualified employees. The success of these measures will be evaluated based on the key performance indicators and the fluctuation rate. The division offers various work and part-time models and offers mobile work depending on the technical possibility.

**Talent acquisition and retention**
At Kermi, all advertised positions and offered apprenticeship places could be filled over the course of the business year, despite the shortage of skilled workers. In-house trainees from the company's own vocational training are prepared for higher tasks through targeted support. The same holds true for college graduates, who can qualify for specialist activities through targeted assignments. Vacant leadership positions at the HVAC Division are mostly filled with in-house young staff. The shortage of skilled workers on the labour market remains one of the greatest challenges, though. This problem is cushioned by the low fluctuation rate and the long employment lengths. At Sabiana, the high level of employee satisfaction has become the most important key performance indicator. In addition, the companies always strive for non-discrimination and gender-neutral recruitment processes in recruiting.

# Doors Division

**Corporate culture as part of corporate identity**
The dynamic corporate culture is extremely relevant in the Doors Division as well: Because this topic is a major part of employer branding and reflects the social responsibility of the individual companies, it has a correspondingly high importance. The observance of all legal principles and internal regulations is consistently implemented at Kermi. Invado has introduced expanded and detailed guidelines as part of its dynamic corporate culture – including work rules, an anti-bullying policy and an anti-discrimination policy, as well as a complaints procedure for employees. Concretely, the division has set up an external, neutral reporting office for complaints. The division also provides the inter-company reporting office of Arbonia, the Group Head of Legal and Compliance, for complaint reports. Last but not least, Invado supports its employees with an in-house social fund when necessary.

**Measures in the corporate culture area**
The main goals of the individual companies in the Doors Division are largely identical: A further increase in employee satisfaction is to keep fluctuation low and decrease it if possible. Measures for employee retention are, for example, increased efforts in the area of HR development or an improved integration of employees with a migration background. A clear employer branding is to emphasize the characteristics of the individual companies better. In this way, the Doors Division hopes to fill vacant positions with qualified employees faster. At Garant, for example, it was possible to reduce the fluctuation rate in the reporting year. In addition to reducing the fluctuation rate, the company also wants to shorten the duration of the rehiring process, among other things with professional onboarding systems as well as by developing new key performance indicators in human resources. In general, the division is pursuing the goal of meeting changing circumstances faster and more flexibly. The progress in achieving these goals is checked by means of key performance indicators such as fluctuation rate or length of employment. At Invado, the goals – which include a further diversification of top management with currently 40% women – are checked at regular intervals by external audits.

**Qualified workers**
Although the situation on the labour market remained tight, there were no significant problems in recruiting at Kermi and Bekon-Koralle: All advertised positions and offered training places were able to be filled promptly in the reporting year. As in the past, vacant leadership positions were mostly filled internally. The support of trainees and college graduates proved to be a great advantage in this respect once again. However, despite a low fluctuation rate and long employment lengths, the lack of skilled workers remains challenging. At Invado, COVID-19-related absences occurred and, as a result, a noticeable staff shortage.

## Creating and securing jobs

As regional employers, the companies of Arbonia have a central importance: They create and secure jobs, generate income, and pay public levies in the form of taxes. They are thus an important economic factor in the respective regions. Many Arbonia companies have significantly influenced their environment: Because most employees live in the direct vicinity of the operating sites, the companies leave behind a reflection of their respective corporate culture in the regions. The stated goal of the Group is to permanently ensure the attractiveness of its sites, thereby increase employee retention further, and secure valuable know-how and many years of experience. The measures for this are varied and range from strengthening employer branding, to cooperation with schools and colleges, up to regional measures in human resources marketing, for example, through trade fair appearances and sponsorships.
In order to demonstrate innovative strength, social commitment and a positive impression for employee recruitment to the outside world, all companies of Arbonia maintain permanent relationships with their local stakeholders. To remain attractive as an employer, Arbonia relies on long-term capacity expansion: It aims to increase efficiency not only through investments in infrastructure but also through increased digitisation measures and synergy effects within the Group. The increasing automation of routine tasks further increases the quality of the jobs. Arbonia thus provides its employees with modern facilities and offers them attractive, future-oriented workplaces as well as a wide range of development and career opportunities.

## Heating, Ventilation and Air Conditioning Division

**Clear goals for creating and securing jobs**
The companies of the HVAC Division are basically pursuing the following goals in creating and securing jobs: A consistent use of the regional labour market and a fast identification of potential employees, for example, through internships, is intended to further strengthen workforce at the respective sites in terms of quality and quantity. These goals can be checked quickly and easily: They have been achieved when jobs can be filled, when the employee numbers remain constant and when the site remains competitively attractive.

**Constancy even during challenging times**
In the HVAC Division, material availability was maintained even during the pandemic. With the introduction of innovative new products, the number of employees and highly qualified experts will increase further in the coming years.

# Doors Division

**Regional anchoring**
The companies of the Doors Division are clearly committed to their respective sites and are aware of their great economic and social responsibility in creating and securing jobs. To increase its own attractiveness as an employer, Garant offers various employee incentives, such as easier access to e-bikes or reduced admission to fitness studios and swimming pools. A specific integration management allows employees with health restrictions to return to the workplace. HR development is being further strengthened and expanded with a new approach that is currently in the development phase. Invado, for example, also maintains a close and effective cooperation with the state employment agency, which has a positive effect on the local labour market and has already reduced unemployment in the region. In addition, the company has good experience with a recommendation programme.

**Goals with success monitoring**
Overarching goals of the companies in the Doors Division are to secure and strengthen the respective site through increased employee retention and effectively filling vacant positions. Indicators for checking these goals are the vacancy filling, the competitiveness and the attractiveness of the respective site. Garant measures its success with regular comparisons of relevant KPIs such as fluctuation and illness rate as well as by comparing progress in the establishment of new management systems in the area of human resources. At Invado, the progress is regularly checked in the context of internal and external audits.

**A year characterised by COVID-19**
At Kermi and Bekon-Koralle it was possible to keep the employment figures constant in the reporting year as well – despite the COVID-19 pandemic and a demanding situation in relation to material availability. The development of workplaces – including connection for mobile working – has progressed further. The number of employees will increase further with the launch of new, innovative products. Measures for managing the COVID-19 crisis included, among others, the introduction of home office in administration and the introduction of performance reviews in the entire company. The strengthening of employer branding turns out to be the greatest challenge: In light of the very tight recruitment market, a clear and distinctive profile is necessary to recruit enough qualified employees in the future as well.

# Compensation structure

The Compensation Report (see p. 113) of Arbonia sets out the compensation governance, the principles of the compensation system, as well as the structure of the compensation of the Board of Directors and Group Management of Arbonia. It also contains information on the compensation of the Board of Directors and Group Management in the respective financial year.

The compensation report has been compiled in accordance with the Ordinance against Excessive Compensation in Listed Companies Limited by Shares ("OaEC") and the guideline concerning information on corporate governance (RLCG) of the SIX Exchange Regulation from 18 June 2021.

# Cybersecurity

Arbonia can only maintain its IT security together with its employees and thus protect the Group's operating activities and competitiveness against damage: The security awareness programme under the motto "THINK BEFORE YOU Click.Post.Type." helps employees to successfully recognize real threats and potential attacks and react to them correctly – in both their business and private lives.

**Together for more IT security**
Increasing networking, digitisation and the Internet are leading to a rapid rise in cyber crime. The threat situation has become even more acute and also more complex. Attacks on the digital infrastructure and on the data of the Group can lead to outages and supply bottlenecks and thus to considerable financial losses. An adequate information protection cannot be achieved by technical measures alone; rather, it depends on the employees' behaviour and handling of data and information systems. Arbonia employees are a central link in the security chain in the area of cybersecurity and must assume corresponding responsibility. The most common attack tool for cyberattacks is e-mail – followed by social engineering (manipulating or influencing a person) and the Internet. For this reason, it is extremely important to recognise, avoid and report suspicious sources. With targeted measures to strengthen so-called cyber resilience, Arbonia tries to reduce the risk of cyber attacks to an absolute minimum. The Group pursues a comprehensive security approach with technical measures, processes, guidelines and standards, the observance and implementation of which is checked on the Group level by the in-house ICT security officer and his team. The goal is to prevent cyber attacks of all types and to increasingly train and sensitise employees about this topic. The comprehensive security approach in the context of the information security strategy is continually checked via audits and penetration tests.

**THINK BEFORE YOU Click.Post.Type.**
The security awareness campaign under the motto "THINK BEFORE YOU Click.Post.Type." contains various elements. Arbonia took a variety of measures in the course of the campaign, for example, training courses. In this context, employees were invited to participate in various awareness and training units, whereby in-depth training courses were provided specially for IT administrators and other exposed persons. These training courses provide information on the secure handling of data and information systems and aim to make everyday life more secure. At the same time, Arbonia called attention to security issues and threats with various poster subjects. For practical implementation, employees received an anti-phishing button as an Outlook extension that they could use to report a possible threat to the IT department with only a few clicks. To prepare and sensitise employees for an emergency, they also randomly received various phishing e-mails during the reporting year.

On the basis of a high cyber resilience and e-mail security, Arbonia generally strives not to experience any safety-critical events and thus to ensure a smooth course of business. For this purpose, penetration tests or attack simulations are also carried out and the results are used as the basis for continuous improvement. To manage security, for example, the cyber maturity is measured using defined standards. Further improvements and key performance indicators will follow in connection with upcoming projects such as, for example, the development of SIEM incidents (Security Information and Event Management).

| Priorities and goals | Targets for 2025 | Status 2021 |
|---|---|---|
| Arbonia is increasing the participation rate in e-learning in the area of cybersecurity. | Participation rate of 100% | Average participation rate of 58% |

# Arbonia protects itself

## Interview with Thomas Zehnder, ICT Security Officer (ICT = Information and Communication Technology) at Arbonia since 1 February 2019.

**What is your responsibility as ICT Security Officer at Arbonia?**
My area of responsibility is extremely varied. I am responsible for formulating and further developing the ICT information security strategy, for identifying and assessing risks, security threats and vulnerabilities, as well as for defining corresponding security measures to ensure and continuously improve the cyber resilience of Arbonia. In addition, planning, implementing and measuring the ICT security quality measures as well as security policies, processes and standards also fall within my responsibility. I also assist employees with all questions concerning information security.

**What skills do you need to be able to fulfil these responsibilities?**
The role requires that you understand the technical aspect as well as processes and procedures. With my bachelor's degree in computer science and my master's degree in information systems with a focus on technical security as well as security management, I cover both aspects. Continuous current knowledge and relevant further training in the area of information security and risk management are just as essential for this work as analytic abilities, networked thinking, as well as experience in handling high complexity. In addition, skills in the area of communication and self-management are also advantageous.

**How is Arbonia positioned in respect to ICT security?**
Basically, the responsibility for the ICT security of the entire Arbonia Group lies with me and the IT Board, which consists of the Group CIO, the Group CFO, as well as IT representatives of the two divisions and of the Group. The relevant issues are always coordinated and presented with the responsible people from the divisions and Group Management. In the implementation of all topics, I am supported by the local IT teams and ICT security officers as well as further ICT security specialists, who are my interfaces to the sites and the companies. A single person would not be able to realise the issues and projects in a Group with so many companies and sites – it is essential to have a well functioning team who support each other.

**What were the biggest challenges in the past year 2021?**
We prepared a detailed security programme with many projects and continuous improvement processes that we are implementing throughout the Group – the limiting factor is especially the personnel resources on the Group level, but also in the companies, who have to help us with the implementation. In addition, there are some maturity differences among the companies that we have to balance as well as the integration of newly acquired companies. As a group with networked systems, we rely on everyone fulfilling the defined security standard, in the spirit of "think globally, act locally".

**What priorities did Arbonia have in the area of cybersecurity in the financial year 2021?**
Among other things, we have tried to raise the employees' awareness of cyber risks with an ongoing phishing and awareness programme. In addition, we have developed and adopted an information security strategy with different approaches and a resulting multi-year security programme. The goal was to achieve a stable cyber resilience with targeted, smaller measures across all companies. Furthermore, we implemented several large and Group-wide projects, such as, for example, the introduction of SIEM/SOC, a central collection and evaluation of relevant security logs in connection with an external 7x24h monitoring – or also the establishment of new Group-wide guidelines, for example, for connecting third parties to Arbonia systems.

**How has the view of cybersecurity changed at Arbonia since you have held this office?**
Previously, each subsidiary took care of the topic of cybersecurity mostly by itself. There was no overarching approach. In the past three years, awareness of the need for measures in this area in particular has increased considerably – among employees as well as especially among management. This has caused the commitment and the willingness to become active to increase. In the meantime, almost everyone has realised that cybersecurity is also a business enabler.

**Why is the topic of cybersecurity also relevant to sustainability in your opinion?**
Digitisation in general is a central issue in the area of sustainability. Smart processes and systems that control and optimise the use of resources in a targeted manner and thereby reduce environmental impacts to the greatest possible extent are decisive. As a result of their networking, however, such systems are also a target for attackers, which is why cybersecurity is so central for maintaining them. The number of cyber attacks has strongly grown in the last years and months and the threat situation has drastically increased. Finally, cybersecurity is the business enabler – when the systems are paralysed, a company cannot do business at all in most cases. Not doing business means not being able to exist sustainably, and it is very important to Arbonia to ensure that employees in particular have a sustainable work security.

« A single person would not be able to realise the issues and projects in a Group with so many companies and sites – it is essential to have a well functioning team who support each other. »

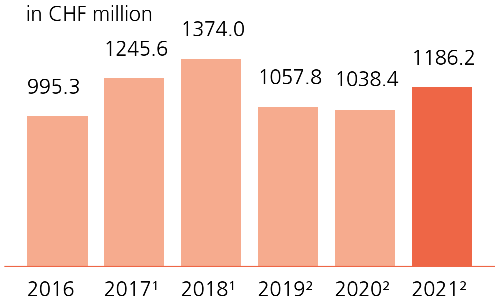
# Cash

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

# Sustainable business strategy and market orientation

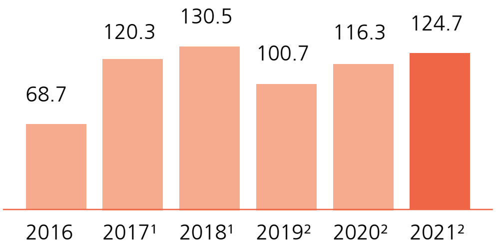
Following the sale of the Windows Division and the integration of the Sanitary Equipment Division in the Doors Division, Arbonia focused on the two divisions Heating, Ventilation and Air Conditioning (HVAC) and Doors in the reporting year 2021. These divisions are independently pushing the relevant megatrends of **energy efficiency**, **urbanisation**, **digitisation**, as well as **automation**.

**Revenue**
in CHF million



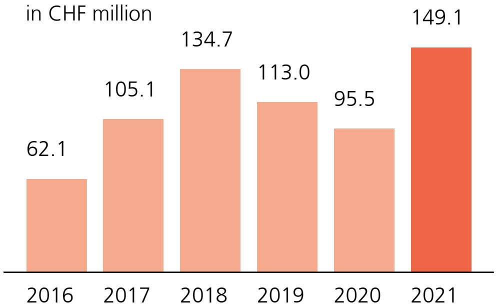

[1] Continuing operations (without Profile Systems and Industrial Services)
[2] Continuing operations (without Windows Division)

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




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

**Capex**
in CHF million




| Priorities and goals | Targets for 2026 | Status 2021 |
|---|---|---|
| Organic revenue growth (CAGR 2021–2026) | > 5% p.a | 11.6% |
| EBITDA (without M&A) | > CHF 200 M | CHF 134 M |
| Capex in % of revenue (maintenance and growth) | 4–5% | 9.5% |
| Annual dividend increase from the financial year 2022 | 15% | 20% |

# Arbonia brings the sun home

**Introduction**
In the current year 2022, Arbonia will launch a battery on the market that allows homeowners to store their solar electricity. This new product offers buyers a high added value and simultaneously underscores the innovative strength of the Group. The HVAC Division of Arbonia also completes its product portfolio with the energy storage: It can now offer a complete, coordinated system of products for heat and energy management of living space. This energy storage will also contribute to the energy transition in general and the energy self-sufficiency of houses in particular.

**Advantages of an energy storage**
In many European countries, the mix of electricity used is still dominated by fossil fuels such as coal or natural gas. However, people who live in a modern, energy-efficient house do not want to operate their environmentally friendly heat pump with fossil energies. Renewable energies, however, have the decisive disadvantage that they are dependent on external factors such as wind or sun and therefore supply more or less electricity at times.

In a house with its own photovoltaic system, which is now standard in many places in Europe, more electricity is generated during the day when the sun shines than an average household actually consumes. In the morning and evening hours when electricity is mainly needed, though, the system does not generate any electricity. Today, this already leads to the paradoxical situation that due to a lack of storage possibility the electricity generated in the daytime hours is cheaply sold to the grid and has to be bought back in the evening at a higher price (in Germany a price difference of around 20 cents per kWh). While this loss is limited with subsidised systems, there are already very many systems in Germany, for example, that have lost their state-guaranteed feed-in remuneration after 20 years of producing electricity. In this case, the feed-in remuneration decreases so much that the photovoltaic system can hardly be operated economically, whereas using the produced electricity oneself would allow significant savings. This is where the new battery from Arbonia comes in. It allows self-produced solar electricity to be stored during the day and retrieved in the morning and evening hours. This considerably increases the degree of own use.

**The technology**
Many batteries already available on the market use the lithium-ion technology that is also used in electromobility or in compact applications such as mobile telephones. The disadvantage of this technology is that it uses controversial raw materials, the batteries lose significant capacity after around 10 years and are also easily inflammable. The advantage is the high power density, which makes the batteries relatively small and light.

The redox flow technology of Arbonia weighs considerably more with the same output, but this is irrelevant for stationary use in buildings. On the other hand, it offers decisive advantages: It can be charged and discharged much more often without losing power and can therefore be operated economically for more than 20 years, whereas lithium-ion batteries experience a steady reduction in capacity after 10 years. Furthermore, it is not inflammable, which allows it to be used in residential buildings without risk.

The electrical charge in redox flow batteries is stored in a liquid. When energy is required, two differently charged solutions are directed past each other in a so-called stack, which releases the electricity again. The liquid, which essentially consists of vanadium dissolved in water, is not dangerous.

In addition to the mentioned advantages, this technology also offers a production-related advantage: The capacity of the battery can be easily scaled via the size of the two tanks.

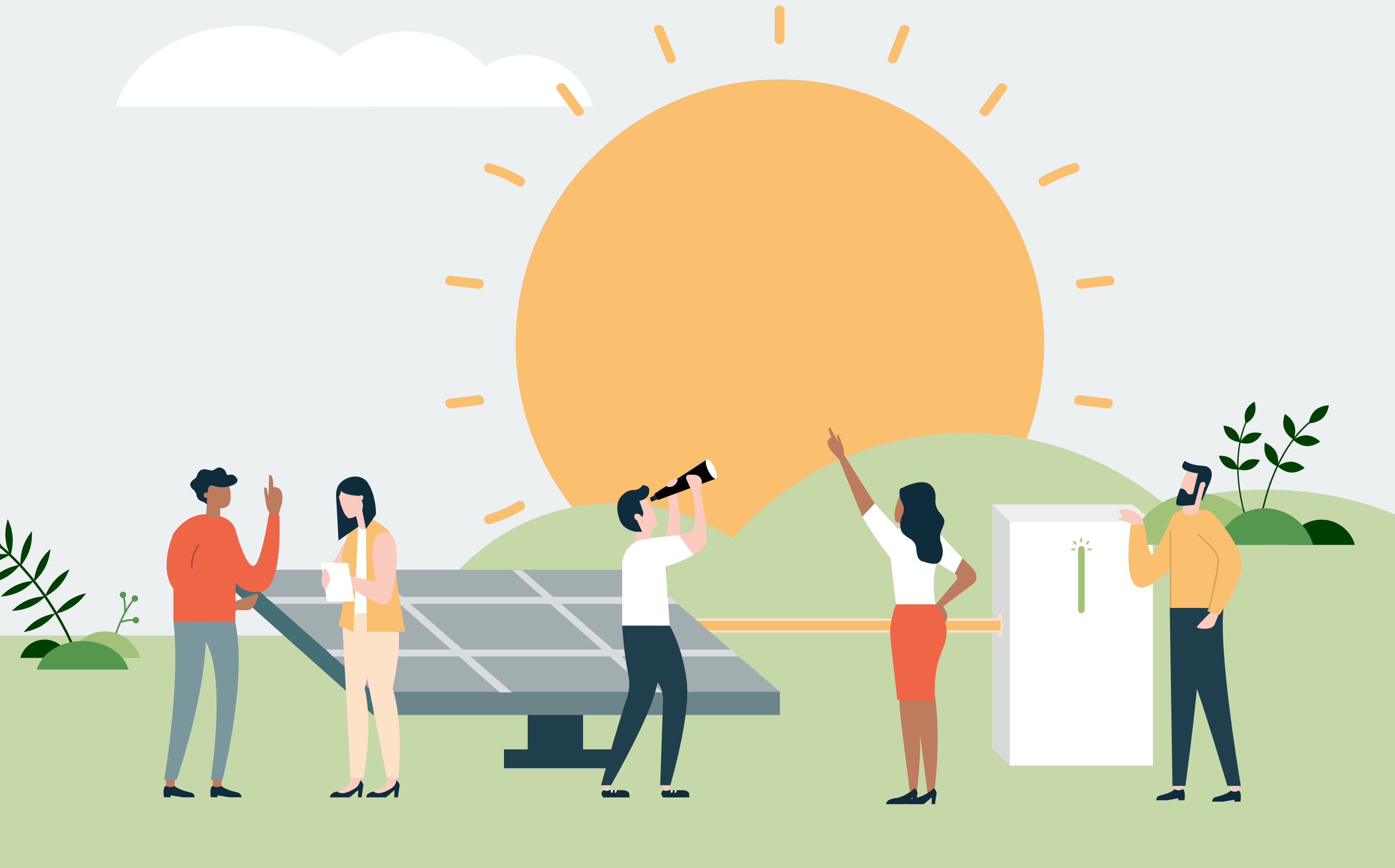
**Arbonia's product**
For the reasons described above, Arbonia has decided in favour of the redox flow technology. This has been researched and used as a buffer in larger applications such as power plants or wind turbines since the 1970s. However, some research work was necessary to make this technology small enough for use in a household size. For this purpose, the research and development centre at the Plattling (D) site cooperated with Volterion, a spin-off of the Fraunhofer Institute for Environmental, Safety and Energy Technology. Together with the institute, the HVAC Division optimised the product for use in housing construction, so that it can be introduced onto the market in mid-2022.

Several pre-series units are currently in the testing and optimisation phase. Series production will start on schedule for the market launch in mid-2022 at Kermi in Plattling (D).

Sales will initially start with a model with 6 kWh storage capacity, which is roughly the size of a normal refrigerator. In this size, the degree of own use is already significantly increased, so that a heat pump can be operated with high efficiency, for example. A single-family house (based on the average consumption of a four-person household of around 10 kWh) does not yet achieve complete independence from the electricity grid with this model, however. From 2023, models with a capacity of 10 kWh and 15 kWh will also be available.

The storage battery will first be sold in the German market and then offered in other countries as well. In Germany alone, with around 110 000 home batteries sold in 2020, the potential is huge. This market is expected to multiply to over 660 000 batteries by 2030, which is why Arbonia is convinced of the growth opportunities of this product.

There is an additional added value for the user as well as for the installer when the matching products for modern heat generation and optimum heat exchange as well for energy storage are completely purchased from Arbonia as systems: The individual components only have to be connected to each other and switched on. The system does not have to be extensively set up and calibrated but immediately provides the desired optimum indoor climate.



# Heating, Ventilation and Air Conditioning Division

The strategy of the HVAC Division clearly reflects the relevant megatrends of "$CO_2$ reduction" as well as a "healthy and comfortable indoor climate". With regard to the development of the product portfolio, the focus is on new products for the growth markets while at the same time expanding the strong position in the established product groups. In the reporting year, targeted investments were made to underpin the product and production strategy based on the following four pillars:
- "Best in class" production for radiators
- Use of renewable energies with heat pump and battery storage products
- Radiant heating and cooling for modern buildings
- Ventilation and indoor air quality

The comprehensive climate protection package of the EU Commission, which has climate targets of 55% greenhouse gas savings by 2030 and climate neutrality by 2050, proves that the HVAC strategy is correct. For several years now as well as in the reporting year, the division has consistently pursued its strategy of being an innovative provider of holistic heating systems and their components: from modern heat generation and optimum heat exchange to energy storage for all types of buildings and application areas, both for the new construction and renovation markets.

With the construction of the new production plant in Opočno (CZ), the division is ideally positioned in the market for heat pumps, which is currently recording strong growth. In line with this strategy, a new resource-saving, highly efficient generation of air-to-water heat pumps for the lower and medium output range was launched in the reporting year. As an optimal addition to the heat pump range, a new hot water and layered buffer storage tank was also launched, which offers many advantages thanks to its modular design and high degree of pre-assembly. In addition, the division is currently developing a battery storage based on sustainable redox flow technology, a future-oriented alternative to conventional lithium-ion batteries for both private and commercial residential construction (see "Arbonia brings the sun home" p. 80). This product offers convincing features such as non-flammability (an important safety aspect), a high number of charging cycles without loss of capacity and attractive economic efficiency.

In addition to the four key pillars of the strategy, the HVAC Division is optimising its production footprint further by consolidating the production volume of steel panel radiators with the planned closure of the production plant in Tubbergen (NL). Other projects have also been initiated to reduce complexity and lower costs.

With the acquisition of the Serbian company Termovent as of 1 July 2021, the HVAC Division was not only able to expand its geographical presence in South-Eastern Europe but also significantly deepened its expertise in the area of air handling units. Cleanroom technology is the second focus of Termovent and completes the division's product portfolio in the commercial and industrial ventilation systems segment. In the first half of 2021, the HVAC Division also acquired the Spanish company Cicsa to strengthen its sales position in Spain and Portugal.

| Priorities and goals | Targets for 2026 | Status 2021 |
| --- | --- | --- |
| The HVAC division is increasing its share of growth products[1] in relation to the total revenue. | > 67% | ~ 50% |
| The HVAC Division is developing sustainably and achieving a revenue growth as well as an increase in the EBITDA margin. | Revenue > CHF 800 M<br>EBITDA > CHF 100 M<br>EBITDA margin > 12.5% | Revenue CHF 631 M<br>EBITDA CHF 71 M<br>EBITDA margin 11.2% |

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

# Doors Division

In the middle of the reporting year, the Sanitary Equipment Division with its shower doors and partitions was integrated into the Doors Division as the Glass Solutions Business Unit. The strategic logic of the integration lies in the better use of synergies in joint market development in contract sales on the one hand and in procurement on the other. In addition, the product range of the Wood Solutions Business Unit with functional and interior doors will be expanded to include shower doors, and in the medium term the glass doors and glass partitions area can be expanded for interiors.

The focus of the Wood Solutions Business Unit continues to be on the multi-year investment programme for increasing productivity and expanding capacity with the goal of improving delivery performance. Most of the investments flowed into the capacity expansion of the two German door plants Prüm and Garant. The largest items were the purchase of the property of Garant and the second high-bay warehouse, the combined heat and power plant (CHP), and the construction of the new frame plant near Prüm. Arbonia also invested in a coating robot at RWD Schlatter and started the planning for a raw materials and finished goods warehouse at this Swiss location.

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

The division additionally invested in IT and the digitisation of processes. It is in the process of rolling out SAP S4/Hana at the Wood Solutions Business Unit, for example. Harmonising the ERP system will make the future cooperation between the four door companies more efficient.

A very important milestone in the reporting year was the acquisition of Glasverarbeitungs-Gesellschaft Deggendorf mbH (GVG). The Glass Solutions Business Unit is thus increasing its vertical integration by sourcing processed single-pane safety glass within the Group now. The separation of GVG from the Saint-Gobain Group and its integration into the Glass Solutions Business Unit of the Doors Division is proceeding according to plan. This sets the stage for future growth and further process improvements.

| Priorities and goals | Targets for 2026 | Status 2021 |
|---|---|---|
| The Doors Division is developing sustainably and achieving a revenue growth as well as an increase in the EBITDA margin. | Revenue > CHF 725 M<br>EBITDA > CHF 110 M<br>EBITDA margin > 15.0% | Revenue CHF 552 M<br>EBITDA CHF 76 M<br>EBITDA margin 13.8% |

# Product management

In addition to the product responsibility including quality assurance, product management also comprises product labelling. This includes all communication and marketing services concerning the individual products as well as the corresponding certifications. Product management is the interface from the company to the market and identifies changes to customer requirements and the legal framework. These changed requirements are implemented in the development. The responsibility of product management includes observing valid regulations and standards regarding product compliance, safety and health for (end) customers, as well as dealing with problematic components such as chemicals. A large portion of Arbonia's production sites operate with certifications for environmental management (ISO 14001) and energy (ISO 50001).

**Key product management figures**

| | 2021 | 2020 | Delta |
|---|---|---|---|
| Total production volume[1] in TCHF | 851 671 | 742 613 | 15% |
| of which at ISO 14001 certified sites | 42.7% | 41.7% | |
| of which at ISO 50001 certified sites | 64.9% | 68.8% | |

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

| Priorities and goals | Targets for 2025 | Status 2021 |
|---|---|---|
| Arbonia increases the proportion of production volume that is covered by ISO certifications by having further sites certified. | > 80% | 74.3% |

# Heating, Ventilation and Air Conditioning Division

**Interface to the market**
As the interface between the individual companies and the market, product management identifies changes in customer requirements so that they can already be taken into account during development. Special attention is also paid to the legal framework: With a strict observance of regulations and certifications, product management is the basis for demonstrating the technical conformity of all products. Standards and regulations for building products are continually becoming more extensive and more demanding. It is a correspondingly great challenge for the product management of the HVAC Division to implement new and existing demands with innovative products. To guarantee this, the division is active in various bodies – such as in the German Institute for Standardisation (DIN) and the Federation of German Heating Industry (BDH). These partnerships make it possible to help shape technical progress and incorporate innovations into product management early on. For this purpose, the processes and product range planning are continually adapted in the HVAC Division and the responsible employees are trained for new trends and standards as early as possible. Adapted and newly developed products also have to be documented, certified and protected by patents. For a positive perception on the market, however, aesthetic aspects are also considered in the product design to supplement the sustainably positive effects from use. To increase public interest, selected innovations are presented in the context of design competitions.

**Increasing trend of energy efficiency**
Kermi was able to introduce the radiator "x-flair" in the reporting year. This supports the use of heat pumps: The flow temperature of the heating system is reduced to an efficient level for heat pumps, which considerably simplifies the use of this technology – especially in existing buildings. In the quest for better environmental compatibility, identifying trends in the European regulations for climate policy – especially in regard to future-capable refrigerants and energy sources – remains the greatest challenge, despite the involvement in various bodies and organisations. One of the steps that Sabiana took in 2021 despite the uncertainties was to advance the development of control and monitoring

systems with the goal of optimising the use and the energy consumption of installed equipment and devices.

**Products with maximum customer value**
The goal of all companies of the HVAC Division is for all products to meet current and future customer requirements as well as existing standards and laws. The division is already making a significant contribution to reducing $CO_2$ emissions in the building sector today with innovative products and system solutions. In addition, it also continues to advocate for achieving the desired climate neutrality: The division strives for a $CO_2$ reduction of 1 million tonnes through the use of its own products in the market by 2025. The division also takes into account other environmental aspects of its products, for example, the groundwater neutrality of decomposition products in the case of damage. At all companies of the HVAC Division, the product development follows a systematic process with defined milestones. In this context, the sales development of new products and feedback from the market environment allow a reliable success monitoring. These new products as well as most other products of the HVAC Division are subject to product certification with the quality marks RAL and NF for radiators, EHPA approval for heat pumps and DIN Certco approval for underfloor heating pipes. Fan coils have multiple Eurovent certifications, while chimneys have the IMQ certificate.

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

# Doors Division

**Product management as a success factor**
In light of the increasingly extensive and demanding regulations and standards for building products, a comprehensive product management has long since become essential. The relevance of this area is correspondingly high for the Doors Division as well. The internal product management makes sure that even highly specialised customer requirements are met in every detail and all legal regulations and common standards are observed without compromise by manufacturing in conformity with approvals. In this way, the sales volume of certified products can be successively increased.

Safeguarding product quality is ensured in the Doors Division with the quality management system ISO 9001. In this framework, quality assurance checks the materials used in manufacturing, oversees the production control and checks the manufactured parts. Guaranteeing the highest quality standards – the core of the standard EN ISO 9001 – makes it possible to maximise customer satisfaction. The building products manufactured by the Doors Division are subsequently placed on the market according to the relevant legal regulations and relevant standards. This requires an in-house production control; the corresponding documentation is ensured by the individual companies in the respective department for quality assurance.

The Doors Division also provides its customers with assembly instructions, training courses and a customer service in order to guarantee safe handling of the products.

**Outstanding quality with maximum conformity**
Through active participation in various bodies and through the division-wide exchange of know-how and experience, the companies of the Doors Division are able to help shape technical progress considerably and incorporate innovations early on. This ensures that customers always receive innovative, high-quality and long-lasting products. The shower stalls of Kermi and Bekon-Koralle, for example, are characterised by exceptional durability. The products are tested according to the strict standards EN 14428 (CE) and PPP 53005 (TÜV/GS) and are therefore characterised by maximum stability, water-tightness and ease of maintenance. The use of single-pane safety glass up to

10 millimetres thick is documented according to the standard EN 12150.

Garant, Prüm, RWD Schlatter and Invado also strive for continuous quality improvements: Key factors are the on-going optimisation of quality management and manufacturing processes, the modernisation of machinery, as well as the careful selection of suppliers with the highest quality standards. To motivate employees to take even more responsibility for the quality of products, the Doors Division offers corresponding training courses.

The operations of Invado in Poland and RWD Schlatter in Switzerland are certified according to the ISO standard 9001: Standardised processes not only guarantee the quality of the products but also the delivery reliability and correct product labelling. Well-known certificates for wood from sustainable forestry, testing for harmful substances by the ECO Institute, the Environmental Product Declaration (EPD) and the RAL quality mark of the German Institute for Quality Assurance are further seals of approval for the companies of the Doors Division.

