

Financial Report





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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		2020	
		in %		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 1 000 CHF	2021	2020
Group result	138 730	44 914
Other comprehensive income		
<i>Items that will not be reclassified to income statement</i>		
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
<i>Items that may be reclassified subsequently to income statement</i>		
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 1 000 CHF		31/12/2021		31/12/2020	
	Note	in %		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 1000 CHF		31/12/2021		31/12/2020	
	Note	in %		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 shareholders' 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 CICSА 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	Eliminations	Total Group
Sales with third parties at point in time	626 067	484 821	1 110 888	3 836		1 114 724
Sales with third parties over time	4 481	66 972	71 453			71 453
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
<i>in % of net revenues</i>	9.8	13.8	11.7			10.5
Depreciation and amortisation	- 27 573	- 21 708	- 49 281	- 1 982		- 51 263
Impairment property, plant and equipment	- 4 413		- 4 413			- 4 413
Segment results II (EBITA)	29 930	54 483	84 413	- 15 401	10	69 022
<i>in % of net revenues</i>	4.7	9.9	7.1			5.8
Amortisation of intangible assets from acquisitions	- 4 392	- 11 322	- 15 715			- 15 715
Segment results III (EBIT)	25 538	43 161	68 698	- 15 401	10	53 308
<i>in % of net revenues</i>	4.1	7.8	5.8			4.5
Interest income	229	86	315	5 055	- 5 331	39
Interest expenses	- 4 229	- 2 575	- 6 804	- 4 005	5 332	- 5 477
Minority share from associated companies		- 1 060	- 1 060			- 1 060
Other financial result	- 2 875	- 2 888	- 5 764	13 804	- 10 926	- 2 886
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
<i>in % of net revenues</i>	<i>11.2</i>	<i>13.0</i>	<i>12.1</i>			<i>11.2</i>
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
<i>in % of net revenues</i>	<i>6.3</i>	<i>9.1</i>	<i>7.7</i>			<i>6.6</i>
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
<i>in % of net revenues</i>	<i>5.6</i>	<i>6.9</i>	<i>6.2</i>			<i>5.2</i>
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
<i>in % of net revenues</i>	<i>11.2</i>	<i>11.6</i>	<i>11.3</i>
Segment results II (EBITA)	68 787	20 657	89 444
<i>in % of net revenues</i>	<i>6.6</i>	<i>5.8</i>	<i>6.4</i>
Segment results III (EBIT)	53 872	19 408	73 280
<i>in % of net revenues</i>	<i>5.2</i>	<i>5.4</i>	<i>5.2</i>
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 transferred 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 acquisition		- 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	Technologies	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 liabilities	4 007
Other liabilities	519
Financial debts	3 404
Lease liabilities	430
Accruals and deferred income	402
Provisions	370
Deferred income tax liabilities	1 061
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 1000 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 1000 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 1000 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:

in 1000 CHF	31/12/2021						
	Book value	Contractual cash flows	up to 6 months	7 to 12 months	between 1 and 2 years	between 2 and 5 years	after 5 years
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.

in 1000 CHF	31/12/2021					
	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 1000 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 1 000 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:

in 1 000 CHF	31/12/2021		31/12/2020	
	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.

ment 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.

Pension plans in Germany

The occupational pension provision in Germany is subject to the pension law. The method of the direct commit-

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 adjustments	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	31/12/2021			31/12/2020		
	quoted	unquoted	Total	quoted	unquoted	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	Benefit payments			
	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:

Category	31/12/2021			31/12/2020		
	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:

in 1 000 CHF	31/12/2021			31/12/2020		
	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
<i>Changes in non-cash transactions</i>		
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
<i>Changes in working capital</i>		
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
<i>Changes in liabilities</i>		
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 finan- cial 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			
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			
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 Sarl	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



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.



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		2020	
		in %		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		31/12/2020	
		in %		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		31/12/2021		31/12/2020	
	Note	in %		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

in 1 000 CHF	Contract value	31/12/2021	
		Replacement value positive	Replacement value 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.



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 responsibilities in accordance with these requirements.

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

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



Valuation of investments and loans due from shareholdings

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of investments and loans due from shareholdings

Key Audit Matter

The financial statements of Arbonia AG as at 31 December 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
Licensed Audit Expert
Auditor in Charge

David Grass
Licensed Audit Expert

St. Gallen, 23 February 2022