Product safety and suitability for everyday use are the overarching goals for product management at the Doors Division. As a consequence, these two points are continuously monitored – for example, by the internal control system and quality management. The in-house production controls of the individual companies are verified annually as part of external audits. Invado, for example, was successfully recertified in the operating year according to the standard ISO 9001. The standard EN 14351-2, which has still not been harmonised, proved to be a challenge, however. In addition, there are still no clear regulations for product labelling in application of the EU regulation 2019/515.

## Digitisation

Digitisation is understood to be the conversion of analogue processes and work steps into digital formats and the storage of information in digital systems. At Arbonia, for example, cooperation at construction sites is simplified thanks to increasing digitisation – such as through Building Information Modelling (BIM) and Product Information Management (PIM). These and other digital processes eliminate sources of error and reduce the manual effort for employees. The direct access to information and services, as well as simpler processes and faster processing times, are increasingly expected by customers, partners and employees. In this way, digitisation offers a possibility to stand out among competitors. Since the beginning of 2021, the divisions have been responsible for the digitisation process again. They let themselves be guided by the users' requirements when implementing the corresponding projects. Agile working methods and lean management principles are applied here. The digitisation process is already showing an impact: Customers, partners and employees are becoming increasingly aware of Arbonia's digital competencies.

# Heating, Ventilation and Air Conditioning Division

**Efficiency thanks to digitisation**
The companies of the HVAC Division understand digitisation as the use of new technical possibilities to further develop their own business and processes and to make them even more efficient. Digitisation is essential to the division because it makes it possible to work faster and more accurately as well as to use the time gained for activities with added value. At the HVAC Division, digitisation is the topic that affects business activity the most, apart from decarbonisation. For example, the company achieves a consistently automated handling process for each order through the consistent use of all relevant SAP modules.

**Digitisation as a competitive factor**
For the HVAC Division, digitisation is relevant throughout the entire value chain – from development to production and logistics up to administration. Basically, all processes can be digitised and thereby improved. Digitisation can not only support internal processes but also make the individual companies more competitive and more attractive. In manufacturing digitisation is consistently advanced – for example, through the increasing networking of the production plants via the control room technology. Industry 4.0 and Logistics 4.0 lead to a considerably increased efficiency and reduced use of resources in production and logistics. Digitisation also has a great relevance in product development, because the products are increasingly being linked within the division to improve energy efficiency further.

Processes are also being increasingly digitised and automated in administration and sales. At Kermi, for example, classic sales is gradually developing into multi-channel sales. The use of social media and the development of proprietary product apps is just as natural for the company as the use of the Intranet as a comprehensive information platform. At Sabiana, a new role has been coordinating the cooperation of the IT department with projects to increase the digitisation in production and administration since 2019. The corresponding progress is checked semi-annually.

**Digital in development and production**
A concrete digitisation project in the area of development is, for example, the market launch of a new energy storage for photovoltaic systems with an integrated energy management system (EMS) at Kermi: With networking of all components, the EMS allows the generated electricity to be optimally used. The system ensures that as much as possible of the self-generated electricity is used in one's own household and as little as possible has to be purchased. At Sabiana, one of the main goals of digitisation is the internal configuration and implementation of the new Manufacturing Execution System (MES) in the entire production and the implementation of the Computerized Maintenance Management System (CMMS). Further goals are the introduction of a new production process control (digital kanban) to reduce inventories, the introduction of a warehouse management system (WMS), as well as the introduction of a new production planner and a code configurator. At Vasco, an upgrade of the ERP system has been started; the go-live is planned for June 2022. Afterwards, the company wants to devote itself to implementing artificial intelligence (AI) and robotic process automation (RPA) while continually increasing the security in the area of information and communication technology at the same time. The desired objectives are checked with regular feedback from the stakeholders, comparisons with competitors, and a semi-annual assessment.

**Networking in products and production**
At Kermi, the networking of system components proceeded in the reporting year as planned. The expansion of knowledge in the area of new technologies is a challenge that can be managed well, however, thanks to intensive cooperation with colleges, institutes and specialised companies. In the reporting year, Sabiana was able to realise the installation of 70 digital workplaces and a new Manufacturing Execution System (MES) in production.

| Priorities and goals | Targets for 2026 |
| --- | --- |
| The HVAC Division introduces an energy management system for the operation of its energy storage, thereby making operation easier for customers. | Energy management system has been successfully introduced |

# Doors Division

**Harmonisation of the digitisation roadmap**
In addition to the comprehensive investment programmes in the modern production plants, the Doors Division is also focusing on the topic of digitisation. This holds many opportunities, such as making work processes easier and reducing errors through automation. In 2019, the Wood Solutions Business Unit initiated a digitisation roadmap, along which it has since substantially renewed the existing IT landscape to make the systems ready for the future.

The core of this IT strategy is the introduction of SAP S/4 Hana as a modern and harmonised ERP system for the entire Business Unit and the related automation of the core business processes – from paper to digital. The changeover to this uniform "foundation" allows the division to create a solid basis for future growth and for further digitisation projects. An important advantage of this uniform system is that additions and new products only have to be developed once instead of individually for each company of the Wood Solutions Business Unit (e.g. MES for production, web shop etc.). In the reporting year, the division intensively advanced the changeover of the system landscape of Invado in Poland, which will take place in the first step, followed by the other companies of the business unit.

**Linking of machines and processes**
In the course of the SAP introduction, Invado started introducing a system for operating and machine data acquisition (MES) in the reporting year; this will ensure a seamless linking of machines and business processes and thus increased efficiency. In addition, the existing web shop of Invado will be replaced with a new, more modern solution that is directly connected to the new SAP system, reducing internal effort.

**Efficient door calculation tool**
With the planned introduction of DoorIT, the Prüm and Garant companies will completely digitise their offer process for customers in the future. This is a web-based door calculation tool that is supplied with the most current figures and information. This will markedly reduce error rates and time expenditure for the customers as well as for the companies.

**Digital twin**
RWD Schlatter is working on a new solution to drive its own digitisation and to increase customer loyalty in the maintenance business in particular. The planned solution will allow customers to view the options and the state of their doors online. They also have access to all documents at all times. In this way, information on opening and closing cycles, moisture, vibrations and temperature can be read to determine the ideal maintenance time. In addition, the customer can directly trigger a report to the maintenance team via a QR code at the door. All relevant data are available to the corresponding contact people at RWD Schlatter at all times. This saves time, since time-consuming queries and clarifications are no longer necessary. Thanks to this solution, RWD Schlatter helps to make its customers' everyday life easier while the company also optimises its internal processes.

| Priorities and goals | Targets for 2026 |
| --- | --- |
| The Doors Division optimises the offer process for customers by introducing the web-based door calculation tool at Prüm and Garant. | Order processing through the intuitive calculation tool |

# GRI reporting

This report has been created in accordance with the GRI standards: "Core" option. The report refers to the reporting period from 1 January – 31 December 2021. There is an annual reporting cycle – the last report was published on 2 March 2021. No significant changes were made to the reporting compared to the previous report. Starting with the reporting period from 1 January – 31 December 2021, information concerning the Doors Division also contains information that concerned the former Sanitary Equipment Division. Information that concerns the Windows Division, which was sold in the reporting year, is not included (see page 9). The scope of consolidation of the annual report is found on page 205. The report is not subject to any external audit.

This page addresses the following GRI standard: 102-45, 102-48, 102-49.

# GRI content index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The GRI Materiality Disclosures Service was performed on the German version of the report.

| Disclosure | Title | Pages / information |
|---|---|---|
| **GRI 101:2016 Foundation** | | |
| **GRI 102:2016 General Disclosures** | | |
| **Organisational Profile** | | |
| 102-1 | Name of the organisation | Arbonia AG |
| 102-2 | Activities, brands, products and services | 12, 20, 34 |
| 102-3 | Location of headquarters | Arbon, Switzerland |
| 102-4 | Location of operations | 34 – 35 |
| 102-5 | Ownership and legal form | 96 |
| 102-6 | Markets served | 4 – 5 |
| 102-7 | Scale of the organisation | 140 – 146 |
| 102-8 | Information on employees and other workers | 69 – 70 |
| 102-9 | Supply chain | 61 – 63 |
| 102-10 | Significant changes to the organisation and its supply chain | 4, 79, 96 |
| 102-11 | Precautionary Principle or approach | 42 – 43 |
| 102-12 | External initiatives | 46 |
| 102-13 | Membership of associations | 46 |
| **Strategy** | | |
| 102-14 | Statement from senior decision-maker | 3 – 8 |
| **Ethics and Integrity** | | |
| 102-16 | Values, principles, standards and norms of behavior | 45 |
| **Governance** | | |
| 102-18 | Governance structure | 96 – 97 |
| 102-32 | Highest governance body's role in sustainability reporting | 43 |
| **Stakeholder Engagement** | | |
| 102-40 | List of stakeholder groups | 47 |

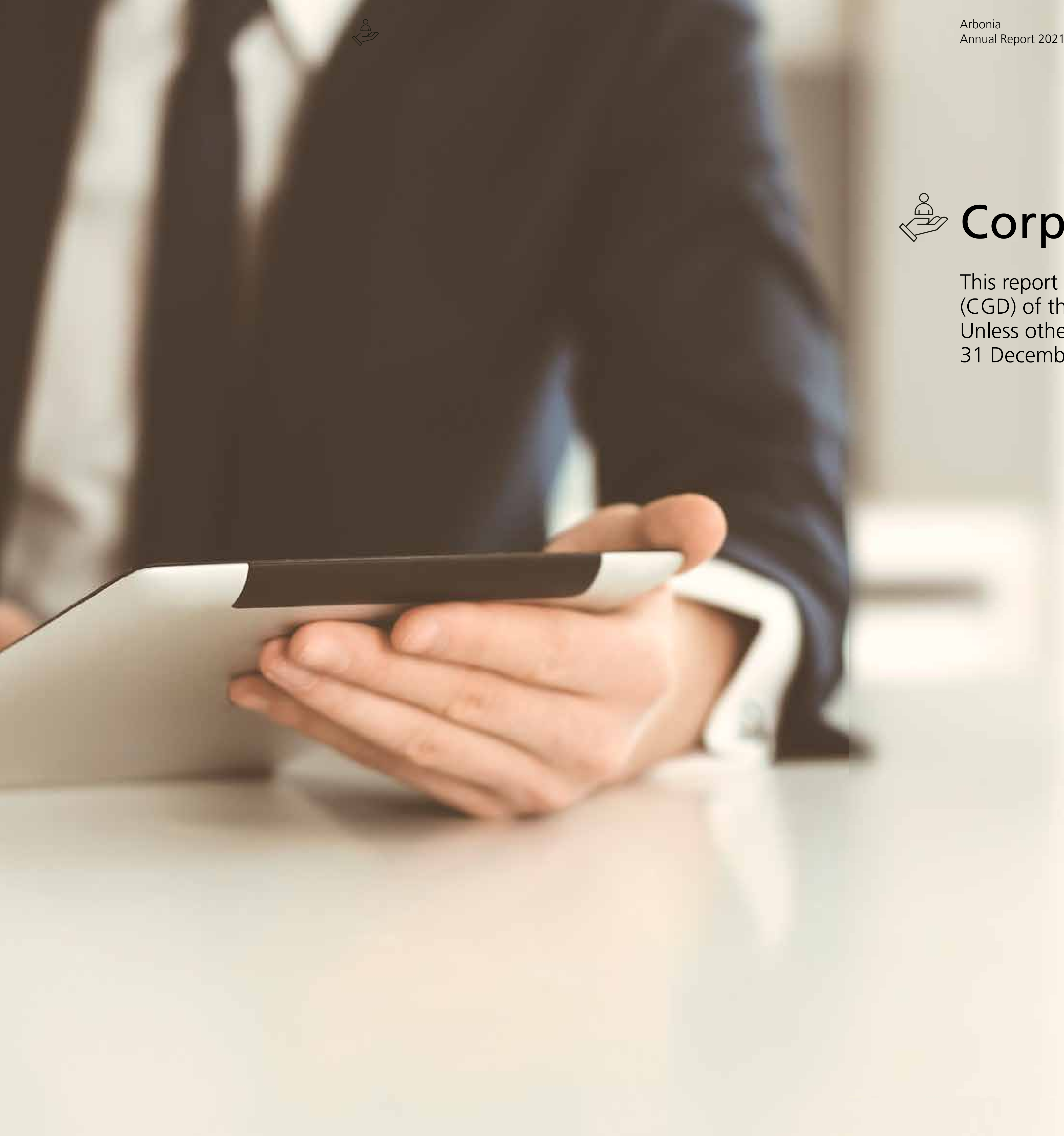
| Disclosure | Title | Pages / information |
| --- | --- | --- |
| 102-41 | Wage agreements | 34% |
| 102-42 | Collective bargaining agreements | 46 |
| 102-43 | Approach to stakeholder engagement | 47 |
| 102-44 | Key topics and concerns raised | 47 |
| **Reporting Practice** | | |
| 102-45 | Entities included in the consolidated financial statements | 89 |
| 102-46 | Defining report content and topic Boundaries | 44 |
| 102-47 | List of material topics | 44 |
| 102-48 | Restatement of information | 89 |
| 102-49 | Changes in reporting | 89 |
| 102-50 | Reporting period | 89 |
| 102-51 | Date of most recent report | 89 |
| 102-52 | Reporting cycle | 89 |
| 102-53 | Contact point for questions regarding the report | 240 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 89 |
| 102-55 | GRI content index | 90 – 93 |
| 102-56 | External assurance | 89 |

# Topic-specific standards

| Disclosure | Titel | Pages |
| --- | --- | --- |
| **Innovative products and solutions** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 49 – 51 |
| 103-2 | The management approach and its components | 49 – 51 |
| 103-3 | Evaluation of the management approach | 49 – 51 |
| | Personnel and monetary expenditure for innovation | 50 – 51 |
| | Innovation projects | 49 |
| **$CO_2$ and energy** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 52 – 53, 55 – 57 |
| 103-2 | The management approach and its components | 52 – 53, 55 – 57 |
| 103-3 | Evaluation of the management approach | 52 – 53, 55 – 57 |

| Disclosure | Titel | Pages |
|---|---|---|
| **GRI 302:2016 Energy** | | |
| 302-1 | Energy consumption within the organization | 52 – 53 |
| 302-3 | Energy intensity | 52 – 53 |
| 302-4 | Reduction of energy consumption | 52 – 53, 55 – 57 |
| **GRI 305:2016 Emissions** | | |
| 305-1 | Direct (Scope 1) GHG emissions | 52 – 53 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 52 – 53 |
| 305-4 | GHG emissions intensity | 52 – 53 |
| 305-5 | Reduction of GHG emissions | 52 – 53, 55 – 57 |
| **Ressource effiency** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 58 – 60 |
| 103-2 | The management approach and its components | 58 – 60 |
| 103-3 | Evaluation of the management approach | 58 – 60 |
| **Procurement & supply chain** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 61 – 63 |
| 103-2 | The management approach and its components | 61 – 63 |
| 103-3 | Evaluation of the management approach | 61 – 63 |
| **Occupational health and safety** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 65 – 68 |
| 103-2 | The management approach and its components | 65 – 68 |
| 103-3 | Evaluation of the management approach | 65 – 68 |
| **GRI 403:2018 Occupational health and safety** | | |
| 403-1 | Occupational health and safety management system | 65 – 68 |
| 403-2 | Hazard identification, risk assessment, and incident investigation | 65 – 68 |
| 403-3 | Occupational health services | 65 – 68 |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | 65 – 68 |
| 403-5 | Worker training on occupational health and safety | 65 – 68 |
| 403-6 | Promotion of worker health | 65 – 68 |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 65 – 68 |
| 403-8 | Workers covered by an occupational health and safety management system | 65 |
| 403-9 | Work-related injuries | 65 |

| Disclosure | Titel | Pages |
|---|---|---|
| **Dynamic corporate culture** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 69 – 72 |
| 103-2 | The management approach and its components | 69 – 72 |
| 103-3 | Evaluation of the management approach | 69 – 72 |
| **GRI 401:2016 Employment** | | |
| 401-1 | New employee hires and employee turnover | 69 |
| **GRI 405:2016 Diversity and equal opportunity** | | |
| 405-1 | Diversity of governance bodies and employees | 70 |
| **Creating and securing jobs** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 73 – 74 |
| 103-2 | The management approach and its components | 73 – 74 |
| 103-3 | Evaluation of the management approach | 73 – 74 |
| **Compensation structure** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 74 |
| 103-2 | The management approach and its components | 74 |
| 103-3 | Evaluation of the management approach | 74 |
| **Cybersecurity** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 75 |
| 103-2 | The management approach and its components | 75 |
| 103-3 | Evaluation of the management approach | 75 |
| **Sustainable business strategy and market orientation** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 42 – 43 |
| 103-2 | The management approach and its components | 73, 82 – 83 |
| 103-3 | Evaluation of the management approach | 73, 82 – 83 |
| **Product management** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 84 – 86 |
| 103-2 | The management approach and its components | 84 – 86 |
| 103-3 | Evaluation of the management approach | 84 – 86 |
| **Digitisation** | | |
| **GRI 103:2016 Management approach** | | |
| 103-1 | Explanation of the material topic and its Boundary | 86 – 88 |
| 103-2 | The management approach and its components | 86 – 88 |
| 103-3 | Evaluation of the management approach | 86 – 88 |



# Corporate Governance

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

# 1. Group structure and shareholder base
## 1.1. Group structure

| Board of Directors | Group Management |
|---|---|
| **Alexander von Witzleben**<br>Chairman of the Board of Directors<br><br>**Peter Barandun**<br>Vice-Chairman | **Alexander von Witzleben**<br>Delegate of the Board of Directors and interim CEO |
| **Peter E. Bodmer**<br><br>**Markus Oppliger** | **Daniel Wüest**<br>Chief Financial Officer |
| **Heinz Haller**<br><br>**Michael Pieper** | **Alexander Kaiss**<br>CEO Heating, Ventilation and Air Conditioning Division (HVAC) |
| **Thomas Lozser**<br><br>**Dr. Carsten Voigtländer** | **Claudius Moor**<br>CEO Doors Division |

### 1.1.1. Operational Group structure
As of 31 December 2021, the operational Group structure of Arbonia AG comprises (1) the Heating, Ventilation and Air Conditioning Division and (2) the Doors Division with the Wood Solutions Business Unit and the Glass Solutions Business Unit (see divisional structure on page 9). Together with the Finance/Controlling/Reporting area, the two divisions form the Group's operational structure as of 31 December 2021.

As of 31 December 2021, Arbonia Group Management comprises the interim CEO, the CFO, and the CEOs of the two divisions (1) Heating, Ventilation and Air Conditioning and (2) Doors. Group Management is supported by Corporate Functions.

The company reports in line with IFRS on the basis of the above divisional structure. Descriptions of the divisions as of 31 December 2021 can be found on pages 10 – 25.

Arbonia AG announced on 5 January 2021 that it will sell its window business to the Danish DOVISTA Group and confirmed on 1 September 2021 that the sale had been completed (closing) on 31 August 2021. This eliminated the previous Windows Division.

Arbonia announced on 2 March 2021 that it will integrate the Sanitary Equipment Division into the Doors Division as of 1 July 2021. This eliminated the previous Sanitary Equipment Division.

Arbonia AG also announced on 2 March 2021 that a new holding organisation shall be introduced at the time of the ordinary Annual General Meeting on 22 April 2022. The present organisation, in which the Chairman of the Board of Directors also holds the position of interim CEO, will be replaced by a holding structure without a dual mandate. As of the Annual General Meeting on 22 April 2022, the organisation of the Arbonia Group forsees an Executive Chairman of the Board of Directors, a CFO who is simultaneously Head of Corporate Functions, a CEO of the Heating, Ventilation and Air Conditioning Division, and a CEO of the Doors Division. From this point on, Group Management will correspondingly comprise the CFO, the CEO of the Heating, Ventilation and Air Conditioning Division, and the CEO of the Doors Division.

### 1.1.2. Scope of consolidation
The scope of consolidation of Arbonia AG, headquartered in Arbon TG ("Arbonia" or the "company") comprises the Group companies listed in the financial report on page 205 (collectively the "Group"). The name, registered office and share capital of the Group companies, as well as the interests held by the Group, are also detailed on these pages. Arbonia shares are listed at the SIX Swiss Exchange in Zurich under securities number 11 024 060 (ISIN CH0110240600). Information about market capitalisation can be found in the Supplementary Information for Investors on page 233. Other than Arbonia, none of the other Group companies included in the scope of consolidation are listed at any stock exchange in Switzerland or abroad.

### 1.2. Major shareholders

| | 31/12/2021 | | 31/21/2020 |
|---|---|---|---|
| | Voting and capital shares | Shareholding notification | Voting and capital shares |
| | In % | | In % |
| Artemis Beteiligungen I AG | 22.09 | 17/12/2016 | 22.09 |
| Leo Looser | 3.03 | 17/04/2019 | 3.03 |
| UBS Fund Management AG | 3.004 | 29/09/2021 | |
| M&G Plc, London, UK | < 3.00 | 07/05/2021 | 3.16 |

On 17 December 2016, Artemis Beteiligungen I AG, which is controlled by Michael Pieper, reported a shareholding of 20.02% (www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html). As of 31 December 2021, the shareholding of Artemis Beteiligungen I AG amounted to 22.09%.

On 7 May 2021 M&G Plc reported a shareholding of < 3 % (www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

On 29 September 2021 UBS Fund Management (Switzerland) AG reported a shareholding of 3.004%.

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

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

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

## 2. Capital structure
### 2.1. Capital
As of 31 December 2021, the ordinary capital of Arbonia is CHF 291 787 620.60, the conditional capital is CHF 29 148 000.00, and the authorised capital is also CHF 29 148 000.00.

The ordinary capital results from note 48 of the notes to the consolidated financial statements on page 192.

| | Quantity | Nominal value | Share capital |
|---|---|---|---|
| Registered shares 31/12/2021 | 69 473 243 | 4.20 | 291 787 620.60 |
| Registered shares 31/12/2020 | 69 473 243 | 4.20 | 291 787 620.60 |

### 2.2. Authorised and conditional capital
**Authorised capital**
The General Meeting on 23 April 2021 authorised the Board of Directors to increase the share capital by a maximum amount of CHF 29 148 000 by issuing a maximum of 6 940 000 fully paid-up registered shares of a par value of CHF 4.20 each at any time until 23 April 2023.

No changes related to the authorised capital took place in 2021 (see section 2.3).

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

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

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

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

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

### 2.3. Changes in capital
In the last three reporting years (2019 – 2021), the share capital of CHF 291 787 620.60, which is fully paid-up and divided into 69 473 243 registered shares of a par value of CHF 4.20 each, remained unchanged.

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

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

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

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

#### 2.6.3. Nominee registrations
Nominees are persons who, on applying for registration, do not explicitly declare that they hold the shares for their own account and with whom the Board of Directors has signed an agreement to this effect. As a matter of principle, a nominee is not entered in the share register with voting rights for more than 3% of the registered share capital entered in the Commercial Register. Beyond this limit, a nominee is only entered in the share register with voting rights insofar as they disclose the names, addresses, and shareholdings of the persons for whose account they hold 0.5% or more of the registered share capital entered in the share register. In the event of such a disclosure, the nominee concerned is entered in the share register with voting rights up to a maximum of 8% of the registered share capital entered in the Commercial Register.

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

### 2.7. Convertible bonds and options
There are no outstanding convertible bonds or options issued by Arbonia.

## 3. Board of Directors
The Board of Directors of Arbonia consists of experts who cover the key subject areas of Arbonia as a building components supplier. The Board of Directors attaches due importance to the diversity of the body, reflecting one of the Group's corporate principles. When positions on the Board of Directors are filled in the future, women will be included in the list of potential nominations.

### 3.1. Members of the Board of Directors
As of 31 December 2021, the Board of Directors consisted of the following members:

## Alexander von Witzleben

1963, German citizen, resident in Erlenbach ZH, degree in business management, from 17 April 2015 to 30 June 2015 Chairman of the Board of Directors and, since 1 July 2015, Chairman and Delegate of the Board of Directors. 1990 – 1993 KPMG Deutsche Treuhand Gesellschaft, Munich (D); 1993 – 1995 Head of Central Finance/Controlling JENOPTIK AG, Jena (D); 1996 – 2003 member of the Board of Directors, CFO, JENOPTIK AG, Jena (D); 2003–2007 Chairman of the Board of Directors, CEO, JENOPTIK AG, Jena (D); 2007–2008 member of the Board of Directors of Franz Haniel & Cie. GmbH, Duisburg (D); since 2009 Chairman of the Board of Directors at Feintool International Holding AG, Lyss and interim CEO in 2009. Alexander von Witzleben has been a member of the Board of Directors of Artemis Holding AG, Hergiswil, since 20 May 2015. This company has a shareholding of 22.09% in Arbonia and a shareholding of 50.32% in Feintool International Holding AG, Lyss. Alexander von Witzleben has been a member of the executive management at Arbonia on an interim basis since 1 July 2015. Aside from this, he has no material business relationships with Arbonia or its subsidiaries.

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

## Peter Barandun

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

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

## Peter E. Bodmer

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

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

## Markus Oppliger

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

Other activities and vested interests: Chairman of the Board of Directors of Siga Ausstellung AG, Mels SG; Chairman of the Board of Directors of Pizolbahnen AG, Bad Ragaz SG; member of the Foundation Board of Stiftung Pizol mit Herz, Vilters-Wangs SG; judge at the commercial court of the Canton of St. Gallen, term of office 2017/2023; member of the Board of Directors of St. Gallisch-Appenzellische Kraftwerke AG, St. Gallen SG; member of the Board of Directors of Songwon Industrial Co. Ltd., Ulsan, South Korea; active as an advisor for various companies, whereby his activities as an advisor do not present any conflicts of interest with the Arbonia Group.

## Heinz Haller

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

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

## Michael Pieper

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

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

## Thomas Lozser

1961, Swiss and US citizen, resident in Novi, Michigan (USA), degree in engineering from ETH, MBA, non-executive member of the Board of Directors since 13 December 2016. 1987 – 1988 Quality Assurance Assistant, Elco, Vilters; 1988 – 1989 Manufacturing Engineer, MPI International, Deerfield, Wisconsin (USA); 1989 – 1992 Assistant to the President and Manager Computer Systems, MPI International, Rochester Hill, Michigan (USA); 1992 – 1998 General Manager and President/Plant Manager, Kautex Textron, Avilla, Indiana (USA); 1998 – 2000 Senior Vice President Operations, Kautex Textron, Troy, Michigan (USA); 2000 – 2002 President and shareholder, Magnetic USA Inc., Olney Illinois (USA); following the takeover by SKF USA Inc. 2002 – 2005 Vice President Sales Lineartechnik, SKF USA Inc. Bethlehem, Pennsylvania (USA); 2005 – 2010 CEO of the Coatings business unit at the former Looser Group, Arbon; independent entrepreneur since 2010. Thomas Lozser has never been part of the executive management of Arbonia. He has no material business relationships with Arbonia or its subsidiaries.

Other activities and vested interests: member of the Board of Directors of Mopec Inc., Oak Park, Michigan (USA).

## Dr. Carsten Voigtländer

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

Further activities and vested interests: Vice-Chairman of the Board of Directors of Saurer Intelligent Technology Co. Ltd., Shanghai (CN) until August 2021; member of the Board of Directors of Behr Bircher Cellpack BBC AG, Villmergen AG; Senior Advisor of INNIO Jenbacher GmbH & Co. OG, Jenbach (AT); member of the Board of Directors of Electrolux Professional AB, Ljungby (SE); member of the Foundation Board of Friedhelm Loh Stiftung & Co. KG, Haiger (D); member of the advisory board of STAR Deutschland GmbH, Sindelfingen (D); member of the Board of Directors of Stulz Verwaltungsgesellschaft mbH, Hamburg (D); active as a consultant for various companies, whereby his activity as an advisor does not present any conflict of interest with the Arbonia Group.

### 3.2. Number of permissible mandates pursuant to Article 12 para.1 section 1 of the Swiss Ordinance Against Excessive Compensation (OaEC)

Members of the Board of Directors may have a maximum of ten mandates outside the Group, of which no more than five may be with listed companies. This rule also applies for members of the Board of Directors who, at the same time, belong to Group Management by assuming the role of a delegate of the Board of Directors and interim CEO. Additionally, members of the Board of Directors may exercise a maximum of five mandates for charitable organisations. More details on the rule for the number of permitted mandates can be found in Article 29 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).

### 3.3. Election and term of office

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

| Board of Directors | Year of birth | First election | End of the term of office |
|---|---|---|---|
| Alexander von Witzleben, Chairman | 1963 | 2015 | 2022 |
| Peter Barandun, Vice-Chairman | 1964 | 2014 | 2022 |
| Peter E. Bodmer | 1964 | 2013 | 2022 |
| Markus Oppliger | 1959 | 2013 | 2022 |
| Heinz Haller | 1955 | 2014 | 2022 |
| Michael Pieper | 1946 | 2015 | 2022 |
| Thomas Lozser | 1961 | 13/12/2016* | 2022 |
| Dr. Carsten Voigtländer | 1963 | 2019 | 2022 |

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

### 3.4. Internal organisation

### 3.4.1. Allocation of tasks within the Board of Directors

The Chairman of the Board of Directors is Alexander von Witzleben and the Vice-Chairman is Peter Barandun. Since Alexander von Witzleben was appointed delegate of the Board of Directors and interim CEO on 1 July 2015, Markus Oppliger has been acting as Lead Director. The Board of Directors is supported by an Audit Committee and a Nomination and Compensation Committee.

### 3.4.2. Committees of the Board of Directors

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

### 3.4.2.1. Audit Committee

The Audit Committee is convened by the Chairperson as often as business requires, but at least three times a year. It consists of three members. Two members of the Audit Committee are non-executive and independent. Alexander von Witzleben, member of the Audit Committee, was appointed delegate of the Board of Directors and interim CEO on 1 July 2015. All members of the Audit Committee have experience in finance and accounting.

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

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

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

The Audit Committee met three times during the reporting year. Of these meetings, one was held as a video conference for all participants and one as a video conference for some of the participants. The interim CEO, the CFO, the external auditors, and Internal Audit attended all three meetings. One of the three meetings was combined with a site inspection. At the subsequent meeting of all members of the Board of Directors, the Chairman reports on the meetings of the Audit Committee. The meetings of the Audit Committee lasted two and a quarter hours on average. The attendance rate for all three meetings was 100%. The Chairman of the Audit Committee and the Head of Internal Audit regularly held additional meetings to discuss the findings of Internal Audit and its duties in detail. In the reporting year, the Audit Committee focused on, among others, the knowledge gained from the cyber attack on an Arbonia Group company, the financial measures to be taken to secure increasing material prices, the sustainability targets or science-based targets and their effects on the Arbonia Group, as well as the preliminary handling of the sales revenue achieved with the Windows sales.

#### 3.4.2.2 Nomination and Compensation Committee

The members of the Compensation Committee were elected by the General Meeting on 23 April 2021. The members of the Compensation Committee also take care of the duties of the Nomination Committee. Two members of the Nomination and Compensation Committee are non-executive and independent. Alexander von Witzleben, member of the Nomination and Compensation Committee, was appointed delegate of the Board of Directors and interim CEO on 1 July 2015.

The Nomination and Compensation Committee is convened by the Chairperson of the committee as often as business requires, normally two to three times a year. The Nomination and Compensation Committee gives the Board of Directors recommendations regarding the Group's salary policy and compensation system. It submits a motion to the Board of Directors for the attention of the General Meeting regarding the total compensation for the members of the Board of Directors and the compensation of the members of Group Management. The Nomination and Compensation Committee determines the salaries of the individual members of Group Management. It approves, in principle, bonus programmes, and profit-sharing schemes for employees as well as pension fund solutions, and benefit plans. The Nomination and Compensation Committee is also responsible for the preparation of the Compensation Report and the request to the full Board of Directors for approval. Furthermore, the committee determines the principles for the selection of candidates for election to the Board of Directors and Group Management. It identifies suitable candidates for the Board of Directors and Group Management and conducts the requisite selection procedures. The Nomination and Compensation Committee also determines the principles for the management and development of the members of the Board of Directors and Group Management. It assists the Board of Directors in self-assessment and assesses the performance of the members of Group Management. In the reporting year, in addition to the annually recurring topics related to compensation, the Nomination and Compensation Committee primarily focused on 1) succession planning with respect to the former Head of the Heating, Ventilation and Air Conditioning Division, who retired on 30 June 2021 due to his age, and the associated personnel changes at the division management level, 2) the integration of the former Sanitary Equipment Division into the Doors Division as of 1 July 2021 and the associated personnel changes at the division management level, and 3) the two benchmark studies on CEO and Group Management compensation that were commissioned externally.

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

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

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

The Nomination and Compensation Committee met four times during the reporting year. Two of these meetings were held as video conferences. One meeting of the Nomination and Compensation Committee lasted the whole day, and the other three meetings lasted one hour on average. The attendance rate for all four meetings was 100%. The interim CEO attended all four of the meetings, and the CFO attended two of the meetings. At the subsequent meeting of the full Board of Directors, the Chairman reports on the meetings of the Nomination and Compensation Committee. The meeting minutes of the Nomination and Compensation Committee were provided to all members of the Board of Directors for inspection.

### 3.4.3. Working procedures of the Board of Directors

The Chairperson convenes the Board of Directors as often as business requires, but at least four times a year. During the reporting year, the Board of Directors met for five ordinary meetings and one extraordinary meeting. Four of these meetings were held as video conferences.

In the reporting year, the Board of Directors also passed two resolutions by circular letter. Ordinary meetings of the Board of Directors usually last half of a day. One of the five ordinary meetings in the reporting year lasted one day. The extraordinary meeting lasted three hours. All of the members of the Board of Directors were present at five of the six meetings during the reporting year. At one meeting, a member of the Board of Directors was excused. In the reporting year, the Board of Directors performed its duties directly. The interim CEO, the CFO, and the members of Group Management attended the five ordinary meetings and the one extraordinary meeting. Managers are regularly invited to meetings to discuss issues that fall within their field of responsibility or scope of activities.

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

### 3.5. Regulation of powers

The Board of Directors is responsible for guiding, supervising, and monitoring management. It represents the company externally and attends to all matters that are not transferred to another body within the company on the basis of legislation, Articles of Association, or by-laws. The Board of Directors enacts the necessary rules, instructions, and guidelines and establishes the organisational structure and risk policy. The main duties of the Board of Directors are:

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

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

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

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

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

The principal role of Internal Audit is to monitor processes and structures throughout the Group. In addition, Internal Audit is also responsible for the riskmanagement process. Internal Audit summarises the audits it is to carry out in an annual audit plan. This audit plan also incorporates the identified risks as part of the risk management process that is performed every year in both divisions and in Corporate Functions. Each audit plan is approved by the Audit Committee. The Audit Committee also assigns special audit mandates to Internal Audit as and when required. The respective audit findings are discussed with the Audit Committee and communicated to the Board of Directors in writing. During the reprorting year, the Internal Audit provided the members of the Board of Directors with 17 audit reports. If material risks are identified, measures are defined to reduce them. Internal Audit adopts a systematic approach to monitoring risks and measures and carries out its work in accordance with the international standards governing internal auditors' professional duties. It regularly reports to the Audit Committee and Board of Directors on the scale of risks and any changes to the risk situation as well as the status of measures implemented. The Board of Directors received a total of four written reports on the implementation of measures during the reporting year. The external auditors also have access to all audit reports and the reports from the ongoing monitoring of risks and measures. Additionally, Internal Audit issued three Internal Audit status reports informing the Audit Committee and the Board of Directors about the key findings from the audits and the current status of the internal control system (ICS).

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

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

## 4. Group Management

### 4.1. Members of Group Management

In the reporting year, Knut Barsch, Head of the former Sanitary Equipment Division, which was integrated in the Doors Division as of 1 July 2021, and Ulrich Bornkessel, former Head of the Heating, Ventilation and Air Conditioning Division, stepped down as memberes of Group Management as of 30 June 2021.

Nicolas Casanovas, Head of the Windows Division at the time, left Group Management as of 31 August 2021, i.e., upon completion of the sale (closing) of the windows business.

Alexander Kaiss, the new Head of the Heating, Ventilation and Air Conditioning Division, has been a member of Group Management since 1 July 2021.

Thus, as of 31 December 2021, Group Management consisted of the following members:

## Alexander von Witzleben

(see section 3.1).
Delegate of the Board of Directors and interim CEO since 1 July 2015.

Other activities and vested interests: (see section 3.1)

At the Annual General Meeting on 22 April 2022, Alexander von Witzleben will step down from Group Management.

## Daniel Wüest

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

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

## Alexander Kaiss

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

Other activities and vested interests: Alexander Kaiss has no other material activities or vested interests.

## Claudius Moor

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

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

### 4.2. Number of permissible mandates pursuant to Article 12 para. 1 section 1 of the Swiss Ordinance Against Excessive Compensation (OaEC)

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

### 4.3. Management contracts

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

## 5. Compensation, shareholdings, and loans

### 5.1. Content and determination procedure for compensation and shareholding programmes

The basis and elements of compensation and the shareholding programmes as well as the procedure for their determination are presented in the Compensation Report on pages 113 – 129.

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

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

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

An additional amount is available for the compensation of members of Group Management who are newly appointed or promoted after approval of the maximum total compensation for Group Management if the compensation already approved for the period involved is insufficient. This additional amount may not exceed 40% for the CEO and 20% each for every other member of Group Management of the approved total compensation for Group Management for the period involved. This regulation can be found in Article 27 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).

### 5.3. Loans, credit, and pension benefits

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

### 5.4. Rules concerning voting at the General Meeting on compensation

Pursuant to Article 23 of the Articles of Association, for each compensation period the Board of Directors brings forward motions for the General Meeting concerning prospective approval of the maximum compensation of the Board of Directors for the period until the next Annual General Meeting and approval of the maximum fixed and variable compensation of Group Management for the next financial year. Article 23 of the Articles of Association grants the Board of Directors the right to waive prospective approval of compensation on motions and to have the General Meeting approve the total amount of the corresponding payment in arrears for the previous year of office or financial year (retrospective approval). In 2016, the Board of Directors resolved to have votes on compensation carried out retrospectively in future. Every year, the Board of Directors submits the Compensation Report for the financial year ended to the General Meeting for consultative (non-binding) approval. More details on compensation agreements can be found in Article 23 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).

## 6. Shareholders'participation rights

### 6.1. Voting right restriction and representation

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

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

### 6.2. Statutory quorums

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

### 6.3. Convocation of the General Meeting

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

### 6.4. Inclusion of items on the agenda

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

### 6.5. Entries in the share register

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

## 7. Change of control and defence measures

### 7.1. Duty to make an offer

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

### 7.2. Change-of-control clauses

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

## 8. Statutory auditors

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

#### 8.1.1. Date of assumption of the existing mandate

On 28 April 2017, the General Meeting elected KPMG AG, St. Gallen, as the new statutory auditor. It audits the 2021 Financial Statements and the consolidated financial statement of Arbonia.

#### 8.1.2. Assumption of office of the lead auditor

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

### 8.2. Auditing fees

In 2021, the various statutory auditors billed a total of CHF 1 220 000 (previous year: CHF 1 191 000) for auditing the financial statements and consolidated financial statements of Arbonia and the financial statements of the Group companies. Of this amount, the statutory auditor KPMG AG accounted for CHF 1 082 000 (previous year: CHF 1 050 000) in 2021.

### 8.3. Additional fees

In 2021, the statutory auditor KPMG AG and other auditors of Group companies billed CHF 1 093 000 (previous year: CHF 1 750 000) for additional services, CHF 1 076 000 of which (previous year: CHF 1 743 000) was attributable to KPMG AG. Of the additional services provided by KPMG AG in 2021, CHF 575 00 was for tax advice, CHF 455 000 was for due diligence services and CHF 46 000 was for other services.

### 8.4. Informational instruments of the external auditors

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

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

## 9. Information policy

Arbonia pursues an open information policy towards the public and financial markets, based on the principles set out in the SIX Exchange Regulation listing rules and directives and in the Swiss Code of Best Practice for Corporate Governance. By means of the Annual Report, Arbonia provides information about business performance, organisation, and strategy. Integral parts of the Annual Report are the Management Report starting on page 3, the Sustainability Report starting on page 26, and the Compensation Report starting on page 113. Arbonia's First Semester Financial Report contains the consolidated income statement, statement of comprehensive income, balance sheet, cash flow statement, and statement of changes in equity. During the reporting year, Arbonia published nine press releases. In addition to this, Arbonia gives comprehensive reports on its operating activities at its annual financial media and analyst conference. Arbonia also fosters dialogue with investors and the media at special events and roadshows. On Capital Markets Day 2021 Arbonia presented indications for the financial target setting for the next five years (until 2026) as well as an update on the strategy of its two divisions, in other words, the Heating, Ventilation and Air Conditioning Division and the Doors Division.

Arbonia's contact details are as follows:

Arbonia AG
Amriswilerstrasse 50, 9320 Arbon, Switzerland
T +41 71 447 41 41, F +41 71 447 45 88
holding@arbonia.com

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

The calendar of events is provided on page 240 of the Annual Report and on the Arbonia website at www.arbonia.com/en/investors.

## 10. Blackout periods

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

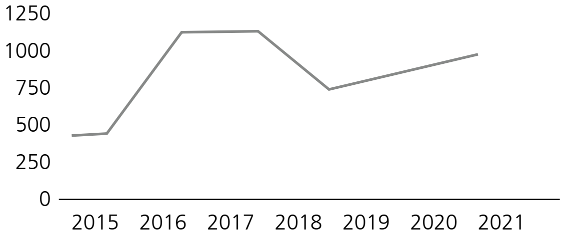
# Compensation Report

The Compensation Report sets out the compensation governance, the principles of the compensation system, as well as the structure of the compensation of the Board of Directors and Group Management of Arbonia AG (hereinafter "Arbonia"). This report also contains information on the compensation of the Board of Directors and Group Management in financial year 2021.

The information in the Compensation Report on the compensation of the Board of Directors and Group Management in financial year 2021 has been audited by the statutory auditor. The audit report is found on page 130.

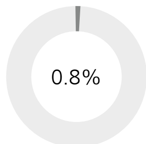
The Compensation Report has been compiled in accordance with the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (hereinafter "OaEC") and the guideline concerning Information on Corporate Governance (RLCG) of the SIX Exchange Regulation from 18 June 2021. The information refers to reporting year 2021, unless indicated otherwise.

**Market capitalisation**
in CHF million as of 31 December

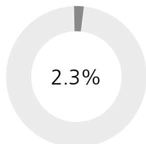



**Total compensation**[1]

Share of the total costs of the Group[2]




Share of the personnel expenses of the Group




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

**Motions to the General Meeting 2021**
in 1 000 CHF

**Total compensation**
Board of Directors

959

**Total compensation**
Group Management

7843

## 1. Governance

### 1.1. Membership of the Nomination and Compensation Committee

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

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

At the constituent meeting on 23 April 2021, Peter Barandun was re-elected as the Chairman of the Nomination and Compensation Committee.

In the 2021/2022 year of office, the Nomination and Compensation Committee consisted of the following:

| **Members** | **Functions** |
|---|---|
| Peter Barandun | – Chairman of the Nomination and Compensation Committee<br>– Vice Chairman of the Board of Directors |
| Alexander von Witzleben | – Member of the Nomination and Compensation Committee<br>– Member of the Audit Committee<br>– Chairman of the Board of Directors<br>– Delegate of the Board of Directors and interim CEO until 22 April 2022<br>– Executive Chairman of the Board of Directors from 22 April 2022 |
| Heinz Haller | – Member of the Nomination and Compensation Committee<br>– Member of the Board of Directors |

The Chairman as well as a further member of the Compensation Committee are independent and non-executive members of the Board of Directors. Alexander von Witzleben has been the delegate of the Board of Directors and interim CEO since 1 July 2015. He will resign as interim CEO on 22 April 2022 and also assume the office of the Executive Chairman of the Board of Directors, subject to his re-election as Chairman.

### 1.2. Responsibilities

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

The responsibilities of the Nomination and Compensation Committee include, e. g.:

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

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

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

### 1.3. Meetings, information policy, and recusal regulations

The Nomination and Compensation Committee convenes as often as necessary but at least twice a year. In the reporting year, the members of the Nomination and Compensation Committee met four times. One of the four meetings lasted an entire day; the other three meetings lasted for one hour on average. The attendance rate for all four meetings was 100%.

In the reporting year, in addition to the annually recurring topics related to compensation, the Nomination and Compensation Committee primarily focused on 1) succession planning with respect to the former head of the Heating, Ventilation and Air Conditioning Division, who retired on 30 June 2021 due to his age, and the associated personnel changes at the division management level, 2) the integration of the former Sanitary Equipment Division into the Doors Division as of 1 July 2021 and the associated personnel changes at the division management level, and 3) the two benchmark studies on CEO and Group Management compensation that were commissioned externally (cf. section 2.2).

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

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

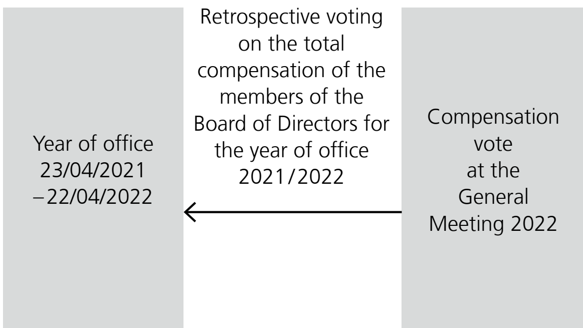
The Chairman of the Board of Directors, Alexander von Witzleben, recuses himself and leaves the meeting room when his own performance or compensation in his role as the delegate of the Board of Directors and interim CEO is discussed. The CFO as well as all other managers present also leave the meeting room when their performance or compensation is discussed.

### 1.4. Involvement of the shareholders

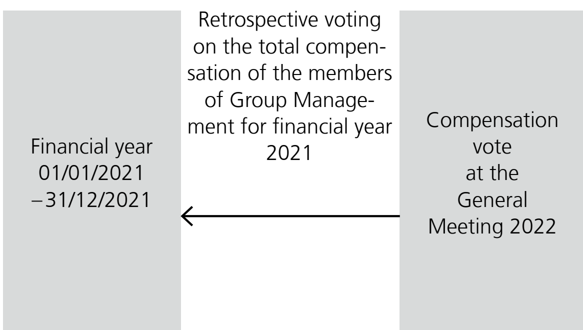
Arbonia strives to disclose its governance in compensation topics, the compensation principles, the compensation system, as well as the specific implementation in the respective reporting year in a transparent way in the Compensation Report. The Board of Directors submits the Compensation Report to the shareholders according to Article 23 para. 7 of the Articles of Association (www.arbonia.com/en/company/corporate-governance) for consultative (non-binding) approval every year at the Ordinary General Meeting.

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

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




**Voting on the total compensation of the members of Group Management**




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

## 2. Principles of the compensation system

### 2.1. Principles and statutory anchoring

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

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

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

### 2.2. Benchmarking and external consultants

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

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

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

## 3. Compensation structure of the Board of Directors

### 3.1. Fixed compensation and lump-sum allowances

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

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

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

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

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

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

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

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

In financial year 2021, the structure and amount of the compensation as well as lump-sum allowances for the Board of Directors were as follows:

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

[1] NCC = Nomination and Compensation Committee
[2] AC = Audit Committee

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

The members of the Board of Directors – except for Alexander von Witzleben in his role as the delegate of the Board of Directors and interim CEO (cf. section 4.6) – are not insured in the pension scheme of Arbonia.

Arbonia will introduce the office of the Executive Chairman of the Board of Directors at the General Meeting on 22 April 2022. Assuming he is re-elected as Chairman, Alexander von Witzleben will additionally assume the office of Executive Chairman of the Board of Directors as of 22 April 2022. After 22 April 2022, nothing will change about the compensation for the office of Chairman of the Board of Directors. The compensation for the office of Executive Chairman of the Board of Directors will be based on the compensation structure valid for Group Management – consisting of a fixed and a variable compensation – and will be subject to the regulations applicable to Group Management as far as the variable compensation is concerned.

### 3.2. Variable compensation and in-kind benefits

The members of the Board of Directors, including the members of the Nomination and Compensation Committee and the Audit Committee, will neither receive a variable compensation nor in-kind benefits in the reporting year.

### 3.3. Board Member Share Plan

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

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

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

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

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

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

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

## 4. Compensation structure of Group Management

### 4.1. Overview

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

- Fixed compensation
- Variable compensation according to Article 24 para. 1 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), which is based on the nominal bonus determined by individual agreement
- If applicable, compensation according to Article 23 and Article 24 para. 2 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), which is paid out in special situations

Since he assumed office, Alexander von Witzleben has waived a variable compensation in his role as the delegate of the Board of Directors and interim CEO.

The compensation structure of Group Management is therefore as follows:

| Type of compensation | Delegate of the Board of Directors and interim CEO | Other members of Group Management |
|---|---|---|
| Fixed compensation | ✓ | ✓ |
| Variable compensation based on the nominal bonus determined by individual agreement according to Article 24 para. 1 of the Articles of Association | -- | ✓ |
| If applicable, compensation according to Article 23 and Article 24 para. 2 of the Articles of Association | in special situations | in special situations |

### 4.2. Fixed compensation

The delegate of the Board of Directors and interim CEO, Alexander von Witzleben, and the other members of Group Management receive a fixed compensation. The fixed compensation of Alexander von Witzleben in his role as the delegate of the Board of Directors and interim CEO consists of a cash portion and a portion of shares blocked for four years.

In the reporting year, Alexander von Witzleben received a fixed compensation to the amount of CHF 280 000 and 60 000 shares blocked for four years in his role as the delegate of the Board of Directors and interim CEO.

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

The fixed compensation of the members of Group Management is therefore as follows:

| Role | Form of payment |
|---|---|
| Delegate of the Board of Directors and interim CEO | cash and blocked shares |
| Other members of Group Management | cash |

### 4.3. Variable compensation

The delegate of the Board of Directors and interim CEO, Alexander von Witzleben, does not have any nominal bonus determined by individual agreement. Since he assumed office in this function on 1 July 2015, he has waived the payment of a variable compensation.

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

The variable compensation of the members of Group Management in the reporting year is therefore as follows:

| Role | Form of payment |
|---|---|
| Delegate of the Board of Directors and interim CEO | -- |
| Other members of Group Management | cash and blocked shares (50% each) |

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

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

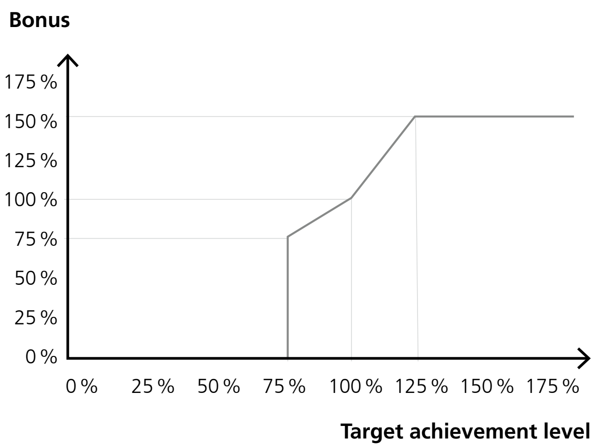
In the reporting year, the financial targets are based on the following key performance indicators (KPI):

| **Financial targets at the group level** | **Financial targets at the division level** |
|---|---|
| EBITDA margin | EBITDA margin |
| Free cash flow (without divestment) | Free cash flow (without divestment) |
| Group result | Operative cash flow (without investments/divestment) |
| Holding/Corp. services costs | Growth (NS/net revenue) |
| Return on capital employed (ROCE) | Return on capital employed (ROCE) |

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

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

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




100 % corresponds to the nominal bonus determined by individual agreement

The highest variable compensation achieved in the reporting year is in a ratio of 75.4% to the fixed compensation of the corresponding member of Group Management. This comparison does not take into account the compensation listed in section 4.4, which is paid out in special situations based on Article 23 and Article 24 para. 2 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).

### 4.4. Special compensation

According to Article 23 and Article 24 para. 2 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), the Board of Directors is authorised in special situations to award additional compensation to a member of Group Management that can be paid in cash and/or in the form of shares blocked for four years. In the reporting year, compensation was paid out four times to members of Group Management on this basis.

In and for the reporting year, Alexander von Witzleben received a one-off compensation in the form of 140 000 shares blocked for four years in his role as the delegate of the Board of Directors and interim CEO. Like all compensation subject to the OaEC, this compensation is subject to approval by the General Meeting. The Board of Directors has awarded this compensation to Alexander von Witzleben for the successful realignment of the Arbonia Group that he launched in 2015, the full achievement of the targets set in this context, and to compensate him for the extraordinary additional work he performed during this period, which went far beyond what would normally be expected.

In this connection, it is noted that the Board of Directors set Alexander von Witzleben's annual compensation for his role as the delegate of the Board of Directors and interim CEO to CHF 120000 in cash and 60 000 shares blocked for four years upon his assumption of office on 1 July 2015. The share price hovered around CHF 13 when he assumed office and repeatedly in the following years as well. As of 1 January 2017, the Board of Directors increased the cash portion of Alexander von Witzleben's annual compensation from CHF 120 000 to CHF 280 000. This has been the only increase in Alexander von Witzleben's compensation since he assumed office on 1 July 2015. The above-mentioned one-off compensation to the amount of 140 000 shares blocked for four years should also be understood against this background, especially considering the great challenges with which Arbonia was confronted in 2015.

Special compensation was then paid out another three times in the reporting year.

The first compensation is in connection with the integration of the former Sanitary Equipment Division into the Doors Division, which was completed on 1 July 2021, and the related, expanded area of responsibility of the respective member of Group Management.

The second compensation is in connection with the introduction and hand-over work of the change in management of the Heating, Ventilation and Air Conditioning Division completed on 1 July 2021 on the one hand and with the integration of the companies in Spain and Serbia that were acquired in the reporting year on the other hand.

The third compensation is in connection with a project in which the respective member of Group Management assumed responsibilities that are not part of his area of responsibility and involved extra work that went far beyond what would normally be expected.

### 4.5. Lump-sum allowances, in-kind benefits, and discounts

Alexander von Witzleben receives lump-sum allowances to the amount of CHF 6 600 annually in his role as the delegate of the Board of Directors and interim CEO. Several other members of Group Management receive lump-sum allowances to the amount of CHF 21 600 annually.

The members of Group Management are provided with a company car and a mobile phone. The private use of the company car is offset for members of Group Management according to the respective tax regulations applicable in the country.

Like all other employees, the members of Group Management can take advantage of various employee benefits, e. g., REKA cheques up to CHF 600 with a discount of 20% (only members with Swiss employment contracts) or discounts on Arbonia products.

### 4.6. Pensions provision

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

### 4.7. Arbonia Group Share Plan

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

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

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

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

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

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

### 4.8. Terms and conditions of employment

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

## 5. Compensation of the Board of Directors for the year 2021 (audited)

### 5.1. Changes in the Board of Directors

Compared to the previous year, there were no changes to the Board of Directors, which continues to consist of eight members. Alexander von Witzleben is Chairman and Peter Barandun is Vice Chairman of the Board of Directors. Alexander von Witzleben has been the delegate of the Board of Directors and interim CEO since 1 July 2015.

Compared to financial year 2020, the total compensation of the Board of Directors remained unchanged in the reporting year.

### 5.2. Table

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

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

| in 1000 CHF | | | | | | 2020 |
|---|---|---|---|---|---|---|
| | Functions exercised in 2020 | Fee in cash | Fee in shares | Pension expenses[1] | Other compensation[2] | Total |
| Alexander von Witzleben[3] | Chairman<br>Interim CEO<br>Member of AC[4]<br>Member of NCC[5] | 120 | 150 | 15 | 15 | 300 |
| Peter Barandun[6] | Vice Chairman<br>Chairman of NCC | 20 | 100 | 0 | 6 | 126 |
| Peter E. Bodmer[7] | Member<br>Member of AC | 14 | 70 | 0 | 6 | 90 |
| Markus Oppliger | Member<br>Chairman of AC | 40 | 50 | 5 | 6 | 101 |
| Heinz Haller | Member<br>Member of NCC | 14 | 70 | 4 | 6 | 94 |
| Michael Pieper | Member | 12 | 60 | 3 | 6 | 81 |
| Thomas Lozser | Member | 60 | 0 | 4 | 6 | 70 |
| Carsten Voigtländer | Member | 30 | 37 | 3 | 12 | 82 |
| **Total compensation to members of the Board of Directors** | | **310** | **537** | **34** | **63** | **944** |

[1] Employer contributions to social insurance policies
[2] Lump-sum allowances
[3] The compensation to Alexander von Witzleben in 2020 as Chairman of the Board of Directors is included in this table. The compensation as interim CEO totalling CHF 1 167 760 is included in the compensation of Group Management in chapter 6.2.
[4] AC = Audit Committee
[5] NCC = Nomination and Compensation Committee
[6] The compensation to Peter Barandun for the term of office 2020/2021 is paid to Peter Barandun AG, which is responsible for the deduction and payment of social contributions.
[7] The compensation to Peter E. Bodmer for the term of office 2020/2021 is paid to Beka-Küsnacht AG, which is responsible for the deduction and payment of social contributions.

**Compensation to former members of the Board of Directors**
No compensation was paid to former members of the Board of Directors in 2021 or 2020.

**Compensation to parties related to members of the Board of Directors**
No compensation was paid to parties related to current or former members of the Board of Directors in 2021 or 2020.

## 6. Compensation of Group Management for the year 2021 (audited)

### 6.1. Changes in Group Management

Alexander von Witzleben has been Chairman of Group Management in his role as the delegate of the Board of Directors and interim CEO since 1 July 2015.

In the reporting year, Knut Barsch, Head of the former Sanitary Equipment Division, which was integrated in the Doors Division as of 1 July 2021, and Ulrich Bornkessel, former Head of the Heating, Ventilation and Air Conditioning Division, left Group Management as of 30 June 2021.

Nicolas Casanovas, Head of the Windows Division at the time, left Group Management as of 31 August 2021, i.e., upon completion of the sale (closing) of the windows business.

Alexander Kaiss, the new Head of the Heating, Ventilation and Air Conditioning (HVAC) Division, has been a member of Group Management since 1 July 2021.

The total compensation of Group Management has increased compared to the previous year. The increase is due to the compensation disclosed under section 4.4.

### 6.2. Table

| **in 1000 CHF** | **2021** | | **2020** | | |
|---|---|---|---|---|---|
| | **Group Management[1]** | **thereof to Alexander von Witzleben, interim CEO** | **Group Management[1]** | **thereof to Harald Pichler** | **thereof to Alexander von Witzleben, interim CEO** |
| Annual salary (cash) | 1962 | 280 | 2352 | 446 | 280 |
| Annual salary (shares) | 900 | 900 | 740 | | 740 |
| Variable compensation (bonus in cash)[2] | 1410 | | 1441 | 864 | |
| Variable compensation (bonus in shares)[2] | 2576 | 2133 | 461 | | |
| Pension expenses[3] | 872 | 246 | 949 | 208 | 141 |
| Other compensation[4] | 123 | 14 | 127 | 29 | 7 |
| **Total** | **7843** | **3573** | **6070** | **1547** | **1168** |
| Number of members | 8[5] | | 8[6] | | |

[1] The compensation of Alexander Kaiss and Knut Bartsch are paid in euros. The exchange rate used is 1.08 for 2021 and 1.07 for 2020.
[2] Includes special compensations (cf. section 4.4)
[3] Employer contributions to social insurances, occupational pension schemes, accident and health insurance
[4] Comprises lump-sum allowances, private use of the company car/car allowance, and other services and in-kind benefits.
[5] Includes the previous heads of the Sanitary Equipment and the Windows Division up to 30 June 2021 and the new head of the Windows Division up to 31 August 2021, includes previous head of the HVAC Division up to 30 June 2021 and the new head of the HVAC Division from 1 July 2021.
[6] Includes the previous head of the Doors Division up to 31 August 2020 and the new head of the Doors Division from 1 July 2020, includes the previous head of the Windows Division up to 31 December 2020 and the new head of the Windows Division from 1 July 2020.

**Compensation to former members of Group Management**

No compensation was paid to former members of Group Management in 2021 or 2020.

**Compensation of parties related to members of Group Management**

No compensation was paid to parties related to current or former members of Group Management in 2021 or 2020.

## 7. Loans and credit (audited)

According to Article 26 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), no loans, credits, or pension benefits outside the occupational pension scheme or collateral will be granted to the members of the Board of Directors and Group Management. Exempt from this are advances of social security and tax charges for persons subject to withholding tax. Alexander von Witzleben exercised this exemption in the reporting year in his role as Chairman and delegate of the Board of Directors and interim CEO, whereby no advance payments were outstanding as of 31 December 2021.

As of 31 December 2020 and as of 31 December 2021, there were no loans or credits to current or former members of the Board of Directors or Group Management or to parties related to current or former members of the Board of Directors or Group Management.

## 8. Shareholdings as of 31 December 2021

The current members of the Board of Directors and Group Management (including parties related to them) held the following number of shares as of 31 December 2021:

| | 31/12/2021<br>Number of registered shares | 31/12/2020<br>Number of registered shares |
|---|---|---|
| Alexander von Witzleben (Chairman of the BoD and Group Management) | 650 209 | 441 139 |
| Peter Barandun (Member of the BoD) | 62 452 | 56 405 |
| Peter E. Bodmer (Member of the BoD) | 35 669 | 31 436 |
| Markus Oppliger (Member of the BoD) | 34 967 | 31 943 |
| Heinz Haller (Member of the BoD) | 124 233 | 120 000 |
| Michael Pieper (Member of the BoD) | 15 346 940 | 15 343 312 |
| Thomas Lozser (Member of the BoD) | 366 074 | 366 074 |
| Carsten Voigtländer (Member of the BoD) | 13 337 | 5 069 |
| Daniel Wüest (Group Management) | 41 901 | 31 549 |
| Claudius Moor (Group Management) | 15 249 | 8 971 |
| Alexander Kaiss (Group Management from 01/07/2021) | 24 437 | |
| Knut Bartsch (Group Management until 30/06/2021) | | 69 495 |
| Ulrich Bornkessel (Group Management until 30/06/2021) | | 42 581 |
| Nicolas Casanovas (Group Management until 31/08/2021) | | 5 829 |
| **Total** | **16 715 468** | **16 553 803** |

# Report of the Statutory Auditor

**To the General Meeting of Arbonia AG, Arbon**

We have audited the compensation report (pages 113 to 129) of Arbonia AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 5.2, 6.2 and 7 of the compensation report.

**Responsibility of the Board of Directors**

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

**Opinion**

In our opinion, the compensation report for the year ended 31 December 2021 of Arbonia AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

David Grass
Licensed Audit Expert

St. Gallen, 23 February 2022

KPMG AG, Bogenstrasse 7, PO Box 1142, CH-9001 St. Gallen

# Financial Report

## Consolidated Financial Statements



## Financial Statements

# Financial commentary of Daniel Wüest (CFO)

**General**
The 2021 financial year was characterised by a dynamic and demanding environment with changing framework conditions, the effects of which are partially reflected in the financial reporting. The sale of the Windows Division, which generated a high liquidity inflow and a considerable accounting profit for Arbonia, led to a resegmentation in the financial reporting. The integration of the former Sanitary Equipment Division into the Doors Division and the retainment of the HVAC Division created two divisions of roughly equal size. Arbonia also purchased three companies in the reporting year (the Spanish distribution company Cicsa, the Serbian ventilation system manufacturer Termovent, and the German glass manufacturer GVG), which were all integrated into the consolidated financial statement over the course of the 2021 financial year. At the end of November 2021, Arbonia also announced the planned relocation of the radiator production with the subsequent closure of the site in Tubbergen (NL), which incurred one-time special operative costs of around CHF 9 million on the EBITDA level and an additive impairment of non-current assets of around CHF 4 million on the EBIT level in the 2021 reporting year. In addition, the high material price increases as well as the partially impaired supply chains left their mark in the financial key figures.

For the above-mentioned reasons, the financial commentary has been prepared on the basis of the two continued divisions HVAC and Doors and supplemented by values taking into account one-time effects (as stated) where they differ.

**Revenue development**
In the 2021 reporting year, Arbonia achieved a net revenue of CHF 1186.2 million, which represents an increase of +14.2% compared to the previous year (CHF 1038.4 million) and an increase of +12.1% compared to 2019 (CHF 1057.8 million), the last year not affected by COVID-19. Adjusted for currency and acquisition effects, the growth was +11.6% compared to the previous year or 13.4% compared to 2019; as a result, the guidance of around 8% organic growth for the 2021 financial year and the medium-term organic growth of at least 5% communicated in the context of Capital Market Day were considerably exceeded in both cases. At the same time, the HVAC Division achieved a particularly strong organic growth of 16.1%, while the Doors Division grew by 6.9%. In the HVAC Division, the price effects were slightly higher than the volume effects, whereas the situation was the opposite in the Doors Division. In the HVAC Division, the traditional products (radiators) as well as the growth products contributed to the very high organic growth with around 15% and 17% respectively. In the Doors Division, the Wood Solutions Business Unit with an organic growth of around 8% grew twice as fast as the Glass Solutions Business Unit with around 4%.

At the Group level, organic growth was 7.2% in the second half of the year compared to 16.5% in the first half. The still strong organic growth in the second half of the year is all the more remarkable because the second half of 2020 was already very strong due to the catch-up effects of the lockdown in the first half of the year. In addition, the price increases implemented in 2021 had not yet fully taken effect in the second half of the year. The organic growth of +11.6% on the Group level in the reporting year was almost equally split between volume effects and price effects. The main drivers for the strong revenue growth were all target markets of Arbonia, especially the two core markets of Germany and Switzerland; however, Benelux as well as the Southern and Eastern European markets also showed a strong growth.

In the reporting year, the HVAC Division acquired the Spanish company Cicsa, a distribution company for design and bathroom radiators in the Iberian region, to expand its geographic presence and also acquired the Serbian company Termovent, a producer of ventilation systems for industrial applications in the health, food and semiconductor industries, among others, to increase its product range and expand its geographic presence. Together, the two acquisitions contributed around CHF 13 million to the revenue of the HVAC Division. The Doors Division acquired the German company GVG Deggendorf, a former glass supplier of the Glass Solutions Business Unit, to increase its vertical value-added chain and secure supplies. In the months of belonging to Arbonia, this acquisition contributed around CHF 5 million in revenue to the Glass Solutions Business Unit of the Doors Division in the reporting year. After the sale of the Windows Division, the Polish roof window company Skyfens remained in Arbonia, generating revenue of around CHF 4 million in 2021. In total, the three acquisitions and Skyfens contributed around CHF 22 million to the revenue in 2021.

**Further increase in profitability**
The Group result of the continuing operations without one-time effects improved by 46.2% to CHF 41.1 million compared to the previous year (CHF 28.1 million). The reported Group result, however, decreased slightly compared to the previous year from CHF 29.7 million to CHF 27.5 million. The profit per share was therefore CHF 0.40. The Group result (continuing and discontinued operations) was CHF 138.7 million compared to CHF 44.9 million in the previous year, whereby CHF 99.1 million is the profit realized by the sale of the Windows Division.

On the costs side, particularly the higher prices for raw materials and semi-finished goods were noticeable, causing the materials expense ratio to increase by 2.6 percentage points from 43.7% to 46.3% in the reporting year. Thanks to increased productivity again, which was reflected in a staff ratio reduction (without one-time effects) of 1.3% points from 33.2% to 31.9%, as well as in a reduction of lower other operating expenses (without one-time effects) of 0.8 percentage points to 13.4%, it was not only possible to maintain the EBITDA margin but to increase it by 0.3 percentage points to 11.3%. The announced closure of the Tubbergen (NL) site led to one-time costs in the amount of CHF 8.8 million, which mostly arose as personnel expenses and were classified as a one-time effect. The currency translation differences in the revenue and the costs had only a slight effect in the reporting year because in particular the EUR annual mean rate was not subject to any great variations compared to the previous year.

Thanks to increased productivity and the possibility of passing on price increases to the customers, it was possible to increase EBITDA without one-time effects by 17.4% to CHF 134.3 million in the reporting year (previous year: CHF 114.5 million), whereby the EBITDA margin improved from 11.0% to 11.3%.

Both divisions achieved an EBITDA margin of over 11% without one-time effects, whereby the Doors Division was able to achieve a margin increase of 0.8 percentage points with 13.8% compared to 2020, while the HVAC Division just managed to maintain the previous year's margin of 11.3% at 11.2%. The reported EBITDA is CHF 124.7 million (previous year: CHF 116.3 million), which corresponds to an increase of 7.2% and reflects the one-time effects of almost CHF 9 million, mostly resulting due to the relocation/closure of the production in Tubbergen (NL).

Despite higher depreciations and amortisations of around CHF 5 million compared to the previous year, it was possible to increase EBIT without one-time effects by almost CHF 15 million from CHF 52.1 million to CHF 67.0 million, which corresponds to a percentage increase of 28.6%. At the same time, it was possible to increase the EBIT margin by 0.6 percentage points to 5.6%. Due to the relocation/closure of Tubbergen (NL), impairments in non-current assets of CHF 4.0 million occurred, so that the reported EBIT of CHF 53.3 million remained practically unchanged compared to the previous year (CHF 53.9 million in 2020).

The net financial expense figure decreased compared to the previous year by CHF 3.5 million from CHF 12.9 million to CHF 9.4 million, due to lower currency losses on the one hand and to lower financing costs on the other. Some of the proceeds from the Windows were used to repay the syndicated credit facility and thereby save interest costs; however, deposit fees were charged by the banks for some of the liquidity.

The reported income tax expense significantly increased due to the higher operating profit and thus increased Group result before taxes (EBT) in the reporting year to CHF 16.4 million (previous year: CHF 11.2 million), so that the effective tax rate markedly increased to 37.3% (28.6% without one-time effects) compared to 27.4% in the previous year. The high tax rate is due to one-time, specific circumstances, for example, because tax losses could not be activated in the reporting year. The calculated tax rate of around 26% is expected again in the coming years.

**Markedly increased free cash flow from the sale of the Windows Division**

The free cash flow in the reporting year is CHF 252.7 million (previous year: CHF 52.5 million), which corresponds to an increase of around CHF 200 million compared to the same period last year. The positive development, however, is due to the cash inflow from the sale of the Windows Division. Excluding the sales proceeds of CHF 334.1 million and the purchase of the German production site Garant in the amount of CHF 30 million, a negative free cash flow of CHF -51.4 million would have resulted. The reasons for the negative deviation from the previous year (CHF 52.5 million) are, on the one hand, a lower cash flow from operating activities, mainly the elimination of the cash flow amount of the Windows Division sold as of 31 August 2021, and, on the other hand, a substantial increase in the investments in property, plants, and equipment as well as intangible assets in the continuing operations from CHF 86.0 million to CHF 142.8 million (CHF 112.8 million without taking into account the purchase of the Garant production site) in the reporting year. This results in an investment rate (investments/revenue) of 12.0% for the reporting year, or 9.5% excluding the purchase of the Garant production facility. In 2020, the investment rate was still 8.3%. This increase in the investment rate is in line with corporate strategy, since Arbonia announced upon the sale of the Windows Division that it would accelerate and prioritize planned as well as new investment projects in 2021 and 2022. For this reason, the investment rate will also remain high again in the coming financial year, since final, significant investment amounts are also planned in this year to complete the new frame production plant and the associated capacity expansion at the German production site Prüm of the Doors Division. The accelerated investments will additionally support the profitable growth of the Arbonia Group.

Excluding the contribution of the Windows Division, the cash flow from operating activities was around CHF 10 million lower in the reporting year at CHF 84.3 million than in the previous year at CHF 94.4 million. The higher operative result in the reporting year was more than compensated for by a partially deliberate increase in the net working capital as well as higher taxes.

**Increase in total assets, shareholders' equity and equity ratio, net cash, and increase in the dividend**
As of 31 December 2021, the total assets of Arbonia increased compared to the previous year by around CHF 108 million to CHF 1623.3 million (previous year: CHF 1515.2 million). The increase came about from the cash inflow from the sale of the Windows Division, the increase in inventory, the trade accounts receivable, as well as the increase in non-current assets (investments and acquisitions). The shareholders' equity increased by around CHF 150 million to now CHF 1044 million, which meant an increase in the equity ratio from 59.0% to 64.3% as of the end of 2021. The increase is mostly due to the Group result of CHF 138.7 million, which consists of the disposal gain of the Windows Division and the net profit of the continuing operations.

The net debt of CHF -140.6 million at the end of the financial year 2020 became a net cash position of CHF 93.2 million due to the cash inflow and the reduction in indebtedness. On the one hand, some of the proceeds from the sale of the Windows Division was used to partially repay outstanding loans and to further optimise the balance sheet in order to reduce financing costs and other operating costs in the future. In the reporting year, Arbonia also exercised the option granted in the context of the renewal of the firmly committed, currently not used syndicated credit facility of CHF 250 million to extend the facility by an additional year until 2026.

The strong balance sheet also makes it possible to distribute a 20% higher dividend of CHF 0.30 per registered share (CHF 0.25 for the financial year 2020) to the shareholders for the financial year 2021, for the fourth year in a row since the start of dividend payments. For this reason, the Board of Directors will propose to the General Meeting on 22 April 2022 to distribute a cash dividend of CHF 0.30 per registered share for the 2021 financial year, half from retained earnings and, tax-neutral for Swiss shareholders, half from capital contribution reserves.

# Consolidated Financial Statements Arbonia Group

## Consolidated Income Statement

| in 1000 CHF | Note | 2021 | in % | 2020 | in % |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Net revenues** | **31** | **1 186 177** | **100.0** | **1 038 421** | **100.0** |
| Other operating income | | 16 944 | 1.4 | 14 807 | 1.4 |
| Capitalised own services | | 6 140 | 0.5 | 6 369 | 0.6 |
| Changes in inventories of semi-finished and finished goods | | 12 005 | 1.0 | 3 333 | 0.3 |
| Cost of material and goods | | – 548 875 | – 46.3 | – 454 017 | – 43.7 |
| Personnel expenses | | – 386 674 | – 32.6 | – 345 604 | – 33.3 |
| Other operating expenses | | – 161 019 | – 13.6 | – 147 017 | – 14.2 |
| **EBITDA** | **31** | **124 698** | **10.5** | **116 292** | **11.2** |
| Depreciation, amortisation and impairments | 37-40 | – 55 675 | – 4.7 | – 47 505 | – 4.6 |
| Amortisation of intangible assets from acquisitions | 40 | – 15 715 | – 1.3 | – 14 915 | – 1.4 |
| **EBIT** | **31** | **53 308** | **4.5** | **53 872** | **5.2** |
| Financial income | 51 | 621 | 0.1 | 469 | 0.0 |
| Financial expenses | 51 | – 10 005 | – 0.8 | – 13 401 | – 1.3 |
| **Group result before income tax** | **31** | **43 924** | **3.7** | **40 940** | **3.9** |
| Income tax expense | 52 | – 16 384 | – 1.4 | – 11 210 | – 1.1 |
| **Group result from continuing operations** | **31** | **27 540** | **2.3** | **29 730** | **2.9** |
| **Group result from discontinued operations after taxes** | **36** | **111 190** | **9.4** | **15 184** | **1.5** |
| **Group result** | | **138 730** | **11.7** | **44 914** | **4.3** |
| | | | | | |
| Attributable to: | | | | | |
| Shareholders of Arbonia AG | | 138 730 | | 44 914 | |
| | | | | | |
| Earnings per share from continuing operations in CHF | 48 | 0.40 | | 0.43 | |
| Earnings per share from discontinued operations in CHF | 48 | 1.61 | | 0.22 | |
| Earnings per share in CHF | 48 | 2.01 | | 0.65 | |
| Basic and diluted earnings are identical. | | | | | |

The notes on pages 147 bis 206 are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

| in 1000 CHF | 2021 | 2020 |
|---|---|---|
| **Group result** | **138 730** | **44 914** |
| Other comprehensive income | | |
| *Items that will not be reclassified to income statement* | | |
| Remeasurements of employee benefit obligations | 42 359 | – 2 106 |
| Deferred tax effect | – 6 510 | 956 |
| **Total items that will not be reclassified to income statement** | **35 849** | **– 1 150** |
| *Items that may be reclassified subsequently to income statement* | | |
| Currency translation differences | – 21 140 | – 25 523 |
| Cumulative currency translation differences transferred to the income statement | 31 391 | |
| **Total items that may be reclassified subsequently to income statement** | **10 251** | **– 25 523** |
| **Total other comprehensive income after taxes** | **46 100** | **– 26 673** |
| **Total comprehensive income** | **184 830** | **18 241** |
| | | |
| Attributable to: | | |
| Shareholders of Arbonia AG | 184 830 | 18 241 |
| | | |
| Total comprehensive income from continuing operations | 32 377 | 5 039 |
| Total comprehensive income from discontinued operations | 152 453 | 13 202 |

The notes on pages 147 bis 206 are an integral part of these consolidated financial statements.

## Consolidated Balance Sheet

| in 1000 CHF | Note | 31/12/2021 | in % | 31/12/2020 | in % |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 32 | 253 870 | | 52 107 | |
| Accounts receivable | 33 | 106 429 | | 82 357 | |
| Other current assets | | 29 052 | | 28 213 | |
| Inventories | 34 | 182 784 | | 133 642 | |
| Contract assets | 33 | 13 527 | | 11 574 | |
| Deferred expenses | | 5 315 | | 5 241 | |
| Current income tax receivables | | 2 142 | | 678 | |
| Financial assets | 35 | 15 | | | |
| Assets held for sale | 36 | | | 283 292 | |
| **Current assets** | | **593 134** | **36.5** | **597 104** | **39.4** |
| Property, plant and equipment | 37 | 590 353 | | 491 437 | |
| Right-of-use assets | 38 | 44 546 | | 56 457 | |
| Investment property | 39 | 1 252 | | 1 296 | |
| Intangible assets | 40 | 161 122 | | 163 492 | |
| Goodwill | 40 | 178 621 | | 177 598 | |
| Deferred income tax assets | 46 | 6 905 | | 7 206 | |
| Capitalised pension surplus | 47 | 39 704 | | 12 315 | |
| Financial assets | 35 | 7 659 | | 8 265 | |
| **Non-current assets** | | **1 030 162** | **63.5** | **918 066** | **60.6** |
| **Total assets** | | **1 623 296** | **100.0** | **1 515 170** | **100.0** |

| in 1 000 CHF | Note | 31/12/2021 | in % | 31/12/2020 | in % |
|---|---|---|---|---|---|
| **Liabilities and shareholders' equity** | | | | | |
| Accounts payable | | 133 574 | | 92 947 | |
| Contract liabilities | 33 | 8 759 | | 2 892 | |
| Other liabilities | | 21 211 | | 21 981 | |
| Financial debts | 42 | 1 843 | | 1 265 | |
| Lease liabilities | 55 | 7 415 | | 9 532 | |
| Accruals and deferred income | | 73 480 | | 67 179 | |
| Current income tax liabilities | | 17 842 | | 14 628 | |
| Provisions | 45 | 20 491 | | 10 418 | |
| Liabilities associated with assets held for sale | 36 | | | 100 498 | |
| **Current liabilities** | | **284 615** | **17.5** | **321 340** | **21.2** |
| Financial debts | 42 | 132 267 | | 138 904 | |
| Lease liabilities | 55 | 19 127 | | 29 792 | |
| Other liabilities | | 16 560 | | 15 476 | |
| Provisions | 45 | 11 812 | | 9 463 | |
| Deferred income tax liabilities | 46 | 52 199 | | 49 265 | |
| Employee benefit obligations | 47 | 62 374 | | 57 715 | |
| **Non-current liabilities** | | **294 339** | **18.1** | **300 615** | **19.8** |
| **Total liabilities** | | **578 954** | **35.7** | **621 955** | **41.0** |
| Share capital | 48 | 291 787 | | 291 787 | |
| Share premium | | 496 340 | | 512 583 | |
| Treasury shares | 49 | – 5 382 | | – 2 456 | |
| Other reserves | 50 | – 98 459 | | – 108 710 | |
| Retained earnings | | 360 056 | | 200 011 | |
| **Shareholders' equity** | | **1 044 342** | **64.3** | **893 215** | **59.0** |
| **Total liabilities and shareholders' equity** | | **1 623 296** | **100.0** | **1 515 170** | **100.0** |

The notes on pages 147 bis 206 are an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

| in 1 000 CHF | Note | 2021 | 2020 |
|---|---|---|---|
| **Group result** | | **138 730** | **44 914** |
| Depreciation, amortisation and impairments | 37 - 40 | 71 391 | 84 555 |
| Profit/loss on disposal of non-current assets/subsidiaries | 35 - 38 | – 99 969 | – 2 406 |
| Changes in non-cash transactions | 55 | 30 854 | 19 636 |
| Net interest expense | | 5 689 | 6 070 |
| Income tax expense | | 23 338 | 14 638 |
| Changes in working capital | 55 | – 99 181 | 6 800 |
| Changes in current liabilities | 55 | 47 762 | – 10 704 |
| Interest paid | | – 4 299 | – 4 869 |
| Interest received | | 40 | 148 |
| Income tax paid | | – 21 570 | – 17 470 |
| **Cash flows from operating activities – net** | | **92 785** | **141 312** |
| **To investment activities** | | | |
| Purchases of property, plant and equipment | 37 | – 145 113 | – 92 248 |
| Purchases of intangible assets | 40 | – 4 011 | – 3 295 |
| Acquisition of subsidiaries/businesses (net of cash acquired) | 41 | – 27 681 | – 3 310 |
| Issuance of financial assets | 35 | – 721 | – 3 425 |
| **From divestment activities** | | | |
| Proceeds from sale of property, plant and equipment | 36, 37 | 1 128 | 8 582 |
| Proceeds from sale of investment properties | 36, 39 | 2 197 | 4 879 |
| Proceeds from sale of intangible assets | | | 12 |
| Disposal of subsidiaries (net of cash disposed) | 36 | 334 064 | |
| Repayment of financial assets | | 24 | 3 |
| **Cash flows from investing activities – net** | | **159 887** | **– 88 802** |

| in 1 000 CHF | Note | 2021 | 2020 |
|---|---|---|---|
| **From financing activities** | | | |
| Proceeds from financial debts | 42, 55 | 68 266 | 45 062 |
| **To financing activities** | | | |
| Repayments of financial debts | 42, 55 | – 73 634 | – 80 461 |
| Lease liability payments | 55 | – 13 405 | – 14 990 |
| Dividend and distribution from capital contribution reserves | | – 32 486 | |
| Purchase of treasury shares | 49 | – 6 266 | – 983 |
| **Cash flows from financing activities - net** | | **– 57 525** | **– 51 372** |
| Effects of translation differences on cash and cash equivalents | | 75 | – 844 |
| **Change in cash and cash equivalents** | | **195 222** | **294** |
| **Reconciliation of change in cash and cash equivalents** | | | |
| Cash and cash equivalents as of 01/01 continuing operations | 32 | 52 107 | 58 354 |
| Cash and cash equivalents as of 01/01 discontinued operations | 36 | 6 541 | |
| Cash and cash equivalents as of 31/12 continuing operations | 32 | 253 870 | 52 107 |
| Cash and cash equivalents as of 31/12 discontinued operations | 36 | | 6 541 |
| **Change in cash and cash equivalents** | | **195 222** | **294** |

The notes on pages 147 bis 206 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

| in 1000 CHF | Note | Share capital | Share premium | Treasury shares | Other reserves | Retained earnings | Total share-holders' equity |
|---|---|---|---|---|---|---|---|
| **Balance at 01/01/2020** | | **291 787** | **512 583** | **– 4 426** | **– 83 187** | **156 493** | **873 250** |
| Group result | | | | | | 44 914 | 44 914 |
| Total other comprehensive income after taxes | 50 | | | | – 25 523 | – 1 150 | – 26 673 |
| **Total comprehensive income** | | | | | **– 25 523** | **43 764** | **18 241** |
| Changes in treasury shares | 49 | | | – 983 | | | – 983 |
| Share based payments | 56 | | | 2 952 | | – 246 | 2 706 |
| **Total transactions with owners** | | | | **1 970** | | **– 246** | **1 724** |
| **Balance at 31/12/2020** | | **291 787** | **512 583** | **– 2 456** | **– 108 710** | **200 011** | **893 215** |
| Group result | | | | | | 138 730 | 138 730 |
| Total other comprehensive income after taxes | 50 | | | | 10 251 | 35 849 | 46 100 |
| **Total comprehensive income** | | | | | **10 251** | **174 579** | **184 830** |
| Distribution from capital contribution reserves and dividend | | | – 16 243 | | | – 16 243 | – 32 486 |
| Changes in treasury shares | 49 | | | – 6 266 | | | – 6 266 |
| Share based payments | 56 | | | 3 340 | | 1 709 | 5 049 |
| **Total transactions with owners** | | | **– 16 243** | **– 2 926** | | **– 14 534** | **– 33 703** |
| **Balance at 31/12/2021** | | **291 787** | **496 340** | **– 5 382** | **– 98 459** | **360 056** | **1 044 342** |

The notes on pages 147 bis 206 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## A Accounting principles

### 1. General information

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

On 4 January 2021, a contract was signed between Arbonia and the Danish DOVISTA Group for the sale of the windows business. The closing of the transaction took place on 31 August 2021 (see note 36).

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 23 February 2022 and require approval from the Annual General Meeting on 22 April 2022. The publication of the consolidated financial statements occurred on 1 March 2022 at the media and analyst conference.

### 2. General principles and basis of preparation

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

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

**Amendments to significant published standards**
The accounting policies adopted in the preparation of the annual consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020.

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

**Published standards that are not yet effective nor adopted early**
The published but as of the balance sheet date not yet effective significant new or amended standards will not have a material impact on the Group's financial statements.

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

In the financial year 2020
- As of 1 December 2020, Arbonia acquired the remaining 65% of Webcom Management Holding GmbH, DE-Bad Liebenstein (see note 41).

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

### 4. Full consolidation

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

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

### 5. Capital consolidation

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

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

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

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

## B Summary of significant accounting policies

### 6. Significant accounting policies

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

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

### 7. Foreign currency translation

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

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

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

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

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

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

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

The following foreign currency rates have been applied:

| Currency | Unit | 2021 | | 2020 | |
|---|---|---|---|---|---|
| | | Year-end rate | Average rate | Year-end rate | Average rate |
| EUR | 1 | 1.0372 | 1.0812 | 1.0814 | 1.0704 |
| CZK | 100 | 4.1722 | 4.2161 | 4.1204 | 4.0498 |
| PLN | 100 | 22.5508 | 23.6956 | 23.4333 | 24.1069 |
| CNY | 100 | 14.3662 | 14.1683 | 13.4754 | 13.6046 |
| RUB | 100 | 1.2355 | 1.2402 | 1.1974 | 1.3067 |
| RSD | 100 | 0.8800 | 0.9200 | | |

## 8. Maturities

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

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

## 9. Financial instruments

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

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

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

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

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

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

At each balance sheet date, financial assets (debt securities) that are not measured at fair value through profit or loss are assessed for expected credit losses. Indications that the creditworthiness of assets is impaired include financial difficulties, breaches of contract and possible bankruptcy of the contracting party. A default with respect to a financial asset exists if it appears unlikely that the contracting party will meet its contractual payments to the Group in full. If loans or receivables have been impaired, the company continues to enforce the receivable to recover it. Financial assets are written-off as soon as there is no reasonable expectation of recovery. Among the indicators that there is no reasonable expectation of recovery is the bankruptcy of the counterparty. Further information on the impairment of financial assets is provided in the accounting policies for the individual assets (in particular on accounts receivable and contract assets in note 13).

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

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

## 10. Derivative financial instruments

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

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

## 11. Fair value estimation of financial instruments

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

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

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

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

Due to its current nature, the nominal value less estimated allowance of accounts receivable is assumed to approximate their fair value. The nominal value of accounts payable is assumed to approximate their fair value. The fair value of financial liabilities disclosed in 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. Cash and cash equivalents are subject to the impairment provisions of IFRS 9, but as the expected losses are completely insignificant, no impairment losses have been recognised.

### 13. Receivables and contract assets

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

In connection with a factoring agreement certain receivables were sold in the previous year. Since Arbonia hadn’t transferred all the risks and rewards of ownership and still retained control, the receivables had been recorded in the balance sheet to the extent of the so-called continuing involvement. In particular the late payment risk was completely retained by Arbonia up until a certain point in time. The factoring agreement was terminated in the 4th quarter of 2021.

### 14. Inventories

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

### 15. Assets held for sale and associated liabilities

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

### 16. Discontinued operations

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

### 17. Property, plant and equipment

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

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

### 18. Investment property

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

The fair value of investment property, which is required for disclosure purposes, is determined using the discounted cash flow method. Based on attainable net rental income (gross rental income minus operating costs and future refurbishment costs), the discounted cash flows are calculated for the next 10 years with a residual value for the time thereafter. The fair value of undeveloped land is determined by considering current local market conditions. 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, 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 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. Intangible assets that have an indefinite useful life, such as goodwill, are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. The value in use is based on discounted future cash flows. The applied discount rate is a pre-tax rate using the weighted average cost of capital (WACC) method. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – CGU).

## 21. Estimated useful lives

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

**25. Leases**

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

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

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

**26. Deferred income tax**

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

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

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

**27. Share based payment**

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

**28. Shareholders’ equity**

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

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

## 29. Income statement

### Net revenue

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

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

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

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

The variable considerations can be reliably measured at the time the performance obligation is fulfilled and are taken into account as sales deductions. Payment periods customary in the industry are granted unless special payment periods have been agreed. There is therefore no financing component.

The Wood Solutions Business Unit and a minor part of the Division HVAC operate, in addition to the short-term series production, in the project business. The project business is characterised by long-term contracts which partially have a duration of over one year. The performance obligation in the project business is progressively satisfied over the period of the provided services (planning, production, assembly, acceptance) using the cost-to-cost method. Under the cost-to-cost method, the stage of completion is measured based on the ratio of costs incurred to date to the total budgeted costs. Revenue is recognised in proportion to the contract costs incurred. Therefore, revenue is recognised over the term of a contract. The allocation of the transaction price to separate performance obligations is not required because of the existence of only one performance obligation in the project business. Variable considerations such as discounts or construction rebates which can be measured reliably are deducted from the transaction price at the beginning of the contract term. In this way, these revenue reductions can be realised proportionally to the revenue recognition over the contract term. For reasons of materiality, it is not necessary to adjust the consideration for the time value of money or to measure non-cash consideration. If revenue is recognised as mentioned before, but the expected amount of consideration has not yet been invoiced, then a contract asset is recognised due to the conditional right to consideration. Accounts receivable from project business are recognised when the right to the consideration becomes unconditional. The right becomes unconditional when an acceptance protocol is signed and accordingly the invoice is issued to the customer. Payment periods customary in the industry are granted unless special payment periods have been agreed. The contract liability relates to contracts whose partial payments exceed the stage of completion or the revenue already recognised respectively, on a net contract-by-contract basis. Contract liabilities are recognised as revenue when the contractual performance obligation has been satisfied. Based on the analysed order durations, there are no significant financing components. The treatment of loss-making contracts occurs regardless of the stage of completion by recognising a provision amounting to the total contract loss resulting from the total budgeted costs not covered by the total amount of the transaction price.

Net revenues are reported net of sales or value-added taxes and are shown net of sales deductions.

Cost incurred in the course of initiating or fulfilling a contract with a customer is not capitalised.

The assessment of right of return, refund and similar obligations is not necessary as they do not constitute an integral part of Arbonia's business.

Revenues from contracts with customers are broken down by category in the segment reporting. Segment reporting also shows a breakdown of revenues recognised at a point in time and satisfied over time.

### Other operating income

Other operating income is recognised when the service has been rendered and comprises amongst others proceeds from the sale of scrap metal, service income, license income, rental income, insurance benefits and gains on the sale of investment property and property, plant and equipment.

**EBITDA**
EBITDA shows earnings before financial results, tax, depreciation and amortisation on non-current assets.

**EBITA**
EBITA shows earnings before financial results, tax and amortisation of intangible assets from acquisitions.

**EBIT**
EBIT shows earnings before financial results and tax.

**Financial income**
Financial income comprises amongst others interest income and gains from derivative financial instruments. Furthermore, cumulative gains of exchange differences resulting from the disposal or the liquidation of subsidiaries, transferred from equity, are also included. Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

**Financial expenses**
Financial expenses primarily include interest expenses, minority share from associated companies, bank charges and foreign exchange losses. Furthermore, cumulative losses of exchange differences resulting from the disposal or the liquidation of subsidiaries, transferred from equity, are also included. Interest expenses are recognised using the effective interest method. Foreign exchange gains and losses are shown on a net basis.

## 30. Significant accounting judgments, estimates and assumptions

All estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Arbonia makes judgments, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Revenue recognition**
In project business, sales are realised over a period of time. Arbonia determines the stage of completion by using the cost-to-cost method. In Arbonia's opinion, this method best depicts the transfer of control of the products to the customer. Under the cost-to-cost method, the stage of completion is measured based on the ratio of costs incurred to date to the total budgeted costs. Changes due to post calculations and actively managed project controlling are taken into account when determining the stage of completion. Such changes in estimates are recognised prospectively. Revenue is recognised proportionally as costs are incurred. If the expected margin cannot be measured reliably, then revenue is recognised only in the amount of costs incurred.

**Inventory provision**
In order to determine the adequacy of the inventory provision, factors such as expected sales prices, inventory turnover and coverage days of inventory are considered. As of 31 December 2021, the carrying amount of inventory was at CHF 182.8 million. Therein a provision for inventories of CHF 20.2 million is included. A falling market demand or falling sales prices could lead to additional provisions needed. For further information on the inventory provision, see note 34.

**Useful lives for property, plant and equipment**
Arbonia has a significant amount of its assets invested in property, plant and equipment. As of 31 December 2021, the carrying amount of property, plant and equipment totalled CHF 590.4 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 2021, the carrying amount of goodwill was at CHF 178.6 million. Arbonia tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 20. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates such as expected future cash flows, margins, discount rates and growth rates. These estimates could change or differ from the actual outcome and therefore lead to additional impairments. For further information on goodwill, see note 40.

**Intangible assets acquired in a business combination**
Brands, technologies, client relationships and distribution channels are amortised over their estimated useful lives. At initial recognition, assumptions and estimates must be made about the expected cash flows such as sales prices, margins, discount rates, attrition rates of clients and technological development which of course are exposed to some uncertainties. As of 31 December 2021, the carrying amount of intangible assets acquired in a business combination amounted to CHF 147.6 million. For further information on such acquired intangible assets, see note 40.

**Provisions**
Provisions are recognised based on the criteria as set out under note 22. As of 31 December 2021, the carrying amount of the provisions totalled CHF 32.3 million. In estimating the amount of provision, assumptions are used and depending on the outcome of the various business transactions, the actual cash outflow and its timing could significantly differ from the booked provision. For further information on provisions, see note 45.

**Employee benefit obligations**
Employee benefit obligations for defined benefit plans are based on actuarial valuations, which use statistical calculations and actuarial assumptions (see note 23). Such assumptions include amongst others future salary and pension increases, probable turnover rates as well as life expectancy of plan participants. The assumptions underlying these calculations are dependent on a number of prospective factors, therefore actual results could significantly differ from the original valuations and as a consequence impact the carrying amount of capitalised pension surplus and employee benefit obligation. As of 31 December 2021, the underfunding amounted to CHF 22.7 million, thereof CHF 39.7 million recorded in the balance sheet as capitalised pension surplus and CHF 62.4 million as employee benefit obligation. For further information on employee benefit obligation, see note 47.

**Income taxes**
Arbonia is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Arbonia recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the period in which such determination is made. Deferred tax assets, including those on tax loss carryforwards and expected tax credits, are only recognised if it is probable that they can be used by future taxable profits. The assessment of the recoverability of those deferred tax assets is therefore based on estimates, which could differ from actual results and consequently lead to valuation allowances. As of 31 December 2021, the carrying amount of deferred tax assets before offsetting totalled CHF 29.0 million. For further information on income taxes, see notes 46 and 52.

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

### 31. Segment information

Since 1 July 2021, the continuing operations of Arbonia is organised into the divisions or segments HVAC (Heating, Ventilation and Air Conditioning) and Doors. The segment information of the previous year was restated as a result of the integration of the Sanitary Division into the Doors Division. Corporate Services which mainly include service, finance, real estate and investment companies, provides their services almost entirely to Group companies. They have not been allocated to an operating segment and are therefore shown separately.

On 4 January 2021, a contract was signed between Arbonia and the Danish DOVISTA Group for the sale of the Windows business. The closing of the transaction took place on 31 August 2021 (see note 36). The Windows segment is therefore no longer included in the segment information. The segment information of the previous year was restated accordingly.

For the monitoring and assessment of the financial performance, EBITDA, EBITA and EBIT are pivotal key measures. However, Group Management and the Board of Directors also are provided with financial data down to the line item "result after income tax" by operating segment. The segments apply the same accounting policies as the Group. Purchases, sales and services between segments are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. Income and expenses between segments are eliminated on consolidation and disclosed in "Eliminations".

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

**HVAC Division**
The Heating, Ventilation and Air Conditioning Division is a leading and highly integrated provider to the industry. Under the main brands – Kermi, Arbonia, Prolux, Sabiana, Vasco, Superia and Brugman – it sells its wide product range across Europe. Production takes place in Germany, the Czech Republic, Italy, Belgium, the Netherlands, Poland, Russia and Serbia. In addition a large number of sales locations in Europe and a world-wide network of exclusive distribution partners ensure customer proximity.

**Doors Division**
With its Wood Solutions Business Unit and the associated companies Prüm, Garant, Invado and RWD Schlatter, the Doors Division is one of Europe's leading suppliers of interior doors and wood frames. In its domestic markets, the business unit offers its customers a comprehensive product range from standard doors to complex functional doors. With the Glass Solutions Business Unit and the well-known brands Kermi, Koralle and Baduscho, the Doors Division is also the European market leader with convincing shower solutions for all generations and lifestyles. The Doors Division has seven production sites: four are located in Germany, two in Switzerland and one in Poland.

**Corporate Services**
Corporate Services mainly consists of service, finance, real estate and investment companies. These companies provide their services across divisions and almost entirely to Group companies.

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

The impairment in the HVAC Division mainly relates to machinery in connection with the relocation and closure of a production site in the Netherlands.

| in 1000 CHF | | | | | | 2020 restated |
|---|---|---|---|---|---|---|
| | HVAC | Doors | Total reportable segments | Corporate Services | Elimina-tions | Total Group |
| Sales with third parties at point in time | 529 092 | 446 495 | 975 587 | | | 975 587 |
| Sales with third parties over time | | 62 834 | 62 834 | | | 62 834 |
| Sales with other segments | | 21 | 21 | | – 21 | |
| **Net revenues** | **529 092** | **509 350** | **1 038 442** | | **– 21** | **1 038 421** |
| | | | | | | |
| **Segment results I (EBITDA)** | **59 182** | **66 140** | **125 322** | **– 9 022** | **– 8** | **116 292** |
| *in % of net revenues* | *11.2* | *13.0* | *12.1* | | | *11.2* |
| | | | | | | |
| Depreciation and amortisation | – 25 648 | – 19 733 | – 45 381 | – 1 843 | | – 47 224 |
| Impairment property, plant and equipment | – 281 | | – 281 | | | – 281 |
| **Segment results II (EBITA)** | **33 253** | **46 407** | **79 660** | **– 10 865** | **– 8** | **68 787** |
| *in % of net revenues* | *6.3* | *9.1* | *7.7* | | | *6.6* |
| | | | | | | |
| Amortisation of intangible assets from acquisitions | – 3 646 | – 11 269 | – 14 915 | | | – 14 915 |
| **Segment results III (EBIT)** | **29 607** | **35 138** | **64 745** | **– 10 865** | **– 9** | **53 872** |
| *in % of net revenues* | *5.6* | *6.9* | *6.2* | | | *5.2* |
| | | | | | | |
| Interest income | 299 | 121 | 420 | 6 454 | – 6 676 | 198 |
| Interest expenses | – 5 500 | – 2 774 | – 8 274 | – 4 334 | 6 695 | – 5 913 |
| Minority share from associated companies | | – 479 | – 479 | | | – 479 |
| Other financial result | – 3 638 | – 2 644 | – 6 282 | 8 420 | – 8 877 | – 6 738 |
| **Result before income tax** | **20 768** | **29 362** | **50 130** | **– 325** | **– 8 865** | **40 940** |
| Income tax expense | – 4 764 | – 6 807 | – 11 571 | 361 | | – 11 210 |
| **Result after income tax** | **16 004** | **22 555** | **38 559** | **36** | **– 8 865** | **29 730** |
| | | | | | | |
| **Average number of employees** | **2 914** | **2 836** | **5 750** | **63** | | **5 813** |
| | | | | | | |
| **Total assets** | **559 177** | **635 750** | **1 194 927** | **961 325** | **– 922 148** | **1 234 104** |
| thereof associated companies | | 8 194 | 8 194 | | | 8 194 |
| **Total liabilities** | **301 340** | **290 118** | **591 458** | **221 893** | **– 291 894** | **521 457** |
| **Purchases of property, plant and equipment, right-of-use assets, investment properties and intangible assets** | **33 126** | **57 977** | **91 103** | **2 049** | | **93 152** |

The reconciliation of the continuing and discontinued operations on the segment information disclosed in the 2020 consolidated financial statements is presented as follows:

| in 1000 CHF | | | 2020 |
|---|---|---|---|
| | Continuing operations | Discontinued operations Windows | Total segments |
| **Net revenues** | **1 038 421** | **357 844** | **1 396 265** |
| **Segment results I (EBITDA)** | **116 292** | **41 543** | **157 835** |
| *in % of net revenues* | *11.2* | *11.6* | *11.3* |
| **Segment results II (EBITA)** | **68 787** | **20 657** | **89 444** |
| *in % of net revenues* | *6.6* | *5.8* | *6.4* |
| **Segment results III (EBIT)** | **53 872** | **19 408** | **73 280** |
| *in % of net revenues* | *5.2* | *5.4* | *5.2* |
| Interest result | – 5 713 | – 356 | – 6 069 |
| Other financial result | – 7 218 | – 440 | – 7 659 |
| **Result before income tax** | **40 940** | **18 612** | **59 552** |
| Income tax expense | – 11 210 | – 3 428 | – 14 638 |
| **Result after income tax** | **29 730** | **15 184** | **44 914** |
| **Total assets** | **1 234 104** | **281 066** | **1 515 170** |
| **Total liabilities** | **521 457** | **100 498** | **621 955** |

### Information about geographical areas

| in 1 000 CHF | | | | 2021 |
|---|---|---|---|---|
| | Switzerland | Germany | Other Countries | Total |
| Net revenues | 162 710 | 591 001 | 432 466 | 1 186 177 |
| Property, plant and equipment, right-of-use assets, investment properties, intangible assets and goodwill | 101 807 | 551 501 | 322 587 | 975 894 |

| in 1 000 CHF | | | | 2020 restated |
|---|---|---|---|---|
| | Switzerland | Germany | Other Countries | Total |
| Net revenues | 150 431 | 539 989 | 348 001 | 1 038 421 |
| Property, plant and equipment, right-of-use assets, investment properties, intangible assets and goodwill | 105 297 | 486 956 | 298 027 | 890 280 |

### Major customers

Arbonia has no customer who generates more than 10% of the Group’s net revenues (see also paragraph credit default risk in note 53).

## 32. Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| CHF | 196 408 | 14 085 |
| EUR | 47 709 | 26 512 |
| PLN | 3 423 | 2 984 |
| CZK | 1 707 | 1 694 |
| RUB | 1 499 | 3 824 |
| Other currencies | 3 124 | 3 008 |
| **Total** | **253 870** | **52 107** |

## 33. Accounts receivable/ contract balances

### Accounts receivable

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Accounts receivable | 115 610 | 94 429 |
| Allowance for accounts receivable | – 9 181 | – 12 072 |
| **Total** | **106 429** | **82 357** |
| thereof accounts receivable project business | 8 201 | 7 875 |

The allowance for accounts receivable includes expected credit losses and cash discounts.

The ageing analysis is as follows:

| in 1000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Not yet due | 95 200 | 73 663 |
| Overdue up to 30 days | 6 874 | 6 120 |
| Overdue more than 30, less than 60 days | 2 389 | 1 626 |
| Overdue more than 60, less than 90 days | 542 | 557 |
| Overdue more than 90, less than 180 days | 1 178 | 411 |
| Overdue more than 180, less than 360 days | 366 | – 52 |
| Overdue more than 360 days | – 120 | 32 |
| **Total accounts receivable, net** | **106 429** | **82 357** |

Outstanding accounts receivable amounting to CHF 62.4 million (2020: CHF 38.0 million) were secured and mainly consist of credit insurances. No allowances are made on the secured receivables.

The expected credit losses on accounts receivable developed as follows:

| in 1000 CHF | 2021 | 2020 |
|---|---|---|
| **Balance at 01/01** | **– 6 816** | **– 11 212** |
| Foreign exchange differences | 35 | 144 |
| Changes in scope of consolidation | – 199 | |
| Additional allowances | – 353 | – 1 340 |
| Used during year | 2 789 | 841 |
| Unused amounts reversed | 338 | 1 761 |
| Reclassification to assets held for sale | | 2 990 |
| **Balance at 31/12** | **– 4 206** | **– 6 816** |

Since February 2010 Arbonia sold receivables under a factoring agreement. Because Arbonia neither transfered nor retained substantially all the risks and rewards of ownership and still retained control, the receivables had to be recorded in the balance sheet to the extent of the so-called continuing involvement. In particular the late payment risk was completely retained by Arbonia up until a certain point in time. The factoring agreement was terminated in the 4th quarter of 2021. As of 31 December 2021, there are consequently no more assigned receivables, whereas in the previous year the book value was CHF 16.4 million. Thereof Arbonia had already received from the factor CHF 14.7 million of cash and the difference of CHF 1.8 million was disclosed as other current assets against the factor. In addition, in other current assets an amount of CHF 0.2 million and in other liabilities an amount of CHF 0.2 million had been recorded for the consideration of the continuing involvement. In 2020 there was no gain realised for the continuing involvement, the cumulative loss since the inception of the factoring agreement amounted to CHF 0.02 million.

### Contract balances

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Contract assets project business | 13 527 | 11 574 |
| **Total contract assets** | **13 527** | **11 574** |
| Contract liabilities project business | 5 317 | 1 218 |
| Other advance payments by customers | 3 442 | 1 674 |
| **Total contract liabilities** | **8 759** | **2 892** |

The contract balances project business result from Arbonia's longer-term contracts. Revenues recognised over the term of a contract are shown as contract assets. Contract assets are presented on a net contract-by-contract basis, e.g. less the received partial payments. As soon as the acceptance protocol is signed, the final invoice is issued and the items are transferred to accounts receivable. The movement in the contract assets is as follows:

| in 1000 CHF | 2021 | 2020 |
|---|---|---|
| **Balance at 01/01** | **11 574** | **25 603** |
| Foreign exchange differences | – 51 | |
| Reclassification of contract assets existing at the beginning of the period to accounts receivable | – 9 224 | – 22 692 |
| Revenue recognition on projects in progress as of the balance sheet date based on percentage of completion | 29 178 | 57 927 |
| Offset against contract liabilities due to partial payments received | – 17 950 | – 34 198 |
| Reclassification to assets held for sale | | – 15 066 |
| **Balance at 31/12** | **13 527** | **11 574** |

The contract liabilities project business relate to contracts whose partial payments exceed the stage of completion. Contract liabilities are recognised as revenue when the contractual performance obligation has been satisfied. The movement in the contract liabilities project business is as follows:

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| **Balance at 01/01** | **1 218** | **4 270** |
| Foreign exchange differences | – 100 | |
| Revenue recognised from amounts included in the contract liabilities at the beginning of the period | – 654 | – 2 649 |
| Partial payments received for projects in progress at the balance sheet date | 22 803 | 36 020 |
| Offset against contract assets | – 17 950 | – 34 198 |
| Reclassification to assets held for sale | | – 2 225 |
| **Balance at 31/12** | **5 317** | **1 218** |

In 2021, there were no known default risks and therefore no need for specific allowances on contract assets. The expected credit losses are estimated to be insignificant and therefore no allowance was made.

There have been no general changes in the timeframe until an enforceable right for consideration or a performance obligation is fulfilled.

The expected revenues to be recognised on the current order backlog are as follows:

| in 1 000 CHF | within 1 year | in 1-2 years | after 2 years |
|---|---|---|---|
| Revenues expected to be recognised on uncompleted order backlog as at 31/12/2021 | 40 367 | 7 434 | 1 505 |
| Revenues expected to be recognised on uncompleted order backlog as at 31/12/2020 | 42 732 | 6 327 | 1 163 |

These amounts only include contracts of project business with an expected original duration of more than one year.

## 34. Inventories

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Raw material and supplies | 95 315 | 64 856 |
| Semi-finished and finished goods | 77 030 | 61 198 |
| Goods purchased for resale | 10 125 | 7 588 |
| Prepayments | 314 | |
| **Total** | **182 784** | **133 642** |

A provision of CHF 20.2 million (2020: CHF 20.0 million) has been provided for obsolete and slow-moving items and is deducted from inventories. 2021 and 2020, there are no material inventories written down to the net realisable value and no material write-downs to net realisable value were recorded.

## 35. Financial assets

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Investments in associated companies > 20 % < 50 % | 7 276 | 8 194 |
| Other financial assets | 339 | 71 |
| Loans | 58 | |
| **Total** | **7 673** | **8 265** |
| thereof disclosed as current assets | 15 | |

In July 2021, Arbonia acquired further shares in the German KIWI-KI GmbH, DE-Berlin, for the equivalent of CHF 0.5 million and now holds 24.9% of the company. In April 2020, Arbonia had increased its minority interest acquired in 2018 to over 20%. The 2020 purchase price amounted to CHF 4.9 million, of which CHF 1.6 million was offset against the convertible loan granted in October 2019. In the 2020 consolidated statement of cash flows, the cash outflow of CHF 3.3 million was included in the position issuance of financial assets.

### Associated companies

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| **Balance at 01/01** | **8 194** | **2 492** |
| Foreign exchange differences | – 308 | 37 |
| Reclassification from investments < 20% and increase of investment | 450 | 8 638 |
| Minority share from associated companies | – 1 060 | – 378 |
| Reclassification due to full business acquistion | | – 2 595 |
| **Balance at 31/12** | **7 276** | **8 194** |

Due to the acquisition of the remaining 65% share in Webcom Management Holding GmbH in December 2020, the company was fully consolidated as of the end of the 2020 financial year (see note 41).

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

### Associated companies – Balance sheet

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Current assets | 1 751 | 6 318 |
| Non-current assets | 1 443 | 1 535 |
| **Total assets** | **3 194** | **7 852** |
| Current liabilities | 526 | 646 |
| Non-current liabilities | 447 | 627 |
| Shareholders' equity | 2 221 | 6 579 |
| **Total liabilities and shareholders' equity** | **3 194** | **7 852** |

The balance sheet as of 31 December 2021 and 31 December 2020 includes KIWI-KI GmbH.

### Associated companies - Income statement

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Net revenues | 2 368 | 15 701 |
| Results after taxes | – 3 938 | – 1 631 |

The income statement 2020 includes Webcom, whereas KIWI-KI GmbH has only been included in the income statement since the increase of the investment to over 20% in April 2020. The income statement 2021 includes only KIWI-KI GmbH.

### Business transactions with associated companies

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Sale of goods and services | | 2 146 |
| Purchase of goods and services | 4 | 42 |
| Receivables at balance sheet date | | 20 |
| Liabilities at balance sheet date | | 26 |

**Loans**
At the beginning of October 2019, KIWI-KI GmbH was granted an interest-bearing convertible loan of EUR 1.5 million, repayable by the end of February 2020. The loan was converted into shares at a predetermined share value on the occasion of the financing round successfully carried out in April 2020.

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

| in 1 000 CHF | 2020 |
|---|---|
| **Balance at 01/01** | **– 3 000** |
| Used during year | 3 000 |
| **Balance at 31/12** | |

The impairment of loans of CHF 3.0 million which originated from the sale of the kitchen division in 2014, was derecognised in 2020. The recovery or partial recovery of the claim from the insolvency proceedings that have been ongoing for years is estimated to be low.

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

On 4 January 2021, a contract was signed between Arbonia and the Danish DOVISTA Group for the sale of the windows business. The closing of the transaction took place on 31 August 2021. In accordance with IFRS 5, Arbonia reported the business unit windows as of 31 December 2020 as discontinued operations. In the consolidated balance sheet as of 31 December 2020, assets and liabilities of the discontinued operations windows were disclosed in the respective held for sale asset and liability positions.

### Assets held for sale and discontinued operations

| in 1 000 CHF | 31/12/2020 |
|---|---|
| Cash and cash equivalents | 6 541 |
| Receivables and other assets | 37 557 |
| Inventories and contract assets | 42 681 |
| Deferred expenses | 428 |
| Property, plant and equipment and right-of-use assets | 130 376 |
| Intangible assets and goodwill | 34 498 |
| Deferred income tax assets | 952 |
| Capitalised pension surplus | 30 229 |
| Financial assets | 30 |
| **Total** | **283 292** |

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

| in 1 000 CHF | 31/12/2020 |
|---|---|
| Liabilities | 38 962 |
| Financial debts and lease liabilities | 19 770 |
| Accruals and deferred income | 23 058 |
| Provisions | 10 555 |
| Deferred income tax liabilities | 8 153 |
| **Total** | **100 498** |

### Sold operations 2021

### Disposal of windows business

| in 1 000 CHF | 31/08/2021 |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 12 741 |
| Receivables and other assets | 39 489 |
| Inventories and contract assets | 62 053 |
| Deferred expenses | 4 568 |
| Property, plant and equipment and right-of-use assets | 129 217 |
| Intangible assets and goodwill | 34 911 |
| Deferred income tax assets | 351 |
| Capitalised pension surplus | 41 295 |
| Financial assets | 29 |
| **Total assets** | **324 654** |
| | |
| **Liabilities** | |
| Liabilities | 46 889 |
| Financial debts and lease liabilities | 17 424 |
| Accruals and deferred income | 28 074 |
| Provisions | 4 763 |
| Deferred income tax liabilities | 11 323 |
| **Total liabilities** | **108 473** |
| | |
| **Net assets** | **216 181** |
| Cash and cash equivalents disposed | – 12 741 |
| **Net assets excluding cash and cash equivalents** | **203 440** |
| Gain on disposal | 130 625 |
| **Net cash inflow from disposal** | **334 065** |

The sale of the windows business on 31 August 2021 resulted in a disposal gain of CHF 130.6 million. From the sale of this business unit, accumulated currency translation differences in the amount of CHF 31.5 million resulted, which have been transferred from equity to the income statement and debited to the financial result from discontinued operations. The resulting net amount of CHF 99.1 million is eliminated in the cash flow statement under the item profit/loss on disposal of non-current assets/subsidiaries.

### Result from discontinued operations

| in 1 000 CHF | 01/01 - 31/08/2021 | 2020 |
|---|---|---|
| **Net revenues** | **237 190** | **357 844** |
| Other operating income and capitalised own services | 7 979 | 2 445 |
| Changes in inventories of semi-finished and finished goods | 6 513 | – 3 459 |
| Cost of material and goods | – 113 715 | – 146 698 |
| Personnel expenses | – 82 624 | – 123 112 |
| Other operating expenses | – 35 846 | – 45 477 |
| **EBITDA** | **19 497** | **41 543** |
| Depreciation, amortisation and impairments | | – 20 886 |
| Amortisation of intangible assets from acquisitions | | – 1 249 |
| **EBIT** | **19 497** | **19 408** |
| Financial result | – 31 978 | – 796 |
| **Result from discontinued operations before income tax** | **– 12 481** | **18 612** |
| Income tax expense | – 6 954 | – 3 428 |
| **Result from discontinued operations** | **– 19 435** | **15 184** |
| Gain on disposal of discontinued operations | 130 625 | |
| **Net result from discontinued operations** | **111 190** | **15 184** |

The results for the reporting period comprise sales costs for the disposal of the business unit windows of CHF 3.9 million (2020: CHF 0.8 million) and is included in other operating expenses.

In the consolidated cash flow statement, the cash flows from the discontinued operations are included, however, subsequently condensed and shown separately below. Neither the cash inflows nor the sales costs from the divested business are included in the below table.

### Cash flow from discontinued operations

| in 1 000 CHF | 01/01 - 31/08/2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities** | **8 460** | **46 916** |
| **Cash flows from investing activities** | **– 6 197** | **– 12 574** |
| **Cash flows from financing activities** | **– 3 138** | **– 4 616** |

In 2021, the investment property in Germany was sold. The cash inflow of CHF 2.2 million is included in the consolidated statement of cash flows under proceeds from sale of investment properties. In 2020, the production property in Belgium was sold. The cash inflow of CHF 7.2 million was included in the consolidated statement of cash flows under proceeds from sale of property, plant and equipment.

## 37. Property, plant and equipment

| in 1 000 CHF | Land and buildings | Plant and machinery | Other equipment | Prepayments and assets under construction | Total |
|---|---|---|---|---|---|
| **Net book value at 01/01/2020** | **266 999** | **214 291** | **17 394** | **79 485** | **578 169** |
| **Cost** | | | | | |
| **Balance at 01/01/2020** | **376 132** | **490 266** | **56 797** | **79 491** | **1 002 686** |
| Foreign exchange differences | – 10 716 | – 12 910 | – 1 069 | – 1 964 | – 26 659 |
| Change in scope of consolidation | 367 | 1 | 128 | | 496 |
| Additions | 3 292 | 21 784 | 2 948 | 64 224 | 92 248 |
| Disposals | – 600 | – 23 756 | – 3 966 | – 406 | – 28 728 |
| Reclassification to/ from assets held for sale | – 58 857 | – 128 863 | – 14 214 | – 4 448 | – 206 382 |
| Reclassifications | 11 335 | 31 226 | 1 822 | – 45 113 | – 730 |
| **Balance at 31/12/2020** | **320 953** | **377 748** | **42 446** | **91 784** | **832 931** |
| Foreign exchange differences | – 9 853 | – 10 054 | – 970 | – 4 673 | – 25 550 |
| Change in scope of consolidation | 10 376 | 7 237 | 1 167 | | 18 780 |
| Additions | 32 485 | 11 218 | 4 891 | 90 879 | 139 473 |
| Disposals | – 377 | – 11 023 | – 2 494 | – 430 | – 14 324 |
| Reclassification to/ from assets held for sale | 3 096 | 501 | 77 | 7 | 3 680 |
| Reclassifications | 4 992 | 33 332 | 1 075 | – 40 798 | – 1 399 |
| **Balance at 31/12/2021** | **361 672** | **408 959** | **46 192** | **136 769** | **953 591** |

| in 1 000 CHF | Land and buildings | Plant and machinery | Other equipment | Prepayments and assets under construction | Total |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| **Balance at 01/01/2020** | **109 133** | **275 975** | **39 403** | **6** | **424 517** |
| Foreign exchange differences | – 1 367 | – 5 969 | – 635 | – 524 | – 8 495 |
| Depreciation | 9 614 | 32 511 | 5 403 | | 47 528 |
| Impairment | | 1 262 | 25 | | 1 287 |
| Reversal of impairment | | – 29 | | | – 29 |
| Disposals | – 243 | – 23 688 | – 3 879 | – 6 | – 27 816 |
| Reclassification to/ from assets held for sale | – 8 927 | – 78 813 | – 9 464 | – 256 | – 97 460 |
| Reclassifications | | – 4 932 | 368 | 6 526 | 1 962 |
| **Balance at 31/12/2020** | **108 210** | **196 317** | **31 221** | **5 746** | **341 494** |
| Foreign exchange differences | – 2 997 | – 4 296 | – 575 | 181 | – 7 687 |
| Depreciation | 9 105 | 25 031 | 3 605 | | 37 741 |
| Impairment | | 4 179 | | | 4 179 |
| Disposals | – 359 | – 10 915 | – 2 407 | | – 13 681 |
| Reclassification to/ from assets held for sale | 388 | 426 | 62 | | 876 |
| Reclassifications | – 12 | – 285 | 180 | 433 | 316 |
| **Balance at 31/12/2021** | **114 335** | **210 457** | **32 086** | **6 360** | **363 238** |

| | | | | | |
|---|---|---|---|---|---|
| **Net book value at 31/12/2020** | **212 743** | **181 431** | **11 225** | **86 038** | **491 437** |
| **Net book value at 31/12/2021** | **247 336** | **198 502** | **14 106** | **130 409** | **590 353** |

Assets under construction include CHF 0.1 million of capitalised borrowing costs. No borrowing costs were capitalised in 2020.

**Capital commitments**
As of the balance sheet date, Arbonia had entered into the following capital commitments for the purchase of property, plant and equipment and intangible assets:

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Property, plant and equipment | 59 247 | 41 370 |
| Intangible assets | 136 | 690 |
| **Total** | **59 383** | **42 060** |

Land and buildings amounting to CHF 48.7 million (2020: CHF 50.8 million) are pledged to secure mortgages.

## 38. Leasing

Arbonia leases various assets, including buildings, machinery, vehicles, tools and IT equipment. The lease conditions are negotiated individually and contain a variety of different conditions. The rights-of-use assets in connection with these leases are as follows:

| in 1000 CHF | Right-of-use buildings | Right-of-use plant and machinery | Right-of-use other equipment | Total |
|---|---|---|---|---|
| **Net book value at 01/01/2020** | **63 505** | **6 234** | **11 374** | **81 113** |
| **Cost** | | | | |
| **Balance at 01/01/2020** | **74 864** | **8 345** | **17 224** | **100 433** |
| Foreign exchange differences | – 179 | – 95 | – 224 | – 498 |
| Additions | 2 110 | 849 | 5 946 | 8 905 |
| Disposals and remeasurements | 2 403 | – 6 | – 1 178 | 1 219 |
| Reclassification to/ from assets held for sale | – 21 414 | – 460 | – 6 287 | – 28 161 |
| Reclassifications | | – 2 538 | – 733 | – 3 271 |
| **Balance at 31/12/2020** | **57 784** | **6 095** | **14 748** | **78 627** |
| Foreign exchange differences | – 608 | – 243 | – 461 | – 1 312 |
| Change in scope of consolidation | 446 | | 122 | 568 |
| Additions | 6 838 | 939 | 2 748 | 10 525 |
| Disposals and remeasurements | – 18 748 | 31 | – 2 246 | – 20 963 |
| Reclassification to/ from assets held for sale | | | 64 | 64 |
| Reclassifications | 69 | – 313 | – 290 | – 534 |
| **Balance at 31/12/2021** | **45 781** | **6 509** | **14 685** | **66 975** |
| **Accumulated depreciation** | | | | |
| **Balance at 01/01/2020** | **11 359** | **2 111** | **5 850** | **19 320** |
| Foreign exchange differences | – 24 | – 23 | – 80 | – 127 |
| Depreciation | 7 930 | 1 041 | 5 632 | 14 603 |
| Disposals | – 47 | | – 1 090 | – 1 137 |
| Reclassification to/ from assets held for sale | – 5 637 | – 369 | – 3 133 | – 9 139 |
| Reclassifications | | – 983 | – 367 | – 1 350 |
| **Balance at 31/12/2020** | **13 581** | **1 777** | **6 812** | **22 170** |
| Foreign exchange differences | – 163 | – 87 | – 239 | – 489 |
| Depreciation | 4 934 | 887 | 3 847 | 9 668 |
| Disposals | – 6 438 | – 2 | – 2 178 | – 8 618 |
| Reclassification to/ from assets held for sale | | | 29 | 29 |
| Reclassifications | | – 156 | – 175 | – 331 |
| **Balance at 31/12/2021** | **11 914** | **2 419** | **8 096** | **22 429** |
| **Net book value at 31/12/2020** | **44 203** | **4 318** | **7 936** | **56 457** |
| **Net book value at 31/12/2021** | **33 867** | **4 090** | **6 589** | **44 546** |

The disposals in the right-of-use buildings include Arbonia's largest rental agreement to date, which concerned the rental of a production and office building in Germany for the Doors Division. In 2021, this property was purchased and the lease agreement with an original lease term until 31 May 2027 was early terminated.

Other operating expenses include the following expenses in connection with leases:

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Expenses relating to short-term leases | 2 348 | 1 752 |
| Expenses relating to leases of low-value assets (excluding short-term leases) | 512 | 325 |
| Expenses for variable lease payments | 617 | 675 |
| **Total** | **3 477** | **2 752** |

Total cash outflows for leases amounted to CHF 18.6 million in 2021 (2020: CHF 20.2 million). Of this amount, CHF 14.9 million (2020: CHF 14.3 million) was attributable to continuing operations.

Some of Arbonia's rental leases include renewal options. The determination of the lease term of these leases requires judgement. The assessment of whether it is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. In its assessment, Arbonia considers the facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs. As of 31 December 2021, possible future cash outflows of CHF 1.1 million (2020: CHF 1.2 million) were not included in the lease liability as it is not reasonably certain that the lease agreements will be renewed.

## 39. Investment property

| in 1000 CHF | Investment property - land | Investment property - buildings | Total |
|---|---|---|---|
| **Net book value at 01/01/2020** | **3 890** | **244** | **4 134** |
| | | | |
| **Cost** | | | |
| **Balance at 01/01/2020** | **4 389** | **25 705** | **30 094** |
| Disposals | – 2 786 | – 977 | – 3 763 |
| **Balance at 31/12/2020** | **1 603** | **24 728** | **26 331** |
| **Balance at 31/12/2021** | **1 603** | **24 728** | **26 331** |
| | | | |
| **Accumulated depreciation** | | | |
| **Balance at 01/01/2020** | **499** | **25 461** | **25 960** |
| Depreciation | | 52 | 52 |
| Disposals | | – 977 | – 977 |
| **Balance at 31/12/2020** | **499** | **24 536** | **25 035** |
| Depreciation | | 44 | 44 |
| **Balance at 31/12/2021** | **499** | **24 580** | **25 079** |
| | | | |
| **Net book value at 31/12/2020** | **1 104** | **192** | **1 296** |
| **Net book value at 31/12/2021** | **1 104** | **148** | **1 252** |
| | | | |
| **Fair values of investment properties at 31/12/2020** | | | **8 516** |
| **Fair values of investment properties at 31/12/2021** | | | **8 705** |

In 2020, an investment property in Switzerland was sold, resulting in a sales gain of CHF 2.1 million. The net cash inflow of CHF 4.9 million was included in the consolidated statement of cash flows under proceeds from sale of investment properties.

Rental income from investment properties amounted to CHF 1.3 million (2020: CHF 1.3 million) and is included in other operating income. Related direct operating expenses were CHF 0.2 million (2020: 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.

## 40. Intangible assets

| in 1000 CHF | Brands | Customer relationships | Tech-nologies | Other intangible assets from business combinations | Other intangible assets | Total | Goodwill |
|---|---|---|---|---|---|---|---|
| **Net book value at 01/01/2020** | **68 515** | **88 824** | **14 485** | **3 492** | **11 989** | **187 305** | **197 338** |
| | | | | | | | |
| **Cost** | | | | | | | |
| **Balance at 01/01/2020** | **113 257** | **139 524** | **20 221** | **18 581** | **46 344** | **337 927** | **278 054** |
| Foreign exchange differences | – 1 353 | – 2 441 | – 95 | – 67 | – 191 | – 4 147 | – 2 237 |
| Change in scope of consolidation | | | | | 8 266 | 8 266 | |
| Additions | | | | | 3 295 | 3 295 | |
| Disposals | | | | | – 3 287 | – 3 287 | |
| Reclassification to assets held for sale | – 27 897 | – 17 073 | | – 14 008 | – 29 925 | – 88 903 | – 67 718 |
| Reclassifications | | | | | 4 733 | 4 733 | |
| **Balance at 31/12/2020** | **84 007** | **120 010** | **20 126** | **4 506** | **29 235** | **257 884** | **208 099** |
| Foreign exchange differences | – 3 371 | – 4 725 | – 798 | – 65 | – 809 | – 9 768 | – 6 984 |
| Change in scope of consolidation | 5 951 | 12 466 | | | 212 | 18 629 | 8 007 |
| Additions | | | | | 3 366 | 3 366 | |
| Disposals | | | | | – 2 502 | – 2 502 | – 1 500 |
| Reclassifications | | | | | 1 845 | 1 845 | |
| **Balance at 31/12/2021** | **86 587** | **127 751** | **19 328** | **4 441** | **31 347** | **269 454** | **207 622** |
| | | | | | | | |
| **Accumulated amortisation** | | | | | | | |
| **Balance at 01/01/2020** | **44 742** | **50 700** | **5 736** | **15 089** | **34 355** | **150 622** | **80 716** |
| Foreign exchange differences | – 516 | – 1 448 | – 20 | – 46 | – 131 | – 2 161 | |
| Amortisation | 6 963 | 7 744 | 1 060 | 397 | 4 949 | 21 113 | |
| Disposals | | | | | – 3 275 | – 3 275 | |
| Reclassification to assets held for sale | – 25 634 | – 16 160 | | – 11 015 | – 19 098 | – 71 907 | – 50 215 |
| **Balance at 31/12/2020** | **25 555** | **40 836** | **6 776** | **4 425** | **16 800** | **94 392** | **30 501** |
| Foreign exchange differences | – 1 103 | – 1 362 | – 302 | – 66 | – 442 | – 3 275 | |
| Amortisation | 6 608 | 8 007 | 1 072 | 28 | 3 809 | 19 524 | |
| Impairment | | | | | 234 | 234 | |
| Disposals | | | | | – 2 502 | – 2 502 | – 1 500 |
| Reclassifications | | | | | – 41 | – 41 | |
| **Balance at 31/12/2021** | **31 060** | **47 481** | **7 546** | **4 387** | **17 858** | **108 332** | **29 001** |
| | | | | | | | |
| **Net book value at 31/12/2020** | **58 452** | **79 174** | **13 350** | **81** | **12 435** | **163 492** | **177 598** |
| **Net book value at 31/12/2021** | **55 527** | **80 270** | **11 782** | **54** | **13 489** | **161 122** | **178 621** |

Expenses for research and development in the amount of CHF 15.6 million (2020: CHF 13.3 million) have been charged to the income statement, since they did not fulfil the capitalisation criteria. The additions to intangible assets consist of CHF 0.3 million (2020: CHF 0.6 million) of own development costs and CHF 3.1 million (2020: CHF 2.7 million) of purchased or acquired items.

**Goodwill**
As of 31 December 2021 goodwill from business combinations is allocated to the Group's four cash-generating units (CGUs) Termovent, Sabiana, Wood Solutions (former Doors) and Glass Solutions (former Sanitary). The movements of the carrying amounts of goodwill during the reporting period were as follows:

| in 1000 CHF | Termovent | Sabiana | Wood Solutions | Glass Solutions | Total |
|---|---|---|---|---|---|
| **Balance at 31/12/2020** | | **23 606** | **139 345** | **14 647** | **177 598** |
| Acquisition/Divestments | 8 007 | | | | 8 007 |
| Foreign exchange differences | – 376 | – 965 | – 5 643 | | – 6 984 |
| **Balance at 31/12/2021** | **7 631** | **22 641** | **133 702** | **14 647** | **178 621** |

**Goodwill impairment tests 2021**
The recoverability of goodwill is assessed annually towards year-end or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its value in use and its fair value less costs to sell.

The recoverable amount of the CGUs was determined based on value in use calculations. These calculations used cash flow projections covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimated growth rates. The underlying financial data consisting of one budget year and four plan years form part of the Group's medium term plan approved by the Board of Directors in autumn 2021 and were used for the impairment tests.

The value in use calculation for the annual 2021 impairment tests assumed the following key assumptions:

| in % | Termovent | Sabiana | Wood Solutions | Glass Solutions |
|---|---|---|---|---|
| Budgeted gross margin | 50.3 | 42.1 | 55.6 | 70.1 |
| Eternal growth rate | 2.0 | 1.8 | 1.5 | 1.3 |
| Discount rate | 10.3 | 10.5 | 9.5 | 9.3 |

Budgeted gross margins are based on expectations for the market development and initiated optimisation measures. The eternal growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Based on a reasonably possible change in the key assumptions, sensitivity analyses were calculated in 2021 on higher discount rates, lower than actually expected EBITDAs, lower gross margins and lower eternal growth rates which only led to a possible impairment at the CGU Wood Solutions.

A reduction in the budgeted gross margin from 55.6% to 53.6% would result in an impairment of the CGU Wood Solutions amounting to CHF 63.3 million. At a budgeted gross margin of 54.6%, 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 1.0% would lead to an impairment of CHF 49.6 million. At a reduction of 5.6% in EBITDA and a simultaneous reduction of eternal growth to 1.3%, the recoverable amount was equal to their carrying amount.

**Goodwill impairment tests 2020**

The value in use calculation for the annual 2020 impairment tests assumed the following key assumptions:

| in % | Sabiana | Wood Solutions | Glass Solutions | Wertbau | Slovaktual |
|---|---|---|---|---|---|
| Budgeted gross margin | 42.0 | 57.1 | 66.4 | 51.5 | 41.8 |
| Eternal growth rate | 2.0 | 1.6 | 1.3 | 1.0 | 1.0 |
| Discount rate | 11.6 | 9.8 | 9.2 | 10.1 | 9.5 |

Budgeted gross margins were determined based on expectations for the market development and initiated optimisation measures. The eternal growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant CGUs.

Based on a reasonably possible change in the key assumptions, sensitivity analyses were calculated in 2020 on higher discount rates, lower than actually expected EBITDAs, lower gross margins and lower eternal growth rates which only led to a possible impairment at the CGU Wood Solutions.

A reduction in the budgeted gross margin from 57.1% to 55.1% would have resulted in an impairment of the CGU Wood Solutions amounting to CHF 48.6 million. At a budgeted gross margin of 56.1%, the recoverable amount would have been equal to their carrying amount. A 10% reduction in EBITDA and a simultaneous reduction of eternal growth from 1.6% to 1.1% would have led to an impairment of CHF 43.6 million. At a reduction of 5.3% in EBITDA and a simultaneous reduction of eternal growth to 1.3%, the recoverable amount would have been equal to their carrying amount.

## 41. Acquisitions

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

### Acquisitions 2021

#### CICSA Industriales del Calor S.L.

| in 1000 CHF | Fair Value |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 1 357 |
| Accounts receivable | 1 269 |
| Other current assets | 31 |
| Inventories | 1 108 |
| Deferred expenses | 12 |
| Property, plant and equipment | 110 |
| Right-of-use assets | 118 |
| Intangible assets | 8 773 |
| Financial assets | 20 |
| **Total assets** | **12 799** |
| | |
| **Liabilities** | |
| Accounts payable | 673 |
| Other liabilities | 82 |
| Financial debts | 1 455 |
| Lease liabilities | 120 |
| Accruals and deferred income | 62 |
| Current income tax liabilities | 221 |
| Deferred income tax liabilities | 2 190 |
| **Total liabilities** | **4 803** |
| | |
| **Net assets acquired** | **7 996** |
| | |
| **Cost of acquisition** | |
| Purchase price | 6 889 |
| Deferred purchase price | 1 107 |
| **Total cost of acquisition** | **7 996** |
| **Net cash outflow was as follows:** | |
| Purchase price | 6 889 |
| Cash and cash equivalents acquired | – 1 357 |
| **Net cash outflow on acquisition** | **5 531** |

As of 30 March 2021, Arbonia acquired 100% of CICSA Industriales del Calor S.L., ES-Coslada (Madrid). Cicsa is the Spanish market leader in the distribution of designer radiators and bathroom radiators. Following the 2018 acquisition of the already existing distribution partner for heating, ventilation and air conditioning equipment, TECNA S.L., the acquisition of Cicsa is intended to further strengthen the sales position of the HVAC Division in the Spanish and Portuguese markets. The purchase price amounted to CHF 8.0 million. From the date of acquisition, Cicsa contributed CHF 5.6 million in net revenues and CHF 0.4 million in profit to the Group. Had the acquisition taken place on 1 January 2021, net revenues would have been CHF 7.3 million and profit, including amortisation charges on intangible assets from acquisitions, would have been CHF 0.5 million. Both the gross and net book value of accounts receivable amounted to CHF 1.3 million. The acquisition-related costs amounted to CHF 0.2 million and are included in other operating expenses in 2020 and 2021.

#### Termovent Komerc d.o.o.

| in 1000 CHF | Fair Value |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 2 210 |
| Accounts receivable | 3 767 |
| Other current assets | 161 |
| Inventories | 1 895 |
| Contract assets | 595 |
| Deferred expenses | 747 |
| Property, plant and equipment | 5 472 |
| Right-of-use assets | 428 |
| Intangible assets | 9 856 |
| Financial assets | 76 |
| **Total assets** | **25 207** |
| | |
| **Liabilities** | |
| Accounts payable | 2 879 |
| Contract liabilites | 4 007 |
| Other liabilities | 519 |
| Financial debts | 3 404 |
| Lease liabilities | 430 |
| Accruals and deferred income | 402 |
| Provisions | 370 |
| Deferred income tax liabilities | 1 061 |
| **Total liabilities** | **13 072** |
| | |

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

As of 22 July 2021, Arbonia acquired 100% of the Serbian Termovent Komerc d.o.o., RS-Belgrade. For the HVAC division, the acquisition of this established Serbian manufacturer of commercial ventilation equipment means the geographical expansion of its holistic system offering in the field of ventilation into Eastern Europe and the Europe-wide expansion of its expertise in the field of indoor air quality, in particular cleanrooms. The purchase price amounted to CHF 20.1 million. From the date of acquisition, Termovent contributed CHF 7.0 million in net revenues and CHF -0.5 million in loss to the Group. Had the acquisition taken place on 1 January 2021, net revenues would have been CHF 16.6 million and the loss, including amortisation charges on intangible assets from acquisitions, would have been CHF -1.0 million. The gross carrying amount of accounts receivable amounted to CHF 4.0 million, of which CHF 0.2 million were considered uncollectable. The acquisition-related costs amounted to CHF 0.3 million and are included in other operating expenses in 2020 and 2021. The goodwill from this acquisition is due to the fact that certain intangible assets did not meet the criteria of IFRS 3 "business combinations" for the recognition as intangible assets at the date of acquisition. These intangible assets consisted mainly of the know-how of the workforce. Furthermore goodwill includes the expected synergy potentials within the HVAC Division.

### Glasverarbeitungsgesellschaft Deggendorf mbH

| in 1000 CHF | Fair Value |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 3 489 |
| Accounts receivable | 732 |
| Other current assets | 268 |
| Inventories | 832 |
| Deferred expenses | 55 |
| Property, plant and equipment | 13 198 |
| Right-of-use assets | 22 |
| Deferred income tax assets | 603 |
| **Total assets** | **19 198** |
| | |
| **Liabilities** | |
| Accounts payable | 942 |
| Other liabilities | 227 |
| Lease liabilities | 22 |
| Accruals and deferred income | 970 |
| Provisions | 96 |
| Employee benefit obligations | 9 235 |
| **Total liabilities** | **11 491** |
| | |
| **Net assets acquired** | **7 707** |
| | |
| **Cost of acquisition** | |
| Purchase price | 7 707 |
| **Total cost of acquisition** | **7 707** |
| **Net cash outflow was as follows:** | |
| Purchase price | 7 707 |
| Cash and cash equivalents acquired | – 3 489 |
| **Net cash outflow on acquisition** | **4 218** |

As of 31 August 2021, Arbonia acquired 100% of Glasverarbeitungsgesellschaft Deggendorf mbH (GVG), DE-Deggendorf. By integrating the processing of the raw material glass into its own production processes, the Doors Division will increase its vertical depth of added value. The purchase price amounted to CHF 7.7 million. From the date of acquisition, GVG contributed CHF 4.5 million in net revenues and CHF 0.5 million in profit to the Group. Had the acquisition taken place on 1 January 2021, net revenues would have been CHF 11.8 million and the loss would have been CHF -0.3 million. Both the gross and net book value of accounts receivable amounted to CHF 0.7 million. The acquisition-related costs amounted to CHF 0.3 million and are included in other operating expenses in 2021.

## Acquisitions 2020

### Webcom

| in 1 000 CHF | Fair Value |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 3 342 |
| Accounts receivables | 95 |
| Other current assets | 77 |
| Inventories | 422 |
| Property, plant and equipment | 496 |
| Intangible assets | 474 |
| Financial assets | 14 |
| **Total assets** | **4 920** |
| | |
| **Liabilities** | |
| Accounts payable | 405 |
| Other liabilities | 2 654 |
| Financial debts | 97 |
| Current income tax liabilities | 141 |
| Provisions | 31 |
| Deferred income tax liabilities | 136 |
| **Total liabilities** | **3 464** |
| | |
| **Net assets acquired before remeasurement** | **1 456** |
| Intangible assets/goodwill | 7 792 |
| **Net assets acquired** | **9 247** |
| Fair value of initial interest | – 2 595 |
| **Acquisition price** | **6 652** |
| | |
| **Net cash outflow was as follows:** | |
| Purchase price | 6 652 |
| Cash and cash equivalents acquired | – 3 342 |
| **Net cash outflow on acquisition** | **3 310** |

As of 1 December 2020, Arbonia had acquired the remaining 65% of the German online retailer Webcom Management Holding GmbH, DE-Bad Liebenstein. The purchase price amounted to CHF 6.7 million and was allocated to the discontinued operation windows. Therefore, in accordance with the provisions of IFRS 5, Arbonia had refrained from determining the fair value of the acquired assets and there in particular the intangible assets. Similarly, certain disclosures on individual balance sheet items and the income statement had been omitted.

## 42. Financial debts

On 3 November 2020, Arbonia had entered into a syndicated loan for CHF 250 million. This loan, arranged with a consortium of domestic and foreign banks, has a term of five years, with the option to extend the agreement twice for one year each. In 2021, the first extension option was exercised, so that the term now runs until 2026. With the taking out of this new syndicated loan, the syndicated loan concluded on 14 September 2016 for CHF 350 million with a term until 14 September 2021 was replaced prematurely. As at 31 December 2021 and 31 December 2020, Arbonia has not drawn on the syndicated loan.

On 20 April 2018, Arbonia had taken up a promissory note loan in the amount of EUR 125 million with maturities of five, seven and ten years. In November 2020, Arbonia repaid EUR 4 million of the five-year tranche prematurely.

The financial debts are comprised of the following:

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Promissory note loan | 125 501 | 130 849 |
| Mortgages | 7 725 | 9 065 |
| Bank loans | 884 | 255 |
| **Total** | **134 110** | **140 169** |

The syndicated loan contains the leverage ratio as covenant. In the event of non-compliance, the banks may at any time at their option, declare the amounts then outstanding to be immediately due and payable. Arbonia was in compliance with the covenants in 2021 and 2020.

The maturities of the financial debts are as follows:

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| within 1 year | 1 843 | 1 265 |
| between 1 and 5 years | 118 867 | 124 078 |
| after 5 years | 13 400 | 14 826 |
| **Total** | **134 110** | **140 169** |

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

| | 31/12/2021 |
|---|---|
| | EUR |
| Financial debts | 1.7% |

| | 31/12/2020 |
|---|---|
| | EUR |
| Financial debts | 1.7% |

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

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

| in 1000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| EUR | 133 974 | 140 169 |
| PLN | 136 | |
| **Total** | **134 110** | **140 169** |

## 43. Financial instruments

The contractually agreed undiscounted interest payments and repayments of the non-derivative financial liabilities and the derivatives with a cash outflow are as follows:

| | | | | | | | 31/12/2021 |
|---|---|---|---|---|---|---|---|
| **in 1000 CHF** | **Book value** | **Contractual cash flows** | **up to 6 months** | **7 to 12 months** | **between 1 and 2 years** | **between 2 and 5 years** | **after 5 years** |
| **Non-derivative financial instruments** | | | | | | | |
| Accounts payable | 133 574 | 133 574 | 133 396 | 178 | | | |
| Other liabilities (without derivatives) | 18 244 | 22 633 | 983 | 693 | 957 | | 20 000 |
| Lease liabilities | 26 542 | 28 408 | 4 136 | 3 892 | 6 105 | 9 957 | 4 318 |
| Accruals and deferred income | 44 600 | 44 600 | 42 722 | 1 878 | | | |
| Financial debts | 134 110 | 142 529 | 3 730 | 1 137 | 61 088 | 62 637 | 13 937 |
| | | | | | | | |
| **Derivative financial instruments** | | | | | | | |
| Interest rate swaps | 988 | | | | | | |
| Cash outflow | | 988 | 108 | 102 | 182 | 385 | 211 |
| Commodity swaps | 58 | | | | | | |
| Cash outflow | | 58 | 58 | | | | |
| **Total** | **358 116** | **372 790** | **185 133** | **7 880** | **68 332** | **72 979** | **38 466** |

| | | | | | | | 31/12/2020 |
|---|---|---|---|---|---|---|---|
| **in 1000 CHF** | **Book value** | **Contractual cash flows** | **up to 6 months** | **7 to 12 months** | **between 1 and 2 years** | **between 2 and 5 years** | **after 5 years** |
| **Non-derivative financial instruments** | | | | | | | |
| Accounts payable | 92 947 | 92 947 | 92 947 | | | | |
| Other liabilities (without derivatives) | 17 127 | 22 197 | 1 114 | 433 | 650 | | 20 000 |
| Lease liabilities | 39 324 | 42 512 | 5 388 | 4 945 | 8 746 | 15 840 | 7 593 |
| Accruals and deferred income | 40 705 | 40 705 | 39 141 | 1 564 | | | |
| Financial debts | 140 169 | 151 110 | 3 371 | 1 050 | 3 146 | 127 871 | 15 672 |
| | | | | | | | |
| **Derivative financial instruments** | | | | | | | |
| Interest rate swaps | 1 485 | | | | | | |
| Cash outflow | | 1 485 | 139 | 141 | 256 | 569 | 380 |
| **Total** | **331 757** | **350 956** | **142 100** | **8 133** | **12 798** | **144 280** | **43 645** |

Amounts in foreign currency were each translated at the respective year-end rate. Variable interest payments arising from financial instruments were calculated using the conditions prevailing at the balance sheet date. Financial liabilities which can be repaid at any time are always assigned to the earliest possible time period.

## 44. Additional disclosures on financial instruments

The relation between the relevant balance sheet items and the measurement categories in accordance with IFRS 9 and the disclosure of fair values of financial instruments is shown in the following table. The table does not contain information on fair value for financial assets and financial liabilities that are not measured at fair value if the carrying amount is a reasonable approximation of fair value. Similarly, no information is required on the fair value of lease liabilities.

| | | | | | | | 31/12/2021 |
|---|---|---|---|---|---|---|---|
| in 1000 CHF | FA FVTPL | FA AC | FL FVTPL | FL AC | Book value | | Fair Value |
| | | | | | | Level 2 | Level 3 |
| Cash and cash equivalents | | 253 870 | | | 253 870 | | |
| Accounts receivable | | 106 429 | | | 106 429 | | |
| Derivative financial instruments | 15 | | | | 15 | 15 | |
| Other current assets (without derivatives) | | 1 533 | | | 1 533 | | |
| Deferred expenses | | 2 010 | | | 2 010 | | |
| Other financial assets | | 339 | | | 339 | | |
| Loans | 58 | | | | 58 | | 58 |
| **Assets** | **73** | **364 181** | | | **364 254** | | |
| | | | | | | | |
| Accounts payable | | | | 133 574 | 133 574 | | |
| Derivative financial instruments | | | 1 046 | | 1 046 | 1 046 | |
| Other liabilities (without derivatives) | | | | 18 244 | 18 244 | | |
| Lease liabilities | | | | 26 542 | 26 542 | | |
| Accruals and deferred income | | | | 44 600 | 44 600 | | |
| Promissory note loan | | | | 125 501 | 125 501 | 127 381 | |
| Loans | | | | 884 | 884 | | |
| Mortgages | | | | 7 725 | 7 725 | 8 713 | |
| **Liabilities** | | | **1 046** | **357 069** | **358 116** | | |

| | | | | | | 31/12/2020 |
|---|---|---|---|---|---|---|
| **in 1 000 CHF** | **FA FVTPL** | **FA AC** | **FL FVTPL** | **FL AC** | **Book value** | **Fair Value** |
| | | | | | | **Level 2** |
| Cash and cash equivalents | | 52 107 | | | 52 107 | |
| Accounts receivable | | 82 357 | | | 82 357 | |
| Other current assets | | 2 793 | | | 2 793 | |
| Deferred expenses | | 3 263 | | | 3 263 | |
| Other financial assets | | 71 | | | 71 | |
| **Assets** | | **140 591** | | | **140 591** | |
| | | | | | | |
| Accounts payable | | | | 92 947 | 92 947 | |
| Derivative financial instruments | | | 1 485 | | 1 485 | 1 485 |
| Other liabilities (without derivatives) | | | | 17 127 | 17 127 | |
| Lease liabilities | | | | 39 324 | 39 324 | |
| Accruals and deferred income | | | | 40 705 | 40 705 | |
| Promissory note loan | | | | 130 849 | 130 849 | 133 540 |
| Loans | | | | 255 | 255 | |
| Mortgages | | | | 9 065 | 9 065 | 10 386 |
| **Liabilities** | | | **1 485** | **330 271** | **331 756** | |

Abbreviations in the header of this table are explained in note 9 "Financial Instruments" on page 149.

The derivative financial instruments measured at fair value through profit or loss relate to interest rate and commodity transactions. The fair value of level 2 is the present value of expected payments, which are discounted at market rates. The determination of the fair value of these transactions is made by the banks.

.

In 2021 and 2020, no gains/losses resulted from level 3 financial instruments. Furthermore, no reclassifications occurred between the levels 1 and 2.

## 45. Provisions

| in 1000 CHF | Warranty | Personnel | Restructuring | Onerous contracts project business | Other provisions | Total |
|---|---|---|---|---|---|---|
| **Balance at 01/01/2020** | **14 464** | **8 531** | **2 464** | **340** | **3 991** | **29 790** |
| Foreign exchange differences | – 124 | – 60 | – 15 | | – 27 | – 226 |
| Change in scope of consolidation | 14 | 12 | | | 6 | 32 |
| Additional provisions | 10 574 | 1 615 | 495 | 250 | 1 598 | 14 532 |
| Used during the year | – 9 106 | – 1 950 | – 1 227 | – 244 | – 384 | – 12 911 |
| Unused amounts reversed | – 113 | – 297 | – 190 | | – 182 | – 782 |
| Reclassification to/ from assets held for sale | – 5 906 | – 292 | – 1 500 | – 307 | – 2 550 | – 10 555 |
| **Balance at 31/12/2020** | **9 803** | **7 559** | **27** | **39** | **2 452** | **19 880** |
| Foreign exchange differences | – 366 | – 316 | – 346 | | – 86 | – 1 114 |
| Change in scope of consolidation | 237 | 229 | | | | 466 |
| Additional provisions | 8 540 | 2 167 | 10 041 | 16 | 4 496 | 25 260 |
| Used during the year | – 7 543 | – 1 530 | – 1 033 | – 39 | – 1 199 | – 11 344 |
| Unused amounts reversed | – 261 | – 273 | – 27 | | – 398 | – 959 |
| Reclassification to/ from assets held for sale | 114 | | | | | 114 |
| **Balance at 31/12/2021** | **10 524** | **7 836** | **8 662** | **16** | **5 265** | **32 303** |
| | | | | | | |
| thereof current at 31/12/2020 | 7 307 | 1 768 | 27 | 39 | 1 277 | 10 418 |
| thereof current at 31/12/2021 | 7 178 | 1 648 | 8 662 | 16 | 2 987 | 20 491 |

The current provisions are expected to be fully utilised during 2022. The non-current provisions are expected to be utilised as follows:

| in 1 000 CHF | Warranty | Personnel | Restructuring | Onerous contracts project business | Other provisions | Total |
|---|---|---|---|---|---|---|
| between 1 and 5 years | 3 340 | 4 485 | | | 1 927 | 9 752 |
| after 5 years | 6 | 1 703 | | | 351 | 2 060 |

**Warranty**
Warranty provisions are assessed for each order individually. In case of a high volume of orders, such an individual assessment might be impractical and standard rates are applied based on past experience.

**Personnel**
Personnel provisions comprise mainly provisions for partial retirements.

**Restructuring**
At the end of November 2021, the HVAC Division announced the relocation of production and closure of the plant in Tubbergen (NL). The restructuring provision amounts to CHF 8.5 million. It is assumed that the restructuring of the radiator business will be completed by the end of 2022. The reorganisation of areas of production at the Dilsen (BE) site announced on 20 March 2019 was completed in summer 2020.

**Other provisions**
Other provisions include costs for environmental risks, legal claims and various risks that could arise in the normal course of business.

## 46. Deferred income taxes

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

| | | 31/12/2021 | | 31/12/2020 |
|---|---|---|---|---|
| **in 1 000 CHF** | **Deferred tax assets** | **Deferred tax liabilities** | **Deferred tax assets** | **Deferred tax liabilities** |
| **Assets** | | | | |
| Accounts receivable | 622 | 150 | 1 037 | 230 |
| Other current assets | 168 | 166 | | 208 |
| Inventories | 1 831 | 546 | 1 947 | |
| Non-current assets held for sale | | | | 179 |
| Property, plant and equipment and right-of-use assets | 65 | 22 763 | 110 | 24 973 |
| Investment property | 65 | | 61 | |
| Intangible assets | 244 | 37 634 | 45 | 39 851 |
| Capitalised pension surplus and financial assets | | 6 089 | | 2 368 |
| | | | | |
| **Liabilities** | | | | |
| Current liabilities | 5 446 | 3 376 | 5 901 | 3 248 |
| Non-current liabilities | 2 703 | 3 233 | 5 410 | 2 462 |
| Current and non-current provisions | 1 322 | 340 | 1 053 | 425 |
| Employee benefit obligations | 9 575 | 2 | 9 353 | |
| | | | | |
| **Deferred taxes from timing differences** | **22 041** | **74 299** | **24 917** | **73 944** |
| Deferred tax assets derived from tax loss carry-forwards | 10 749 | | 15 363 | |
| Valuation allowance | – 3 785 | | – 8 395 | |
| **Net deferred taxes from timing differences** | **29 005** | **74 299** | **31 885** | **73 944** |
| Offset of deferred tax assets and liabilities | – 22 100 | – 22 100 | – 24 679 | – 24 679 |
| **Total deferred taxes** | **6 905** | **52 199** | **7 206** | **49 265** |

From the capitalised pension surplus and employee benefit obligations, CHF 4.7 million (2020: CHF 1.3 million) of deferred taxes from continuing operations were recorded in comprehensive income. All other changes of assets and liabilities were recorded through the income statement.

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

There are temporary differences totalling CHF 44.6 million (2020: CHF 56.6 million) in conjunction with investments in subsidiaries for which Arbonia has not recorded deferred tax liabilities based on the exemption provisions of IAS 12. There are no deductible temporary differences for both 2021 and 2020 on which no deferred tax assets have been recognised.

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

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| **Balance at 01/01** | **42 059** | **54 883** |
| Change in scope of consolidation | 2 649 | 136 |
| Changes to other comprehensive income for continuing operations | 4 660 | – 1 267 |
| Changes to other comprehensive income for discontinued operations | | 311 |
| Changes to the income statement for continuing operations | – 2 611 | – 6 316 |
| Changes to the income statement for discontinued operations | | 1 785 |
| Reclassification to assets held for sale | | 952 |
| Reclassification to liabilities associated with assets held for sale | | – 8 152 |
| Foreign exchange differences | – 1 463 | – 273 |
| **Balance at 31/12** | **45 294** | **42 059** |

| Unrecognised tax loss carryforwards in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Tax loss carryforwards | 53 496 | 89 604 |
| thereof recognised as deferred taxes | – 37 414 | – 37 122 |
| **Unrecognised tax loss carryforwards** | **16 082** | **52 482** |
| | | |
| **Portion expiring:** | | |
| within 1 year | | 546 |
| between 1 and 5 years | 2 990 | 33 592 |
| after 5 years | 13 092 | 18 344 |
| **Total** | **16 082** | **52 482** |

| | | |
|---|---|---|
| **Tax effect on unrecognised tax loss carryforwards** | **3 785** | **8 395** |
| thereof pertaining to tax rates below 15% | 425 | 6 323 |
| thereof pertaining to tax rates between 21% and 25% | | 120 |
| thereof pertaining to tax rates between 26% and 30% | 3 360 | 1 952 |

## 47. Employee benefit obligations

**Pension plans in Switzerland**
The Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), aiming to safeguard the employees against the risks of old age, death and disability. There are semi-autonomous pension plans, that is, the foundations fully bear the risk of age itself. The risks of disability and death are reinsured entirely (congruent reinsurance) or partially (stop-loss insurance) with Swiss insurance companies. The plans give plan participants a choice regarding the annual amount of contribution payments. The employees' contributions are determined as a percentage of the insured salary and are deducted monthly. The retirement pension is calculated by multiplying the retirement capital at the retirement age with the then applicable regulatory conversion rate. Plan participants can also draw all or part of the retirement pension as a lump sum. Death and disability benefits are set as a percentage of the insured salary.

The Board of Trustees are by law the supreme governing body of the foundation. The duties of the trustees are set out in the BVG and the regulations of the foundations. The Board of Trustees exercises the overall direction and has overall responsibility. It is composed in accordance with the legal provisions of an equal number of employer and employee representatives, provided the foundation offers BVG-related pension plans.

The actuarial risks of old age, death and disability as well as the investment risks are primarily borne by the foundations. If certain duties are transferred to third parties, they assume the associated risks (insurance companies, external administrator etc.).

An unfavourable development of the semi-autonomous and autonomous foundations can lead to an underfunding of the affected foundation as stipulated by the

BVG. The BVG allows a temporary underfunding but the Board of Trustees has to take the necessary remedial measures to remedy the underfunding within a maximum of ten years. Additional employer and employee contributions could be incurred in case the Swiss pension plan has a significant underfunding as per BVG. In such cases, the risk is borne by employers and employees alike and the employer is legally not obliged to accept more than 50% of the additional contributions.

The investment strategy of the Swiss pension plans follows BVG, including the rules and regulations for the diversification of plan assets. The security assessment of the investments takes place in the semi-autonomous foundations in evaluating total assets and liabilities as well as the structure and the expected development of the insured population.

In 2020, two pension foundations were liquidated. Free funds of CHF 6.2 million had been distributed to the employees who left the company in the form of one-time payments. The employees who remained in the company received contributions of CHF 2.9 million to their retirement savings as a benefit improvement, which was treated as an actuarial loss.

**Pension plans in Germany**
The occupational pension provision in Germany is subject to the pension law. The method of the direct commitment was elected for the German pension plans. To fund these pension plans for future benefit payments, pension provisions are recorded in accordance with the relevant regulations. The employer has made commitments to the employees under certain benefit arrangements. The pension plans are defined benefit plans and provide current and former employees benefits in the event of reaching the retirement age, in case of disability, or death. The respective benefits become due at maturity and are paid directly by the company to the beneficiaries.

The following amounts are included in the consolidated financial statements:

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Present value of funded obligations | 130 659 | 121 217 |
| Fair value of plan assets | 169 835 | 132 759 |
| **Overfunding** | **– 39 176** | **– 11 542** |
| | | |
| Present value of unfunded obligations | 61 846 | 56 941 |
| **Liability (net) recognised in the balance sheet** | **22 670** | **45 400** |
| | | |
| thereof recorded as employee benefit obligations | 62 374 | 57 715 |
| thereof recorded as capitalised pension surplus | – 39 704 | – 12 315 |

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

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| **Balance at 01/01** | **178 159** | **362 652** |
| Changes in scope of consolidation | 9 234 | |
| Interest cost | 905 | 1 391 |
| Current service cost | 5 776 | 10 032 |
| Contributions by plan participants | 2 394 | 4 744 |
| Benefits paid | – 5 995 | – 18 539 |
| Actuarial gains arising from changes in demographic assumptions | – 5 248 | |
| Actuarial gains/losses arising from changes in financial assumptions | – 6 981 | 6 851 |
| Actuarial losses arising from experience adjustements | 3 761 | 6 765 |
| Settlements/partial liquidation | | – 5 644 |
| Administration cost | 60 | 153 |
| Reclassification from/to liabilities associated with assets held for sale | 13 283 | – 190 033 |
| Foreign exchange differences | – 2 844 | – 213 |
| **Balance at 31/12** | **192 505** | **178 159** |
| thereof for active members | 117 054 | 102 558 |
| thereof for pensioners | 68 284 | 69 517 |
| thereof for deferred members | 7 167 | 6 084 |

The actuarial gains arising from changes in demographic assumptions are based on the first-time application of the BVG 2020 GT tables in Switzerland. Arbonia applies BVG 2020 in conjunction with the BfS model.

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

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| **Balance at 01/01** | **132 758** | **351 394** |
| Interest income | 265 | 736 |
| Return on plan assets excl. interest income | 18 981 | 17 687 |
| Contributions by the employer | 5 051 | 7 601 |
| Contributions by plan participants | 2 394 | 4 744 |
| Benefits paid | – 5 995 | – 18 539 |
| Settlements/partial liquidation | | – 4 400 |
| One-time payments to leavers from free funds | | – 6 178 |
| Reclassification from/to assets held for sale | 16 595 | – 220 260 |
| Foreign exchange differences | – 217 | – 26 |
| **Balance at 31/12** | **169 833** | **132 758** |

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

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Actuarial gains/losses | – 8 468 | 4 553 |
| Actuarial gains/losses from discontinued operations | – 7 342 | 9 063 |
| One-time payments to leavers from free funds | | 6 178 |
| Return on plan assets excl. interest income | – 26 549 | – 17 688 |
| **Remeasurements of employee benefit obligations** | **– 42 359** | **2 106** |

The amounts recognised in the income statement are as follows:

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Current service cost | 5 776 | 10 032 |
| Net interest result | 639 | 655 |
| Administration cost | 60 | 153 |
| Settlements/partial liquidation | | – 1 244 |
| **Net charges for defined benefit plans** | **6 476** | **9 595** |
| thereof recorded under personnel expenses from continuing operations | 5 837 | 5 811 |
| thereof recorded under financial results from continuing operations | 639 | 711 |
| thereof recorded under Group result from discontinued operations after taxes | | 3 074 |

The principal actuarial assumptions used were as follows:

| Weighted average | | 2021 | 2020 |
|---|---|---|---|
| Discount rate at 31/12 | | 0.7% | 0.5% |
| Future salary increases | | 1.3% | 1.3% |
| Future pension increases | | 0.6% | 0.5% |
| Mortality tables | Switzerland | BVG 2020 GT | BVG 2015 GT |
| | Germany | HB 2018 GT | HB 2018 GT |

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

| Impact on employee benefit obligations | Change in assumption | 2021 | 2020 |
|---|---|---|---|
| Discount rate | – 0.25% | 7 509 | 7 309 |
| | + 0.25% | – 7 080 | – 6 808 |
| Salary increases | – 0.25% | – 766 | – 749 |
| | + 0.25% | 769 | 749 |
| Life expectancy | + 1 year | 5 539 | 5 044 |
| | – 1 year | – 5 552 | – 5 047 |
| Service cost 2022 with discount rate | + 0.25% | – 317 | – 354 |

The weighted average duration of employee benefit obligations is 15.6 years.

The sensitivity analysis above is based on a change in an assumption while all other assumptions remain unchanged. In reality, this is unlikely to happen, because certain assumptions correlate. In the calculation of sensitivities of pension benefit obligations with the principal actuarial assumptions, the same method was applied (present value of the defined benefit obligation is calculated using the projected unit credit method at year-end) as for the calculation of the pension liability in these consolidated financial statements.

Plan assets at fair value consist of:

| in 1 000 CHF | quoted | unquoted | 31/12/2021 Total | quoted | unquoted | 31/12/2020 Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | | 7 202 | 7 202 | | 4 490 | 4 490 |
| Equity instruments | 52 114 | | 52 114 | 38 277 | | 38 277 |
| Debt instruments | 29 125 | | 29 125 | 20 583 | | 20 583 |
| Real estate | 8 473 | 58 146 | 66 619 | 6 703 | 49 091 | 55 794 |
| Others | 9 701 | 5 072 | 14 773 | 8 510 | 5 104 | 13 614 |
| **Total plan assets** | **99 413** | **70 420** | **169 833** | **74 073** | **58 685** | **132 758** |

The category "Others" contains assets from full insurance contracts that have been terminated some years ago and are therefore expiring.

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

| in 1 000 CHF | up to 1 year | between 1 and 2 years | between 2 and 5 years | next 5 years |
|---|---|---|---|---|
| Benefit payments | 1 630 | 1 780 | 6 000 | 12 012 |

Expected contributions to pension plans for the year 2022 amount to CHF 7.3 million (2021: CHF 7.0 million), of which CHF 4.9 million (2020: CHF 4.7 million) are attributable to the employer.

## 48. Share capital

The capital structure is as follows:

| | | | 31/12/2021 | | | 31/12/2020 |
|---|---|---|---|---|---|---|
| Category | Outstanding shares | Par value in CHF | Share capital in CHF | Outstanding shares | Par value in CHF | Share capital in CHF |
| Registered shares | 69 473 243 | 4.20 | 291 787 621 | 69 473 243 | 4.20 | 291 787 621 |

The proposed distribution per share amounts to CHF 0.30 (2020: CHF 0.47). In the previous year, the distribution was divided into CHF 0.22 for the 2019 financial year and CHF 0.25 for 2020.

On 23 April 2021, the Annual General Meeting of Arbonia AG had approved amongst others the following: To authorise the Board of Directors to create additional share capital by a maximum amount of CHF 29 148 000 through the issue of a maximum of 6 940 000 fully paid registered shares with a par value of CHF 4.20 each until 23 April 2023 (authorised capital increase). To increase the share capital by a maximum amount of CHF 29 148 000 by issuing a maximum of 6 940 000 fully paid up registered shares with a par value of CHF 4.20 (conditional capital increase). The authorised and conditional capital increase together were limited to an additional share capital of CHF 29 148 000.

| Earnings per share | 2021 | 2020 |
|---|---|---|
| Group earnings from continuing operations after non-controlling interests (in 1 000 CHF) | 27 540 | 29 730 |
| Group earnings from discontinued operations after non-controlling interests (in 1 000 CHF) | 111 190 | 15 184 |
| Group earnings for the year (in 1 000 CHF) | 138 730 | 44 914 |
| | | |
| Outstanding shares (average) | 69 473 243 | 69 473 243 |
| Less treasury shares (average) | – 309 282 | – 313 454 |
| **Average number of shares outstanding for the calculation** | **69 163 962** | **69 159 789** |

There were no dilutive effects impacting the calculation.

## 49. Treasury shares

| | | | 2021 | | | 2020 |
|---|---|---|---|---|---|---|
| | Ø market value in CHF | Number of shares | Amount in 1 000 CHF | Ø market value in CHF | Number of shares | Amount in 1 000 CHF |
| **Balance at 01/01** | **8.70** | **282 386** | **2 456** | **8.31** | **532 380** | **4 426** |
| Transfer for share based payments | 10.85 | – 307 758 | – 3 340 | 8.31 | – 355 294 | – 2 952 |
| Purchase | 16.68 | 375 745 | 6 266 | 9.33 | 105 300 | 983 |
| **Balance at 31/12** | **15.36** | **350 373** | **5 383** | **8.70** | **282 386** | **2 456** |

## 50. Other comprehensive income and other reserves

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

| | | | 31/12/2021 | | | 31/12/2020 |
|---|---|---|---|---|---|---|
| in 1 000 CHF | Other reserves | Retained earnings | Total other comprehensive income | Other reserves | Retained earnings | Total other comprehensive income |
| | | | | | | |
| Remeasurements of employee benefit obligations | | 42 359 | 42 359 | | – 2 106 | – 2 106 |
| Deferred tax effect | | – 6 510 | – 6 510 | | 956 | 956 |
| **Total items that will not be reclassified to income statement** | | **35 849** | **35 849** | | **– 1 150** | **– 1 150** |
| Currency translation differences | – 21 140 | | – 21 140 | – 25 523 | | – 25 523 |
| Cumulative currency translation differences transferred to the income statement | 31 391 | | 31 391 | | | |
| **Total items that may be subsequently reclassified to income statement** | **10 251** | | **10 251** | **– 25 523** | | **– 25 523** |
| **Other comprehensive income after taxes** | **10 251** | **35 849** | **46 100** | **– 25 523** | **– 1 150** | **– 26 673** |

### Other reserves

| in 1 000 CHF | Currency translation | Total |
|---|---|---|
| **Balance at 31/12/2019** | **– 83 187** | **– 83 187** |
| Currency translation differences | – 25 523 | – 25 523 |
| **Balance at 31/12/2020** | **– 108 710** | **– 108 710** |
| Currency translation differences | 10 251 | 10 251 |
| **Balance at 31/12/2021** | **– 98 459** | **– 98 459** |

## 51. Financial results

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| **Financial income** | | |
| Bank and other interest | 20 | 167 |
| Interest on net pension surplus | 19 | 31 |
| **Total interest income** | **39** | **198** |
| | | |
| Gains derivative financial instruments | 453 | 256 |
| Foreign currency exchange gain from sale/liquidation of subsidiaries | 125 | |
| Other financial income | 4 | 15 |
| **Total other financial income** | **582** | **271** |
| **Total financial income** | **621** | **469** |
| | | |
| **Financial expenses** | | |
| Bank and other interest | 715 | 221 |
| Interest on leases | 919 | 1 101 |
| Interest on non-current financial debts and syndicated loan | 2 370 | 3 017 |
| Interest on net employee benefit obligations | 658 | 743 |
| Compounding of liabilities | 815 | 829 |
| **Total interest expenses** | **5 477** | **5 911** |
| | | |
| Impact of exchange rate fluctuations | 1 627 | 3 695 |
| Losses derivative financial instruments | | 8 |
| Minority share from associated companies | 1 060 | 480 |
| Bank charges and other financial expenses | 1 841 | 3 307 |
| **Total other financial expenses** | **4 528** | **7 490** |
| **Total financial expenses** | **10 005** | **13 401** |
| | | |
| **Total net financial results** | **– 9 384** | **– 12 932** |

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

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Total interest income from financial assets measured at amortised cost (FA AC) | 20 | 167 |
| Total interest expenses from financial liabilities measured at amortised cost (FL AC) | 4 819 | 5 168 |
| Net gain/loss from financial assets/ liabilities measured at fair value through profit or loss (FA/ FL FVTPL) | 453 | 248 |
| Finance costs recognised in financial expenses from financial assets/ liabilities measured at amortised cost (FA/ FL AC) | 1 836 | 3 301 |

## 52. Income taxes

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Current income taxes | 18 995 | 17 526 |
| Changes in deferred income taxes | – 2 611 | – 6 316 |
| **Total** | **16 384** | **11 210** |

The tax on Group earnings before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings before tax of the consolidated companies as follows:

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| **Earnings before income tax** | **43 924** | **40 940** |
| Weighted average tax rate in % | 26.0 | 26.3 |
| **Expected tax expense** | **11 435** | **10 773** |
| | | |
| **Income tax reconciliation** | | |
| Effect of utilisation of previously unrecognised tax losses | – 69 | – 619 |
| Effect of not capitalised losses for the year | 2 682 | 1 622 |
| Effect of non-tax-deductible expenses and non-taxable income | 2 636 | 139 |
| Effect of income and expenses taxed at special rates | 732 | 197 |
| Effect of tax charges related to prior years | – 365 | – 241 |
| Effect of tax rate changes | – 445 | – 473 |
| Change in unrecognised deferred tax assets | 60 | – 129 |
| Other items | – 282 | – 59 |
| **Effective tax expense** | **16 384** | **11 210** |
| Effective tax rate in % | 37.3 | 27.4 |

The Group's applicable tax rate represents the weighted average of the statutory corporate tax rates, prevailing in the tax jurisdictions in which the Group companies operate.

The expected weighted average tax rate decreased slightly compared to previous year. Compared to 2020, there were no significant changes in local tax rates.

## 53. Financial risk management

**Risk management principles**
Arbonia has a centralised risk management system. The risk management process is carried out as stated in the internal guidelines. Any potential and material risks have been identified and quantified according to the likelihood, damage to reputation and impact. Overall, no potential risks have been identified in the business year, which could lead to material adjustments of net assets, the financial position and results of operations of the consolidated financial statements of Arbonia.

Due to its international business activities, the Group is subject to various financial risks, such as credit, liquidity and other market risks. The principal goal of risk management activities is to minimise financial risks to the continued existence (liquidity and default risks) and profitability (currency, interest rate fluctuation, price risks) while ensuring adequate solvency at any time. Risk minimisation does not mean to completely eliminate but rather to control financial risks in an economically useful manner within an identified framework. Depending on their assessment, the Group uses derivative and non-derivative financial instruments to hedge certain risks. To minimise financial default risks, derivative financial instruments are only entered into with banks which are specifically defined in the treasury policy.

There are financial management guidelines and principles within the Group that regulate the handling of currency, interest rate fluctuation, commodity and credit risks, the use of derivative and non-derivative financial instruments as well as the management of liquid funds not required for operations. The risk management guidelines adopted by the Board of Directors are implemented centrally by group treasury but in close cooperation with the Divisions.

The Group's financial resources are not used for speculation purposes. The derivatives used aim to hedge underlying transactions.

**Credit default risk**
Credit risks arise from the possibility that the counterparty of a transaction might not be able or willing to meet its obligations. The credit risk relates to financial assets (see note 44) as well as to contract assets (see note 33).

The credit or default risk in relation to receivables and contract assets is controlled by the individual subsidiaries on a decentralised basis and limited through the assignment of credit limits on the basis of systematic and regular credit ratings. Corresponding guidelines are in place within the Group aiming at an ongoing control and value adjustment of open positions. Due to the broad diversification of the customer portfolio into various business segments and geographic regions but also the possibility to create construction tradesman's liens or the use of credit insurance, the credit risk is limited. The 10 largest debtors of Arbonia's continuing operations as of the balance sheet date accounted for a share of 22.3% (2020: 32.9%) of existing trade receivables. The 10 largest customers of continuing operations generated 23.9% (2020: 27.1%) 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 24%/17%/15% of total liquid funds as of the balance sheet date (2020: 49%/24%/8%).

The maximum credit risk corresponds to the book values or fair values reported in note 44 for the financial asset categories "at fair value through profit and loss" (FA FVTPL) and "at amortised cost" (FA AC). If applicable, these include derivative financial instruments having a positive fair value.

**Liquidity risk**
The liquidity risk arises from the fact that the Group might not be in a position to obtain the funds required to meet the obligations assumed in connection with financial instruments on the relevant due dates.

The cash, investments, financing and redemptions are managed and controlled on an ongoing basis by group treasury. The standard policy involves financial structures with matching maturities and currencies for each individual subsidiary. Scheduled cash requirements for the planning horizon must be secured under facility agreements or internal funding within the Group and/or via banks. By means of rolling monthly cash flow forecasts over a planning horizon of 12 months, the future cash development is forecasted in order to take measures in due time in the event of an excess coverage or shortfall. Arbonia monitors its liquidity risk with the aid of a consolidated liquidity plan, taking into account additional funding sources, e.g. undrawn credit limits. As individual divisions of Arbonia are subject to seasonal fluctuations, cash decreases early in the year but normally rises again in the second half of the year.

The available liquidity as of the balance sheet date is shown below:

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Cash and cash equivalents | 253 870 | 52 107 |
| + undrawn credit facilities | 261 793 | 260 627 |
| **Total available liquidity** | **515 663** | **312 734** |

The new syndicated loan taken out in 2020 includes the leverage ratio as covenant. If such covenant are not complied with, the banks may demand immediate redemption of their share. In 2021 and 2020, Arbonia complied with all covenants. Due to restrictions on the leverage ratio, the unused credit limits could not be fully drawn until the new syndicated loan was taken out.

The contractually agreed maturities of financial liabilities within the meaning of IFRS 7 are set forth in note 43.

**Market risk**

**(a) Currency risk**
Due to the Group's international focus, there are currency risks based on exchange rate fluctuations of various currencies. In the case of Arbonia, these mainly relate to the EUR, PLN, CZK and RUB.

A currency risk arises from transactions that are not settled in the functional currency of the Group companies. The standard policy is that subsidiaries must hedge 80% 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 (2020: 5%), a 5% increase (decrease) of the CZK against the CHF (2020: 5%), a 5% increase (decrease) of the PLN against the CHF (2020: 5%) or a 5% increase (decrease) of the RUB against the CHF (2020: 5%) would have the following effects on Arbonia's Group earnings as of the balance sheet date:

| in 1 000 CHF | | | | 31/12/2021 |
|---|---|---|---|---|
| | EUR/CHF | CZK/CHF | PLN/CHF | RUB/CHF |
| Reasonably possible change | 5.0% | 5.0% | 5.0% | 5.0% |
| Impact of an increase on group earnings | 2 677 | 259 | 307 | 422 |
| Impact of a decrease on group earnings | – 2 677 | – 259 | – 307 | – 422 |

| in 1 000 CHF | | | | 31/12/2020 |
|---|---|---|---|---|
| | EUR/CHF | CZK/CHF | PLN/CHF | RUB/CHF |
| Reasonably possible change | 5.0% | 5.0% | 5.0% | 5.0% |
| Impact of an increase on group earnings | – 439 | 467 | 138 | 299 |
| Impact of a decrease on group earnings | 439 | – 467 | – 138 | – 299 |

**(b) Interest rate risk**
Interest rate risks arise from interest rate fluctuations which may have a negative effect on the Group's asset and earnings position. Interest rate fluctuations result in changes in interest income and expenses relating to interest-bearing assets and liabilities. In addition, they may also affect the fair value of certain financial assets, liabilities and financial instruments, as set forth below under "Market risks".

Group companies are exclusively funded via group treasury on terms in line with the market and on a decentralised basis only in exceptional cases and with the prior approval of the Group CFO. Excess cash is also invested via group treasury. The standard policy for the Group as well as for subsidiaries is that interest-bearing financial transactions in terms of capital commitment and fixed interest rates must always meet the underlying requirements. Derivative financial instruments, such as interest rate swaps or interest rate options, are used on a case-by-case basis by group treasury and only upon consultation with or according to the instruction of Group CFO.

For the description of interest fluctuation risks, IFRS 7 requires sensitivity analyses showing the effects of realistic fluctuations in market interest rates on Group earnings and shareholders' equity. These effects are calculated on the basis of financial instruments existing as of the balance sheet date. In this context, it is assumed that all other variables remain unchanged and that the balance of financial instruments as of the balance sheet date is representative of the entire year. Fixed-rate financial instruments valued at amortised cost are not subject to interest rate fluctuation risks within the meaning of IFRS 7.

An increase (decrease) in the market interest level as of the balance sheet date by 50 basis points for CHF interest rates (2020: 50 basis points) or by 50 basis points for EUR interest rates (2020: 50 basis points) would have the effects set forth below on Group earnings of Arbonia:

| in 1 000 CHF | 31/12/2021 | |
|---|---|---|
| | CHF interest rate | EUR interest rate |
| Reasonably possible change in basis points | 50 | 50 |
| **Variable interest-bearing financial instruments** | | |
| Impact of an increase on group earnings | 843 | 202 |
| Impact of a decrease on group earnings | – 843 | – 202 |
| **Interest rate swaps** | | |
| Impact of an increase on group earnings | | 134 |
| Impact of a decrease on group earnings | | – 134 |

| in 1 000 CHF | 31/12/2020 | |
|---|---|---|
| | CHF interest rate | EUR interest rate |
| Reasonably possible change in basis points | 50 | 50 |
| **Variable interest-bearing financial instruments** | | |
| Impact of an increase on group earnings | 70 | 129 |
| Impact of a decrease on group earnings | – 70 | – 129 |
| **Interest rate swaps** | | |
| Impact of an increase on group earnings | | 180 |
| Impact of a decrease on group earnings | | – 180 |

**(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 sees no significant risks from equity instruments measured at fair value.

**Equity management**
The objective of Arbonia is a strong equity base to secure the Group's future development. A sustainable equity ratio of between 45% and 55% is the goal. The shareholders' equity corresponds to an equity ratio of 64.3% as of the balance sheet date (2020: 59.0%). The increase in the equity ratio compared to the previous year is largely due to the high group result from the sale of the Windows Division.

With regard to the maximum amount still available for the creation of new share capital through a conditional and/or authorised capital increase, see note 48.

Arbonia is not governed by any regulatory authorities with respect to minimum capital requirements.

### 54. Derivative financial instruments

The following table shows the fair values of the various derivative financial instruments recognised in the balance sheet as of the balance sheet date:

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Commodity swaps without hedges | 15 | |
| **Liabilities** | | |
| Interest rate swaps without hedges | 988 | 1 485 |
| Commodity swaps without hedges | 58 | |

Commodity transactions are entered into to hedge commodity price risks. The open transactions as at 31 December 2021 relate to hedges of the steel price.

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

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| *Changes in non-cash transactions* | | |
| Additional/reversed provisions | 25 306 | 13 698 |
| Changes in capitalised pension surplus/employee benefit obligations | 1 357 | 1 358 |
| Share based payments | 5 049 | 2 709 |
| Impairment on financial assets | | 69 |
| Minority share from associated companies | 1 060 | 379 |
| Other non-cash effects | – 1 918 | 1 423 |
| **Total changes in non-cash transactions** | **30 854** | **19 636** |
| | | |
| *Changes in working capital* | | |
| Changes in accounts receivable | – 22 315 | 4 711 |
| Changes in inventories | – 62 704 | 4 659 |
| Changes in contract assets project business | – 10 311 | – 1 038 |
| Changes in other working capital items | – 3 851 | – 1 532 |
| **Total changes in working capital** | **– 99 181** | **6 800** |
| | | |
| *Changes in liabilities* | | |
| Changes in accounts payable | 47 335 | – 10 672 |
| Changes in contract liabilities | 5 358 | 1 787 |
| Used provisions | – 14 163 | – 12 910 |
| Changes in other current liabilities | 9 232 | 11 091 |
| **Total changes in liabilities** | **47 762** | **– 10 704** |

| in 1 000 CHF | Current and non-current financial debts |
|---|---|
| **Balance at 31/12/2019** | **176 503** |
| Foreign exchange differences | – 53 |
| Change in scope of consolidation | 97 |
| Proceeds from financial debts | 45 062 |
| Repayments of financial debts | – 80 461 |
| Non-cash foreign exchange effects | – 546 |
| Reclassification to liabilities associated with assets held for sale | – 433 |
| **Balance at 31/12/2020** | **140 169** |
| Foreign exchange differences | – 413 |
| Change in scope of consolidation | 4 859 |
| Proceeds from financial debts | 68 385 |
| Repayments of financial debts | – 73 542 |
| Non-cash foreign exchange effects | – 5 348 |
| **Balance at 31/12/2021** | **134 110** |

| in 1 000 CHF | Lease liabilities |
|---|---|
| **Balance at 31/12/2019** | **62 444** |
| Foreign exchange differences | – 137 |
| Lease additions | 8 905 |
| Lease liability payments | – 14 990 |
| Lease disposals and remeasurements | 2 439 |
| Reclassification to liabilities associated with assets held for sale | – 19 337 |
| **Balance at 31/12/2020** | **39 324** |
| Foreign exchange differences | – 673 |
| Change in scope of consolidation | 571 |
| Lease additions | 10 447 |
| Lease liability payments | – 10 480 |
| Lease disposals and remeasurements | – 12 671 |
| Reclassification from liabilities associated with assets held for sale | 23 |
| **Balance at 31/12/2021** | **26 542** |

## 56. Share based payments

For Group Management and certain other employees a share based payment plan exists. As part of this plan, Group Management members receive 50% (2020: 50%) and the other employees between 20% and 35% (2020: between 20% and 35%) of their bonus in shares. This equity-settled variable remuneration is measured at fair value and recognised as an increase in equity. The determination of the number of shares is based on the volume weighted average share price of 20 trading days, less a 20% discount for the restriction period. These shares granted have a restriction period of four years. A share based payment plan also exists for members of the Board of Directors. Under this plan, members receive a minimum of 50% of their compensation in shares. This plan has the same features as the one for Group Management.

In 2021, Group Management and certain other employees received for their work in the year 2020 a total of 75 255 allotted shares (2020: 222 640 shares) at a fair value of CHF 1.2 million (2020: CHF 1.6 million) and CHF 16.52 per share respectively (2020: CHF 7.40). The CEO received a larger portion of his base compensation for his employment 2021 in shares. He was allocated 60 000 shares (2020: 60 000) at a fair value of CHF 0.9 million (2020: CHF 0.7 million) and CHF 15.00 per share respectively (2020: CHF 12.34). In addition, he received a special compensation in 2021 in the form of 140 000 shares at a fair value of CHF 2.1 million or CHF 15.24 per share. The members of the Board of Directors received for their work from 25 April 2020 up to the Annual General Meeting on 23 April 2021 a total of 32 503 shares (2020: 72 654 shares) at a fair value of CHF 0.5 million (2020: CHF 0.5 million) and CHF 16.52 per share respectively (2020: CHF 7.40).

Personnel expenses in 2021 for share based payments totalled CHF 4.8 million (2020: CHF 2.3 million).

## 57. Related party transactions

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

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Salaries and other short-term employee benefits | 3 867 | 4 292 |
| Share based payments | 4 021 | 1 740 |
| Pension and social security contributions | 905 | 982 |
| **Total** | **8 793** | **7 014** |

The detailed disclosures regarding executive remuneration required by Swiss law are included in the compensation report on pages 126 to 129.

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

| in 1 000 CHF | Purchase of services | Sale of goods | Purchase of goods | Balance on receivables | Balance on liabilities |
|---|---|---|---|---|---|
| | | | 2021 | | 31/12/2021 |
| Other related parties | | 2 876 | 32 | 18 | 31 |
| **Total** | | **2 876** | **32** | **18** | **31** |

| in 1 000 CHF | Purchase of services | Sale of goods | Purchase of goods | Balance on receivables | Balance on liabilities |
|---|---|---|---|---|---|
| | | | 2020 | | 31/12/2020 |
| Other related parties | 28 | 5 817 | 73 | 871 | 22 |
| **Total** | **28** | **5 817** | **73** | **871** | **22** |

Goods sold in 2021 is almost exclusively Arbonia products acquired at market prices by companies in which a non-executive member of the Board of Directors is a director. Goods sold in 2020 were almost exclusively Arbonia products acquired at market prices by companies owned by Michael Pieper (non-executive member of the Board of Directors) and companies in which a non-executive member of the Board of Directors is a director. There were no guarantees granted as of the balance sheet date. Furthermore no provisions were required for receivables. Transactions and outstanding balances with associated companies are disclosed in note 35.

Major shareholders as of 31 December 2021 are disclosed in the notes to the 2021 financial statements of Arbonia AG on page 219.

## 58. Contingencies

There were no contingencies.

## 59. Events after the balance sheet date

No events occurred between the balance sheet date and the date of this report which could have a significant influence on the 2021 consolidated financial statements.

## 60. Subsidiaries

| Company | Head Office | Share Capital in million | | Interest in Capital | Room Climate | Shower Stalls | Doors | Services |
|---|---|---|---|---|---|---|---|---|
| **HVAC Division** | | | | | | | | |
| Arbonia Solutions AG | Arbon, CH | 4.000 | CHF | 100% | ■ | ■ | | |
| Prolux Solutions AG | Arbon, CH | 1.000 | CHF | 100% | ■ | | | |
| Arbonia HVAC AG | Arbon, CH | 0.250 | CHF | 100% | | | | ● |
| Vasco Group NV | Dilsen-Stokkem, BE | 32.500 | EUR | 100% | ■ | | | |
| Vasco BVBA | Dilsen-Stokkem, BE | 20.029 | EUR | 100% | ▲ | | | |
| Kermi s.r.o. | Stribro, CZ | 195.000 | CZK | 100% | ▲ | ■ | | |
| PZP Heating a.s. | Dobre, CZ | 7.200 | CZK | 100% | ▲ | | | |
| Arbonia Riesa GmbH | Glaubitz, DE | 0.614 | EUR | 100% | ■ | | | |
| Kermi GmbH | Plattling, DE | 15.339 | EUR | 100% | ▲ | ▲ | | |
| Vasco Group GmbH | Dortmund, DE | 0.077 | EUR | 100% | ■ | | | |
| Tecnologia de Aislamientos y climatizacion, S.L. | Algete, ES | 0.481 | EUR | 100% | ■ | | | |
| CICSA Industriales del Calor S.L. | Coslada (Madrid), ES | 0.060 | EUR | 100% | ■ | | | |
| Termovent Komerc d.o.o. | Belgrad, RS | 0.064 | RSD | 100% | ■ | | | |
| Arbonia France Sàrl | Hagenbach, FR | 0.600 | EUR | 100% | ■ | | | |
| Vasco Group Sarl | Nogent-sur-Marne, FR | 2.000 | EUR | 100% | ■ | | | |
| Vasco Group Ltd | Horsham, GB | 0.025 | GBP | 100% | ■ | | | |
| Sabiana S.p.A. | Corbetta, IT | 4.060 | EUR | 100% | ▲ | | | |
| Brugman Radiatorenfabriek BV | Tubbergen, NL | 4.000 | EUR | 100% | ▲ | | | |
| Vasco Group BV | Tubbergen, NL | 9.518 | EUR | 100% | ■ | | | |
| Brugman Fabryka Grzejnikow Sp.z o.o. | Legnica, PL | 20.000 | PLN | 100% | ▲ | | | |
| Kermi Sp.z o.o. | Wroclaw, PL | 0.900 | PLN | 100% | ■ | ■ | | |
| Vasco Group Sp.z o.o. | Legnica, PL | 0.500 | PLN | 100% | ■ | | | |
| AFG RUS | Moskau, RU | 454.500 | RUB | 100% | ▲ | | | |

▲ Production / Sales
■ Trade
● Services / Finances

| Company | Head Office | Share Capital in million | | Interest in Capital | Room Climate | Shower Stalls | Doors | Services |
|---|---|---|---|---|---|---|---|---|
| **Doors Division** | | | | | | | | |
| Arbonia Doors AG | Arbon, CH | 0.250 | CHF | 100% | | | | ● |
| RWD Schlatter AG | Roggwil, CH | 2.000 | CHF | 100% | | | ▲ | |
| Bekon-Koralle AG | Dagmersellen, CH | 1.000 | CHF | 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% | | | ▲ | |
| Arbonia Doors GmbH | Erfurt, DE | 0.025 | EUR | 100% | | | | ● |
| Koralle Sanitärprodukte GmbH | Vlotho, DE | 2.070 | EUR | 100% | | ■ | | |
| Glasverarbeitungsgesellschaft Deggendorf mbH | Deggendorf, DE | 1.278 | EUR | 100% | | ▲ | | |
| Invado Sp.z o.o. | Ciasna, PL | 20.000 | PLN | 100% | | | ▲ | |
| Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft m.b.H | Margarethen am Moos, AT | 0.036 | EUR | 100% | | ■ | | |
| **Corporate Services** | | | | | | | | |
| Arbonia AG | Arbon, CH | 291.787 | CHF | | | | | ● |
| AFG International AG | Arbon, CH | 1.000 | CHF | 100% | | | | ● |
| Arbonia 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% | | | | ● |
| AFG (Shanghai) Building Materials Co. Ltd. | Shanghai, CN | 2.000 | USD | 100% | | | | ● |
| Arbonia Deutschland GmbH | Plattling, DE | 0.511 | EUR | 100% | | | | ● |
| Skyfens Sp.z o.o. | Lublin, PL | 0.005 | PLN | 100% | | | | ▲ |

▲ Production / Sales
■ Trade
● Services / Finances

KPMG

# 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 2021 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 140 to 206) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Key Audit Matters

**Valuation of goodwill Wood Solutions**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

### Valuation of goodwill Wood Solutions

**Key Audit Matter**

As at 31 December 2021, the carrying amount of the goodwill Wood Solutions amounts to CHF 133.7 million.

Management assesses the valuation of goodwill based on projected results for the relevant cash generating unit (“CGU”).

The impairment test for this item requires significant management judgment with regards to cash flow forecasts, margin, growth rate as well as the discount rate, and are therefore a key area of audit focus.

**Our response**

Our procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and the methodology used by management to prepare cash flow forecasts. We used our own valuation specialists to support our procedures.

Amongst others, we performed the following audit procedures:

— assessing the forecasting accuracy by back-testing historical forecasts to actual results;

— comparing projected cash flows with the latest forecasts by management and with the business plan approved by the board of directors;

— challenging the robustness of the key assumptions used to determine the recoverable amount, including forecast cash flows, margin, growth rate and the discount rate by comparing them with publicly available data and our understanding of the commercial prospects of the relevant CGU;

— conducting sensitivity analyses, taking into account the historical forecasting accuracy.

We also considered the appropriateness of disclosures in the consolidated financial statements in relation to sensitivities regarding the impairment testing of goodwill.

For further information on goodwill refer to the following:

— Note 19 „Intangible assets“, page 152

— Note 20 „Impairment of assets“, page 152

— Note 30 „Significant accounting judgments, estimates and assumptions“, paragraphs „Estimated impairment of goodwill“, page 157

— Note 40 „Intangible assets“, page 175

**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 standalone 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and 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

David Grass
Licensed Audit Expert

St. Gallen, 23 February 2022

# Financial Statements Arbonia AG

## Income Statement

| in 1 000 CHF | Note | 2021 | in % | 2020 | in % |
|---|---|---|---|---|---|
| Dividend income | | 20 620 | | 20 550 | |
| Financial income | 2.7 | 9 514 | | 13 310 | |
| Other operating income | | 2 | | 2 | |
| **Total income** | | **30 136** | **100.0** | **33 862** | **100.0** |
| Financial expenses | 2.8 | – 12 016 | – 39.9 | – 14 106 | – 41.7 |
| Personnel expenses | | – 945 | – 3.1 | – 1 407 | – 4.2 |
| Other operating expenses | 2.9 | – 7 331 | – 24.3 | – 5 427 | – 16.0 |
| **Total expenses** | | **– 20 292** | **– 67.3** | **– 20 941** | **– 61.8** |
| | | | | | |
| **Net profit** | | **9 844** | **32.7** | **12 921** | **38.2** |

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

## Balance sheet

| in 1 000 CHF | Note | 31/12/2021 | in % | 31/12/2020 | in % |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | | 244 967 | | 38 228 | |
| Other receivables | | | | | |
| Third parties | | 245 | | 203 | |
| Shareholdings | | 173 929 | | 279 616 | |
| Deferred expenses | | 29 | | | |
| **Current assets** | | **419 170** | **29.0** | **318 047** | **23.5** |
| Loans to shareholdings | | 237 440 | | 244 952 | |
| Investments | 2.1 | 788 812 | | 788 812 | |
| **Non-current assets** | | **1 026 252** | **71.0** | **1 033 764** | **76.5** |
| **Total assets** | | **1 445 422** | **100.0** | **1 351 811** | **100.0** |

| in 1 000 CHF | Note | 31/12/2021 | in % | 31/12/2020 | in % |
|---|---|---|---|---|---|
| **Liabilities and shareholders' equity** | | | | | |
| Accounts payable | | | | | |
| Third parties | | 9 | | 123 | |
| Shareholdings | | 2 676 | | 950 | |
| Interest bearing liabilities | 2.2 | | | | |
| Shareholdings | | 287 001 | | 179 534 | |
| Other liabilities | | | | | |
| Third parties | | 149 | | 41 | |
| Accruals and deferred income | | 2 168 | | 2 390 | |
| **Current liabilities** | | **292 003** | **20.2** | **183 038** | **13.5** |
| Interest bearing liabilities | 2.3 | | | | |
| Promissory note loan | | 142 272 | | 142 272 | |
| Shareholdings | | 8 656 | | | |
| **Non-current liabilities** | | **150 928** | **10.4** | **142 272** | **10.5** |
| **Total liabilities** | | **442 931** | **30.6** | **325 310** | **24.1** |
| | | | | | |
| Share capital | 2.4 | 291 788 | | 291 788 | |
| Legal capital reserves | | | | | |
| Capital contribution reserve | 2.5 | 453 159 | | 469 402 | |
| Other capital reserves | | 42 812 | | 42 812 | |
| Voluntary reserves | | | | | |
| Free reserves | | 14 651 | | 14 328 | |
| Retained earnings | | 195 937 | | 199 259 | |
| Net profit | | 9 844 | | 12 921 | |
| Treasury shares | 2.6 | – 5 700 | | – 4 009 | |
| **Shareholders' equity** | | **1 002 491** | **69.4** | **1 026 501** | **75.9** |
| **Total liabilities and shareholders' equity** | | **1 445 422** | **100.0** | **1 351 811** | **100.0** |

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

# Notes to the Financial Statements

## 1. Accounting policies

### 1.1. General information

These financial statements 2021 were prepared under the provisions of the Swiss accounting law (32nd title of the Swiss Code of Obligations).

Since Arbonia AG prepares consolidated financial statements in accordance with a recognised financial reporting standard (International Financial Reporting Standards), the company is not disclosing in accordance with the statutory provisions the audit fees and is not presenting a cash flow statement and a management report.

### 1.2. Other current receivables

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

### 1.3. Financial assets

Financial assets consist of short-term loans to third parties and long-term loans to shareholdings and are valued at cost reduced by required impairments. Loans denominated in foreign currencies are converted at the current closing rate. Unrealised exchange losses are recorded immediately whereas unrealised exchange gains are not recorded (imparity principle).

### 1.4. Treasury shares

Treasury shares are recognised at acquisition date at cost as a negative item in equity. In a subsequent sale or delivery in the context of the share based payments, profit or loss arising from the sale of treasury shares is recognised directly in equity under voluntary reserves.

### 1.5. Share based payments

A share based payment plan exists for members of the Board of Directors. Under this plan, members receive a minimum of 50% of their compensation in shares. The determination of the number of shares is based on the volume weighted average share price of 20 trading days, less a 20% discount for the restriction period. These shares granted have a restriction period of four years. The fair value of the equity compensation instruments is determined at the grant date and recorded to the income statement as personnel expenses with a corresponding offsetting entry to equity.

### 1.6. Interest bearing liabilities

Interest bearing liabilities are accounted for at nominal value. Long-term loans denominated in foreign currencies are converted at the current closing rate. Unrealised exchange losses are recorded immediately whereas unrealised exchange gains are not recorded (imparity principle).

## 2. Information and notes to the financial statements

### 2.1. Investments

| Company | 31/12/2021 | | 31/12/2020 | |
|---|---|---|---|---|
| | Share capital in 1 000 CHF | Capital and voting interest in % | Share capital in 1 000 CHF | Capital and voting interest in % |
| Arbonia Schweiz AG, Arbon | 1 000 | 100.00% | 1 000 | 100.00% |
| AFG International AG, Arbon | 1 000 | 100.00% | 1 000 | 100.00% |
| Arbonia Management AG, Arbon | 250 | 100.00% | 250 | 100.00% |
| Arbonia Services AG, Arbon | 250 | 100.00% | 250 | 100.00% |

All subsidiaries directly or indirectly held by Arbonia AG are disclosed in note 60 in the notes to the consolidated financial statements of Arbonia Group.

### 2.2. Current interest bearing liabilities

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Loans to shareholdings | 287 001 | 179 534 |
| **Total** | **287 001** | **179 534** |

On 3 November 2020, Arbonia had entered into a syndicated loan for CHF 250 million. This loan, arranged with a consortium of domestic and foreign banks, has a term of five years, with the option to extend the agreement twice for one year each. In 2021, the first extension option was exercised, so that the term now runs until 2026. As at 31 December 2021 and 31 December 2020, Arbonia has not drawn on the syndicated loan.

### 2.3. Non-current interest bearing liabilities

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Promissory note loan | 142 272 | 142 272 |
| Loans to shareholdings | 8 656 | |
| **Total** | **150 928** | **142 272** |

On 20 April 2018, Arbonia had taken up a promissory note loan in the amount of EUR 125 million with maturities of five, seven and ten years. In November 2020, Arbonia repaid EUR 4 million of the five-year tranche prematurely.

**Maturity structure**

| in 1 000 CHF | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Within 5 years | 139 170 | 130 514 |
| Over 5 years | 11 758 | 11 758 |
| **Total** | **150 928** | **142 272** |

### 2.4. Share capital

Refer to note 48 in the notes to the consolidated financial statements of Arbonia Group.

### 2.5. Capital contribution reserve

The capital contribution reserve includes the premium from the capital increases in 2007, 2009, 2015, 2016 and 2017 reduced by previous distributions.

The distribution from capital contribution reserve is fiscally treated like a redemption of share capital. The Swiss Federal Tax Administration (FTA) has confirmed the disclosed capital contribution reserve (balance as of 31 December 2020) as capital contribution within the meaning of article 5 para. 1bis VStG.

## 2.6. Treasury shares

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Ø market value in CHF | Number of shares | Amount in 1 000 CHF | Ø market value in CHF | Number of shares | Amount in 1 000 CHF |
| **Balance at 01/01** | **14** | **282 386** | **4 009** | **17** | **532 380** | **9 102** |
| Purchase | 17 | 375 745 | 6 266 | 9 | 105 300 | 983 |
| Transfer for share based payments | 16 | – 307 758 | – 4 898 | 9 | – 355 294 | – 3 137 |
| Gain (+) / loss (–) | | | 323 | | | – 2 938 |
| **Balance at 31/12** | **16** | **350 373** | **5 700** | **14** | **282 386** | **4 009** |

## 2.7. Financial income

Financial income totals CHF 9.5 million (2020: CHF 13.3 million) and consists mainly of interest income on loans to shareholdings and foreign currency exchange gains.

## 2.8. Financial expenses

Financial expenses totals CHF 12.0 million (2020: CHF 14.1 million) and consists mainly of bank interest and foreign currency exchange losses.

## 2.9. Other operating expenses

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Administrative costs | 7 143 | 5 046 |
| Consultancy and audit fees | 241 | 239 |
| Other operating expenses | – 53 | 142 |
| **Total** | **7 331** | **5 427** |

## 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:

| | | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **UBS AG** | | | |
| in favour of AFG Immobilien AG | in 1 000 CHF | 2 655 | 3 455 |
| in favour of RWD Schlatter AG | in 1 000 CHF | 465 | 465 |
| in favour of EgoKiefer AG | in 1 000 CHF | | 340 |
| in favour of Prolux Solutions AG | in 1 000 CHF | | 26 |
| | | | |
| **Credit Suisse** | | | |
| in favour of EgoKiefer AG | in 1 000 CHF | | 87 |
| | | | |
| **UniCredit Bank** | | | |
| in favour of Kermi GmbH | in 1 000 EUR | 625 | 625 |
| in favour of Wertbau GmbH | in 1 000 EUR | | 1 869 |
| in favour of Kermi sp. z o.o. | in 1 000 EUR | 112 | 112 |
| in favour of TPO Holz-Systeme GmbH | in 1 000 EUR | 110 | 68 |

### 3.2. Contingent liabilities

A joint and several liability exists towards the affiliated subsidiaries under the cash pooling agreement with UniCredit Bank AG and since 2020 with UBS Switzerland AG.

### 3.3. Major shareholders

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| | Voting and capital interest | Voting and capital interest |
| Artemis Beteiligungen I AG | 22.09% | 22.09% |

### 3.4. Derivative financial instruments

| | | | 31/12/2021 |
|---|---|---|---|
| in 1 000 CHF | Contract value | Replacement value | |
| | | positive | negative |
| Commodity contracts | 43 | 15 | – 58 |
| **Total financial instruments** | **43** | **15** | **– 58** |

### 3.5. Headcount in full-time equivalents

Arbonia AG does not employ any staff.

### 3.6. Disclosure of shareholding

The following members of the Board of Directors and the Group Management (including related parties) held the following number of shares of Arbonia AG:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| | Number of registered shares | Number of registered shares |
| Alexander von Witzleben (Chairman of the BoD and Group Management) | 650 209 | 441 139 |
| Peter Barandun (Member of the BoD) | 62 452 | 56 405 |
| Peter E. Bodmer (Member of the BoD) | 35 669 | 31 436 |
| Markus Oppliger (Member of the BoD) | 34 967 | 31 943 |
| Heinz Haller (Member of the BoD) | 124 233 | 120 000 |
| Michael Pieper (Member of the BoD) | 15 346 940 | 15 343 312 |
| Thomas Lozser (Member of the BoD) | 366 074 | 366 074 |
| Carsten Voigtländer (Member of the BoD) | 13 337 | 5 069 |
| Daniel Wüest (Group Management) | 41 901 | 31 549 |
| Claudius Moor (Group Management) | 15 249 | 8 971 |
| Alexander Kaiss (Group Management from 01/07/2021) | 24 437 | |
| Knut Bartsch (Group Management until 30/06/2021) | | 69 495 |
| Ulrich Bornkessel (Group Management until 30/06/2021) | | 42 581 |
| Nicolas Casanovas (Group Management until 31/08/2021) | | 5 829 |
| **Total** | **16 715 468** | **16 553 803** |

# Proposal of the Board of Directors

The Board of Directors will propose at the Annual General Meeting of the shareholders on 22 April 2022 the following:

### Appropriation of Retained Earnings

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Retained earnings carried forward from previous year | 195 937 | 199 259 |
| Net profit for the year | 9 844 | 12 921 |
| Plus undistributed dividends from treasury shares | | 83 |
| **Retained earnings** | **205 781** | **212 263** |
| | | |
| Distribution of a dividend [1] for the financial year 2019 | | – 7 642 |
| Distribution of a dividend [1] for the financial year 2020 | | – 8 684 |
| Distribution of a dividend [1] for the financial year 2021 | – 10 421 | |
| **Retained earnings carried forward** | **195 360** | **195 937** |

### Appropriation of capital contribution reserve

| in 1 000 CHF | 2021 | 2020 |
|---|---|---|
| Carry forward from previous year | 453 159 | 469 402 |
| Withholding tax free distribution [1] for the financial year 2019 | | – 7 642 |
| Withholding tax free distribution [1] for the financial year 2020 | | – 8 684 |
| Withholding tax free distribution [1] for the financial year 2021 | – 10 421 | |
| Plus non distribution for treasury shares | | 83 |
| **Capital contribution reserve carried forward** | **442 738** | **453 159** |

[1] No distribution for treasury shares at the time of payment.

KPMG

# 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 2021, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 214 to 219) for the year ended 31 December 2021 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 responsi-bilities 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.

KPMG

### Valuation of investments and loans due from shareholdings

**Key Audit Matter**

The financial statements of Arbonia AG as at 31 December 2021 include investments amounting to CHF 788.8 million and loans due from shareholdings (included in the balance sheet items "Other receivables shareholdings" as well as "Loans to shareholdings") amounting to CHF 411.4 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 1.2 „Other current receivables", page 216

— Note 1.3 „Financial assets/non-current loans", page 216

— Note 2.1 „Investments", page 217

**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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and 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

| | |
|---|---|
| Kurt Stocker<br>Licensed Audit Expert<br>Auditor in Charge | David Grass<br>Licensed Audit Expert |

St. Gallen, 23 February 2022

# Notes

# Alternative Performance Measures

Arbonia uses alternative performance measures (APM) as guidance measures for both internal reporting to management and external reporting to stakeholders. The APM used by Arbonia have not been prepared in accordance with IFRS accounting policies and are discussed in detail below. The APM serve as supplementary information components and should therefore always be read and interpreted in conjunction with the consolidated financial statements prepared in accordance with IFRS. The APM used by Arbonia do not necessarily agree with the same or similar titled measures of other or comparable companies.

**EBITDA without one-time effects/adjusted**
The elimination of one-time effects provides an adjusted and thus better comparable presentation of the operating result over time. Discontinued operations as defined by IFRS 5 are not included. The following one-time effects are eliminated by Arbonia:
– Costs resulting from creation of provisions or income resulting from reversal of provisions for restructurings and reorganisation as well as closure costs
– Ramp-up costs for new production sites
– Consultancy and integration costs from acquisitions
– Consultancy costs from disposal of subsidiaries
– Gains and losses from sale of properties and associated companies
– Real estate development costs
– Costs in connection with personnel changes / leave of absence in Group and Division management

**EBITA without one-time effects/adjusted**
– Impairments
– Reversal of impairments

**EBIT without one-time effects/adjusted**
– Impairments on intangible assets from acquisitions

**Group result before income tax without one-time effects/adjusted**
– Impairments and reversal of impairments on loans granted

**Group result after taxes without one-time effects/adjusted**
– Tax effect on one-time effects
– Tax consequences from disposal of subsidiaries

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

| in 1000 CHF | | | | | | | | | | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | IFRS | % | Gain from sale of properties | Costs for restructurings and reorganisation | Consultancy and integration costs from acquisitions | Various | Tax effects on one-time effects | without one-time effects/ adjusted | % |
| **HVAC** | **EBITDA** | **61 916** | **9.8** | **– 328** | **8 799** | **195** | | | **70 581** | **11.2** |
| | **EBITA** | **29 930** | **4.7** | | **4 009** | | | | **42 604** | **6.8** |
| | **EBIT** | **25 538** | **4.1** | | | | | | **38 212** | **6.1** |
| **Doors** | **EBITDA** | **76 191** | **13.8** | | | | **100** | | **76 291** | **13.8** |
| | **EBITA** | **54 483** | **9.9** | | | | | | **54 583** | **9.9** |
| | **EBIT** | **43 161** | **7.8** | | | | | | **43 261** | **7.8** |
| **Corporate Services** | **EBITDA** | **– 13 419** | | | **433** | **440** | | | **– 12 546** | |
| | **EBITA** | **– 15 401** | | | | | | | **– 14 528** | |
| | **EBIT** | **– 15 401** | | | | | | | **– 14 528** | |
| **Group** | **Net revenues** | **1 186 177** | **100.0** | | | | | | **1 186 177** | **100.0** |
| | Other operating income | 16 944 | 1.4 | – 328 | | | | | 16 616 | 1.4 |
| | Capitalised own services | 6 140 | 0.5 | | | | | | 6 140 | 0.5 |
| | Changes in inventories of semi-finished and finished goods | 12 005 | 1.0 | | | | | | 12 005 | 1.0 |
| | Cost of material and goods | – 548 875 | – 46.3 | | 257 | | | | – 548 618 | – 46.3 |
| | Personnel expenses | – 386 674 | – 32.6 | | 7 914 | | | | – 378 760 | – 31.9 |
| | Other operating expenses | – 161 019 | – 13.6 | | 1 061 | 635 | 100 | | – 159 223 | – 13.4 |
| | **EBITDA** | **124 698** | **10.5** | | | | | | **134 337** | **11.3** |
| | Depreciation, amortisation and impairments | – 55 675 | – 4.7 | | 4 009 | | | | – 51 666 | – 4.4 |
| | **EBITA** | **69 023** | **5.8** | | | | | | **82 671** | **7.0** |
| | Amortisation of intangible assets from acquisitions | – 15 715 | – 1.3 | | | | | | – 15 715 | – 1.3 |
| | **EBIT** | **53 308** | **4.5** | | | | | | **66 956** | **5.6** |
| | Financial income | 621 | 0.1 | | | | | | 621 | 0.1 |
| | Financial expenses | – 10 005 | – 0.8 | | | | | | – 10 005 | – 0.8 |
| | **Group result before income tax** | **43 924** | **3.7** | | | | | | **57 572** | **4.9** |
| | Income tax expense | – 16 384 | – 1.4 | | | | | – 68 | – 16 452 | – 1.4 |
| | **Group result from continuing operations** | **27 540** | **2.3** | | | | | | **41 120** | **3.5** |

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

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

| in 1000 CHF | | | | | | | | 2020 |
|---|---|---|---|---|---|---|---|---|
| | | IFRS | % | Gain from sale of properties | Costs for restructurings and reorganisation | Tax effects on one-time effects | without one-time effects/adjusted | % |
| **HVAC** | **EBITDA** | **59 182** | **11.2** | | **426** | | **59 608** | **11.3** |
| | **EBITA** | **33 253** | **6.3** | | | | **33 679** | **6.4** |
| | **EBIT** | **29 607** | **5.6** | | | | **30 033** | **5.7** |
| **Doors** | **EBITDA** | **66 140** | **13.0** | | | | **66 140** | **13.0** |
| | **EBITA** | **46 407** | **9.1** | | | | **46 407** | **9.1** |
| | **EBIT** | **35 138** | **6.9** | | | | **35 138** | **6.9** |
| **Corporate Services** | **EBITDA** | **– 9 031** | | **– 2 248** | | | **– 11 279** | |
| | **EBITA** | **– 10 874** | | | | | **– 13 122** | |
| | **EBIT** | **– 10 874** | | | | | **– 13 122** | |
| **Group** | **Net revenues** | **1 038 421** | **100.0** | | | | **1 038 421** | **100.0** |
| | Other operating income | 14 807 | 1.4 | – 2 098 | | | 12 709 | 1.2 |
| | Capitalised own services | 6 369 | 0.6 | | | | 6 369 | 0.6 |
| | Changes in inventories of semi-finished and finished goods | 3 333 | 0.3 | | | | 3 333 | 0.3 |
| | Cost of material and goods | – 454 017 | – 43.7 | | | | – 454 017 | – 43.7 |
| | Personnel expenses | – 345 604 | – 33.3 | | 353 | | – 345 251 | – 33.2 |
| | Other operating expenses | – 147 017 | – 14.2 | – 150 | 72 | | – 147 095 | – 14.2 |
| | **EBITDA** | **116 292** | **11.2** | | | | **114 470** | **11.0** |
| | Depreciation, amortisation and impairments | – 47 505 | – 4.6 | | | | – 47 505 | – 4.6 |
| | **EBITA** | **68 787** | **6.6** | | | | **66 965** | **6.4** |
| | Amortisation of intangible assets from acquisitions | – 14 915 | – 1.4 | | | | – 14 915 | – 1.4 |
| | **EBIT** | **53 872** | **5.2** | | | | **52 050** | **5.0** |
| | Financial income | 469 | 0.0 | | | | 469 | 0.0 |
| | Financial expenses | – 13 401 | – 1.3 | | | | – 13 401 | – 1.3 |
| | **Group result before income tax** | **40 940** | **3.9** | | | | **39 118** | **3.8** |
| | Income tax expense | – 11 210 | – 1.1 | | | 213 | – 10 997 | – 1.1 |
| | **Group result from continuing operations** | **29 730** | **2.9** | | | | **28 121** | **2.7** |

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

**Acquisition and currency adjusted growth (organic growth)**
Acquisition and currency adjusted growth excludes effects from acquisitions and disposals of companies and currency effects.

In the acquisition adjusted growth, revenues of the acquired companies are eliminated in the year of acquisition. For companies acquired in the previous year, revenues of the current year are included for the same period as in the previous year. Discontinued operations within the meaning of IFRS 5 are eliminated.

In the currency adjusted growth, revenues of the current year in the functional currency of the respective company are translated at the average exchange rates of the same previous year period.

**Net debt**
Current and non-current financial debts plus current and non-current lease liabilities minus cash and cash equivalents

**Leverage ratio**
Net debt divided by EBITDA

**Free cash flow**
Cash flow from operating and investing activities

**Operational free cash flow**
Cash flow from operating and investing activities without expansion capital expenditures

**Capital expenditures**
Maintenance and expansion capital expenditures

# Supplementary Information for Investors

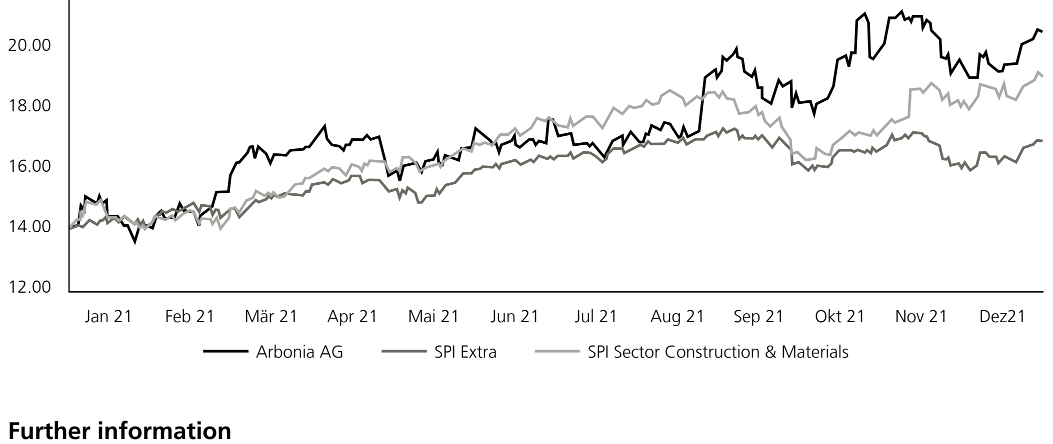
| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Number of shares** | | | | | |
| Registered par value CHF 4.20 | 69 473 243 | 69 473 243 | 69 473 243 | 69 473 243 | 69 473 243 |
| Registered par value CHF 4.20 average number | 69 473 243 | 69 473 243 | 69 473 243 | 69 473 243 | 69 061 804 |
| | | | | | |
| **Stock market prices in CHF** | | | | | |
| Highest | 21.5 | 14.2 | 13.5 | 18.3 | 19.1 |
| Lowest | 13.6 | 5.8 | 10.0 | 10.5 | 15.1 |
| 31/12 | 20.6 | 14.2 | 12.6 | 10.8 | 16.3 |
| | | | | | |
| **Stock market capitalisation in CHF million (31/12)** | **1 431.1** | **986.5** | **875.4** | **750.3** | **1 128.9** |
| | | | | | |
| **Per share data** | | | | | |
| Gross dividend in CHF [1] | 0.30 | 0.47 | 0.00 | 0.20 | 0.00 |
| Pay-out ratio (in % of Group earnings) | 15.0 | 72.4 | 0.0 | 29.9 | 0.0 |
| Group earnings in CHF [2] | 2.0 | 0.7 | 0.4 | 0.7 | 0.7 |
| Cash flow from operating activities in CHF | 1.3 | 2.0 | 1.6 | 1.0 | 1.0 |
| Shareholders' equity in CHF | 15.0 | 12.9 | 12.6 | 12.8 | 12.4 |
| Price/earnings ratio (highest) [2] | 10.8 | 22.0 | 35.7 | 27.6 | 28.4 |
| Price/earnings ratio (lowest) [2] | 6.8 | 8.9 | 26.5 | 15.8 | 22.4 |
| Price/earnings ratio (31/12) [2] | 10.3 | 22.0 | 33.4 | 16.3 | 24.2 |
| Price/cash flow ratio (highest) | 16.1 | 7.0 | 8.4 | 18.3 | 19.1 |
| Price/cash flow ratio (lowest) | 10.2 | 2.8 | 6.2 | 10.4 | 15.1 |
| Price/cash flow ratio (31/12) | 15.4 | 7.0 | 7.8 | 10.8 | 16.3 |

1 2022 proposal to the Annual General Meeting
2 2021 includes the disposal gain for the Windows Division

# Capital market review

Due to the high number of Corona cases as well as the associated uncertainty, stock markets initially started off the year 2021 with a "wait-and-see" attitude and therefore only rose insignificantly in the first two months. Starting in March, however, share prices continuously increased when many companies reported positive annual results, the economy steadily improved, and many pandemic containment measures were withdrawn. This development temporarily slowed down at the end of April / beginning of May, as a renewed increase in case numbers and supply bottlenecks led to a sharp increase in raw material prices. Case numbers then went down again, and the economy continued its robust recovery. In September, however, new fears caused the markets to consolidate: The default of the highly indebted Chinese real estate group Evergrande fuelled fears of a new financial crisis. These did not come true, but the appearance of the omicron variant, the announcement that the US Federal Reserve would end its low-interest policy, and continuing bottlenecks in the supply chain were sufficient to slow down the markets until the end of the year. However, the supposedly cyclical construction supply industry was able to grow further, and the sector index SPI Sector Construction & Materials was able to increase by 35.3% in 2021, while the SPI Extra "only" increased by 20.0%.

Arbonia shares initially started with a positive reaction to the sale of the Windows Division in 2021 and achieved their highest level (CHF 15.16) since August 2018 before they adjusted to the market sentiment and dropped under the mark of CHF 14.00 due to profit taking. Afterwards, the exceptionally positive results of the financial year 2020 boosted the shares, and they again achieved new heights and remained significantly above the benchmark indices until the end of April. After the distribution of the combined dividend for the financial years 2019 and 2020, however, some shareholders apparently used the high share price to realise profits. As a consequence, Arbonia shares rose less sharply than other companies in the building supply sector and then, shortly before the half-year results, hardly at all, due to the concern about high raw material prices and supply bottlenecks. Upon the announcement of the very good results, these concerns disappeared though, and the shares rose sharply again before they briefly consolidated, only to rise sharply again after the announcement of the new mid-term targets (until 2026) on the Capital Markets Day. In this phase, the shares reached its annual peak at CHF 21.25, which would have corresponded to an annual performance of 50.1%. At the end of the year, general economic uncertainties dominated events again, causing Arbonia shares to consolidate and only rise a little at the end of the year. They closed out the year 2021 at a price of CHF 20.60, which corresponds to a share price increase of 45.5% compared to the beginning of the year (CHF 14.16). On the whole, Arbonia shares thus achieved a considerable excess return compared to the benchmark indices.




**Further information**

| ISIN | Securities number | Bloomberg code | ThomsonReuters code |
|---|---|---|---|
| CH0110240600 | 11 024 060 | ARBN SW | ARBNO.S |
| **Listed shares:** | 69 473 243 | **Nominal value:** | CHF 4.20 |

# Adresses

**Arbonia AG**
Amriswilerstrasse 50
9320 Arbon
Switzerland
T +41 71 447 41 41
holding@arbonia.com
www.arbonia.com

**Arbonia Doors AG**
Amriswilerstrasse 50
9320 Arbon
Switzerland
info@arbonia.com

**Arbonia HVAC AG**
Amriswilerstrasse 50
9320 Arbon
Switzerland
info@arbonia.com

**Arbonia Solutions AG**
Amriswilerstrasse 50
9320 Arbon
Switzerland
T +41 71 447 47 47
info@arbonia.ch
www.arbonia.ch

**Baduscho Dusch- und Badeeinrichtungen**
Produktions- und
Vertriebsgesellschaft m.b.H
Heidestrasse 9
2433 Margarethen am
Moos
Austria
T +43 22 30 280 50
info@baduscho.at
www.baduscho.at

**Bekon-Koralle AG**
Baselstrasse 61
6252 Dagmersellen
Switzerland
T +41 62 748 60 60
info@koralle.ch
www.koralle.ch

**Brugman Radiatorenfabriek BV**
Boskampstraat 26
7651 AM Tubbergen
Netherlands
T +31 546 62 93 20
info@brugman.eu
www.brugman.eu

**Cicsa Industriales Del Calor**
Paseo de las Flores,
nº 21-27 – Nave 2
Pol. Ind. Logipark.
28823 Coslada (Madrid)
Spain
T +34 34 914 850 867
cicsa@e-cicsa.com
www.e-cicsa.com

**GARANT Türen und Zargen GmbH**
OT Ichtershausen
Garantstrasse 1
Gewerbepark Thörey
99334 Amt Wachsenburg
Germany
T +49 36202 910
service@garant.de
www.garant.de

**Glasverarbeitungs-Gesellschaft Deggendorf m.b.H**
Auwiesenstraße 6
94469 Deggendorf
Germany
T +49 991 25080
info@arbonia-glasloesungen.de
www.arbonia-glassolutions.de

**Invado Sp. z o.o.**
Dzielna, ul. Lesna 2
42-793 Ciasna
Poland
T +48 34 35 10 540
biuro@invado.pl
www.invado.pl

**Kermi GmbH**
Pankofen-Bahnhof 1
94447 Plattling
Germany
T +49 9931 50 10
info@kermi.de
www.kermi.de

**Kermi s.r.o.**
Ul. Dukelská 1427
349 01 Stříbro
Czech Republic
T +420 374 611 111
info@kermi.cz
www.kermi.cz

**Koralle Sanitärprodukte GmbH**
Wilhelmstrasse 8
32602 Vlotho
Germany
T +49 5733 14 0
info@koralle.de
www.koralle.de

**LLC AFG RUS**
Ul. Industrialnaja
Vladenie 4D. str.1
142804 Stupino
Russia
T +7495 646 2719
info@afg-rus.ru

**Prolux Solutions AG**
Amriswilerstrasse 50
9320 Arbon
Switzerland
T +41 71 447 48 48
info@prolux-ag.ch
www.prolux-ag.ch

**PRÜM-Türenwerk GmbH**
Andreas-Stihl-Strasse 1
94595 Weinsheim
Germany
T +49 6551 1470 01
kontakt@tuer.de
www.tuer.de

**PZP HEATING a.s.**
Dobré 149
51 793 Dobré
Czech Republic
T +420 494 664 203
info@pzpheating.com
www.pzpheating.com

**RWD Schlatter AG**
St. Gallerstrasse 21
9325 Roggwil
Switzerland
T +41 71 454 63 00
info@rwdschlatter.ch
www.rwdschlatter.ch

**Sabiana S.p.A.**
Via Piave 53,
20011 Corbetta (MI)
Italy
T +39 02 972031
info@sabiana.it
www.sabiana.it

**Tecna S. L.**
Avenida de la Vega, 24
28108 Alcobendas
(Madrid)
Spain
T +34 91 628 20 56
comercial@tecna.es
www.tecna.es

**Termovent Komerc d.o.o.**
Kneza Miloša 88a
Skyline, 1. sprat
11000 Belgrade
Serbia
T +381 11 3087 404
info@termovent.rs
www.termovent.rs

**Termovent**
Đerdapski put bb
19320 Kladovo
Serbia
T +381 (11) 3087 404
info@termovent.rs
www.termovent.rs

**TPO Holz-Systeme GmbH**
Färbereistraße 8
91578 Leutershausen
Germany
T +49 9823 454
info@tpo-holz.de

**Vasco Group NV**
Kruishoefstraat 50
3650 Dilsen
Belgium
T +32 89 79 04 11
info@vasco.eu
www.vasco.eu

**Vasco Group Sp. Z.o.o.**
Ul. Jaworzýnska 295
59-220 Legnica
Poland
T +48 76 850 83 90
sprzedaz@vasco.pl
www.vasco.pl

# Glossary

**Air handling unit** Ventilation system for large-scale use in residential, office and business premises. Outside air is supplied to the rooms and "used" or polluted exhaust air is discharged. It transports, filters, heats, cools and disinfects the air.

**Artemis Beteiligungen I AG** Affiliated company that is controlled by Michael Pieper and has been the main shareholder in Arbonia AG since December 2014.

**Building Information Modeling (BIM)** Describes a method of networked planning, execution and management of buildings and other constructions with the help of software. All relevant building data is digitally modelled, combined and recorded. The structure is also geometrically visualised as a virtual model.

**Cash flow** Positive or negative surplus cash arising from commercial activity, measured over a certain period. Cash flow can be used to evaluate how financially strong a company is.

**Cash flow from operating activities** Describes the liquid funds generated by the business activity in a given period. The operating cash flow includes the net income for the year, changes in depreciation, amortization, provisions and current assets.

**Combined heat and power (CHP)** The simultaneous generation of mechanical energy and usable heat produced in a joint thermodynamic process. The mechanical energy is usually converted directly into electrical power. The heat is used for heating purposes. The advantage of CHP is the reduced fuel requirement for simultaneous electricity and heat production, which greatly reduces greenhouse gas emissions. CHP can be used with almost any fuel and heat source.

**Computerized Numerical Control (CNC)** Refers to an electronic process for controlling machine tools which, through the use of control technology, are capable of automatically producing workpieces with high precision, even for complex shapes.

**Controlled residential ventilation** A mechanical form of ventilation, used for ventilating residences with heat recovery. An integrated heat exchanger is used to transfer heat energy from the exhaust air to the outside air supply. Residential ventilation ensures that air is replaced in the building at a defined rate, creating a hygienic means of air exchange.

**EBIT** Earnings Before Interests and Taxes: a company's operating results before interest and taxes are taken into account.

**EBIT margin** Indicates EBIT in relation to revenue.

**EBITDA** Earnings Before Interests and Taxes, Depreciations and AmortiSation: a company's operating results before interest, taxes, depreciation and amortisation are taken into account. EBITDA is one of the most meaningful figures in evaluating a company's earning power.

**EBITDA margin** Indicates EBITDA in relation to revenue.

**Employer branding** A strategic corporate measure to present a company as an attractive employer. The goal is essentially to permanently increase the efficiency of personnel recruitment as well as the quality of applicants due to the marketing effect. In addition, qualified and committed employees are to be tied to the company in the long term through a higher level of identification and the development of an emotional bond.

**Equity ratio** Indicates the shareholders' equity in relation to total capital. It is used to assess a company's financial capacity and stability. If the equity ratio is high, you can assume that the company is less dependent on third-party funds.

**Fan coil** Depending on the temperature of the flow water for a connected water heater/chiller, fan coils are able to heat, cool and dehumidify a room, and are able to provide ventilation and the option of filtering indoor air. This results in maximum comfort with optimum room air quality. A fan radiator is able to heat (but not cool) a room by means of convection when the fan is switched off.

**Free cash flow** The operating cash flow minus cash flow from investing activities; illustrates how much cash remains free for shareholder dividends and/or any repayment of debt financing that may be required.

**Heat pump** Draws its heat energy from the air, groundwater or soil, and uses this extremely efficiently to generate the heat required for heating drinking water and rooms. Compared to heat pumps, no other kind of heat generator is a more environmentally sustainable solution or is more fit for the future.

**Laminated safety glass** Consists of two or more glass panes joined together with highly tear-resistant, tough-elastic intermediate layers. In the event of mechanical overloading by impact and shock, the glass breaks, but the fragments adhere to the uninjured intermediate layer. This reduces the risk of injury and the glazing retains a residual stability.

**Manufacturing Execution System** A level of a multi-layer production management system that operates close to the process. Compared to similarly effective systems for production planning, the so-called ERP systems, the MES is characterised by the direct connection to the distributed systems of process automation and enables the management, guidance, control or monitoring of production in real time. This includes classic data acquisition and processing, but also all other processes that have a real-time effect on the production process.

**Market capitalisation** A company's stock market value. It is calculated using the number of shares x the current share price.

**Net debt** The total that remains when cash and cash equivalents are deducted from non-current liabilities. This expresses how much money would be needed to repay loans if the liquid assets were already used up and the company had to liquidate fixed and current assets.

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

**Redox flow technology** Storage technology based on vanadium in which electrical power can be stored. This storage technology is particularly climate-friendly, as it does not require rare materials and conflict raw materials, is fully recyclable and also has a high level of operational reliability and durability.

**Science Based Targets Initiative (SBTi)** An initiative of various organisations that sets reduction targets for greenhouse gas emissions. It specifies how much and how quickly a company must reduce its greenhouse gas emissions in order to limit global warming to below 1.5 °C in accordance with the Paris Agreement.

**Security Information and Event Management (SIEM)** Performs real-time analysis of security alerts from various sources, applications and network components to serve an organisation's computer security.

**Security Operations Centre (SOC)** A central point of contact that monitors, detects, analyses and resolves security incidents 24/7.

**Single-pane safety glass (ESG)** A glass in which a strong internal stress is built up by heat treatment. This significantly increases the impact and shock resistance compared to normal flat glass.

**Social engineering** Interpersonal influence with the aim of inducing certain behaviour in people, for example, to disclose confidential information, to buy a product or to release funds.

**Softforming** In this process, a profile is milled onto an already coated panel, which is later coated with a special edge banding machine. This creates a joint at the point where the panel coating meets the edge. This contrasts with the postforming process, in which the profile is coated with the same coating as the panel after the milling process, so that no joint is created.

**Stratified buffer storage** Ensures that heat generation and heat consumption are decoupled. This means that heat can be generated independently of the time of consumption. The heat pump does not have to restart every time the radiator is turned on, for example. The stratified buffer tank therefore stores the heat energy generated by the heat pump and transfers it to the heating system and to the domestic hot water.

**UN Global Compact** A worldwide pact made between companies and the UN to make globalisation more social and ecological. These companies undertake to comply with certain minimum social and ecological standards.

**Volume-weighted average price (VWAP)** Indicates the volume-weighted average price of a security in a given period.

# History

In **1874**, Franz Josef Forster opened a coppersmith's shop producing hot-water bottles, cookware and other receptacles. The company changed its name to Hermann Forster AG in 1922. By this time, it was manufacturing steel tubes.

In **1904**, Karl Schnitzler set up a factory to make heat exchangers under the Arbonia brand.

In **1954**, Arbonia AG was established.

In **1973**, the majority of the shares in Hermann Forster AG were transferred to Arbonia AG, which had been wholly owned by Jakob Züllig since 1959. The Arbonia-Forster Group comprised Hermann Forster AG (steel tubes technology, kitchens and refrigeration equipment), Arbonia AG (radiators and heaters), Asta AG (road transport) and Buhler-Regina AG (embroidery supplies).

In **1987**, AFG Arbonia-Forster-Holding AG was registered with the commercial register with CHF 30 million in share capital. A year later, the company was listed on the stock exchange.

In **1999**, Jakob Züllig, majority shareholder and Chairman of the Board of Directors, died. Prolux Heizkörper AG was bought in the same year.

In **2001**, AFG took over the German company Kermi GmbH, which provided a major boost for its radiator and shower stall business.

In **2003**, the Züllig estate sold its majority interest to Dr Edgar Oehler, the new CEO and Chairman of the Board of Directors.

In **2004**, there were three acquisitions: Bruno Piatti AG, Dietlikon ZH (CH); EgoKiefer AG, Altstätten SG (CH); and Spedition Gächter GmbH, Stachen-Arbon TG (CH).

In **2005**, there followed a further acquisition: in September, AFG acquired Miele Kitchens, based in Warendorf (D), from the German company Miele & Cie. KG, based in Gütersloh (D).

In **2006**, the Group acquired Schmidlin ASCO Swiss AG, Zwingen BL. The company specialises in underfloor convectors which, alongside their conventional heating function, can also be used for cooling.

In **2007**, AFG acquired STI Surface Technologies International Holding AG, Steinach SG (CH) and RWD Schlatter AG, Roggwil SG (CH). In September, AFG acquired the British company Aqualux Products Holdings Ltd.

In **2008**, AFG took over Slovaktual s.r.o., Slovakia's leading windows manufacturer. In October, AFG set up a new Asia Pacific regional branch with headquarters in Shanghai (CN).

In **2009**, AFG presented its new Warendorf brand of kitchens. This represents the successor to the Miele Kitchens (Miele Die Küche) brand.

In **2010**, shareholders at AFG's ordinary General Meeting approved the abolition of the hitherto unequal weighting of registered shares and bearer shares, introducing a single class of registered shares.

In **2011**, Edgar Oehler was succeeded as Chairman of the Board of Directors by Paul Witschi on 29 April and as CEO by Daniel Frutig on 1 June.

In **2012**, AFG sold its transport and logistics business Asta, its British subsidiary Aqualux and the German company Warendorf. With the acquisition of the Polish window manufacturer Dobroplast, it focused on expanding one of its core business areas.

In **2013**, AFG intensified its focus on its core business based on building envelope and interior. It sold off Forster Refrigeration Technology as well as Forster Precision Steel Tubes.

In **2014**, the AFG kitchen business and the STI Group were sold. AFG acquired Sabiana, a market leader in commercial heating, ventilation and air-conditioning. Artemis Beteiligungen I AG, led by Michael Pieper, became AFG's new main shareholder.

In **2015**, the General Meeting elected Alexander von Witzleben as the new Chairman of the Board of Directors. In July, he also assumed the role of interim CEO. In August, the Board of Directors decided to relocate the production plants to other European countries as a result of significant pressure from competition. The Eastern German window manufacturer Wertbau GmbH was also acquired in August. As part of a capital increase carried out with the aim of strengthening the Group's financial standing, Artemis Beteiligungen I AG reaffirmed its commitment to the Group and, by the end of the year, had increased its stake to just under 28%.

In **2016**, AFG acquired the Koralle Group, a specialist in sanitary facilities. The move marks an expansion of the Building Technology Division's product range and will help it enhance its position in the core markets of Switzerland, Germany and Austria with a lasting effect. In September, AFG announced the takeover of the Looser Group, which is also active in the building supply business and consists of two main arms: doors (Prüm, Garant and Invado) and industrial services (Condecta). This transaction represents an important step in AFG's efforts to achieve its strategic goal of becoming a leading European building supplier. As part of this transaction, AFG Arbonia-Forster-Holding AG was renamed Arbonia AG.

In **2017**, Arbonia's takeover of the Looser Group can come to a successful conclusion. Looser's Coatings business is sold in full in the first half of the year. In November, Arbonia is also selling Looser's Condecta Group. With the sale of the Profile Systems Business Unit in December, Arbonia will continue to focus on its three core areas of building technology, windows and doors. Following the split of the Building Technology Division in January 2018, this will become four core areas: HVAC, sanitary equipment, windows and doors.

In **2018**, Arbonia is taking an active part in the European market consolidation process in the area of design and steel panel radiators by acquiring the Belgian company Vasco Group for its Heating, Ventilation and Air Conditioning Division. The acquisition will expand its geographical footprint and strengthen the division's range of products.

**2019** stands for the Arbonia Group's commitment to development and optimization of its business models. The restructuring phase begun in 2015 is completed this year. In January, the company founds ARBONIA DIGITAL. This independently operating subsidiary pursues the goal of working together with the divisions to create digital solutions, services and business models that focus on customers and their needs. Also in January, the Doors Division, together with the Berlin-based PropTech company KIWI GmbH, presents a fully integrated, digital access solution for residential entrance doors for the first time at the BAU trade fair in Munich. In October, Arbonia opens its new production site for panel radiators in Russia, which will enable the HVAC Division to achieve further growth in Eastern European markets, especially in Russia.

**2020** is a successful year for Arbonia, although it is challenging due to the COVID 19 pandemic. Arbonia continues to focus on the relevant drivers of energy efficiency, urbanisation, digitalisation and automation. It is continuing to push ahead with the expansion and modernisation of its production capacities in all divisions and at all locations.

In **2021**, Arbonia is focusing on accelerating the further development of its two divisions, Heating, Ventilation and Air Conditioning (HVAC) and Doors, primarily through organic growth but also through acquisitions. The former Sanitary Equipment Division is being integrated into the Doors Division at the beginning of July and the Windows Division is being sold.

# Publication information

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Arbonia AG
Corporate Communications
Amriswilerstrasse 50
9320 Arbon
Switzerland
T +41 71 447 41 41
media@arbonia.com
www.arbonia.com

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# Dates

**22 April 2022**
35th Annual General Meeting

**23 August 2022**
Publication of first semester results 2022

**28 February 2023**
Financial media orientation and
Analysts' conference on the 2022 financial year
(Annual results incl. revenues)

**21 April 2023**
36th Annual General Meeting

www.arbonia.com/report2021