ARBONIA
ANNUAL REPORT

2023

ARBONIA

Climate Division

Areas of activity

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

Brands

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

Production sites

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

Average headcount in FTE 2023

3 054

Doors Division

Areas of activity

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

Brands

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

Production sites

- Ciasna (PL)
- Dagmersellen (CH)
- Deggendorf (D)
- Ichtershausen (D)
- Plattling (D)
- Renchen (D)
- Roggwil (CH)
- Weinsheim (D)

Average headcount in FTE 2023

3 025

Key figures 2019–2023

in CHF million	2023[1]	2022[1]	2021[2]	2020[2]	2019[2]
Net revenue	1081.2	1 202.1	1 186.2	1 038.4	1 057.8
EBITDA[3]	73.1	108.3	124.7	116.3	100.7
EBIT[3]	–4.7	37.0	53.3	53.9	40.1
Group result[3]	–17.2	20.7	27.5	29.7	22.5
Total assets	1482.6	1 519.5	1 623.3	1 515.2	1 534.4
Shareholders' equity	921.0	987.5	1 044.3	893.2	873.3
in % of total assets	62.1	65.0	64.3	59.0	56.9
Net cash/debt	208.8	184.4	–93.2	140.6	180.6
Cash flow from operating activites	101.0	–25.8	92.8	141.3	111.8
Free cash flow	2.4	–245.5	252.7	52.5	8.4
Capex	93.0	174.5	149.1	95.5	113.0
Average headcount in FTE	6 174	6532	6 177	5 813	5 783

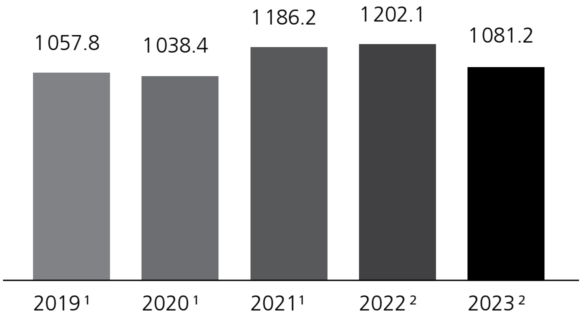
[1] Incl. discontinued operations (incl. Climate Division), 2022 without Windows Division
[2] Continuing operations (without Windows Division)
[3] With one-time effects

Information for Investors

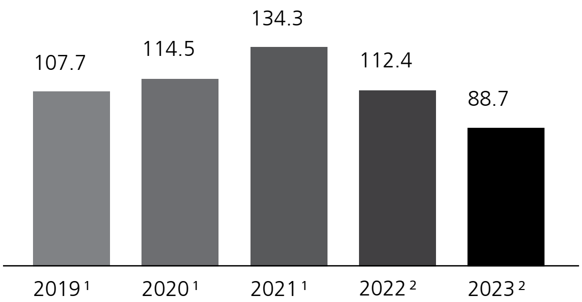
	2023	2022	2021	2020	2019
Share price on 31.12. in CHF	9.6	12.9	20.6	14.2	12.6
Market capitalisation in CHF million[4]	669.0	896.2	1 431.1	986.5	875.4
Earnings per share in CHF	– 0.3	0.3	2.0[5]	0.7	0.4
Price/earnings ratio per share[4]	– 38.7	46.5	10.3[5]	21.9	33.1
Gross dividend per share in CHF	0.00[6]	0.30	0.30	0.47[7]	0.00[7]

[4] Calculated on the basis of the share price on 31 December
[5] 2021 includes the proceeds from the sale of the Windows Division
[6] Due to ongoing negotiations on the sale of the Climate Division, the ordinary dividend will be proposed at an Extraordinary General Meeting.
[7] Combined dividend for the 2019 financial year of CHF 0.22 and the 2020 financial year of CHF 0.25 paid out in 2020.

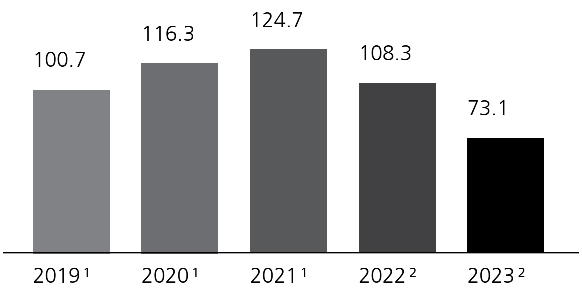
Net revenues



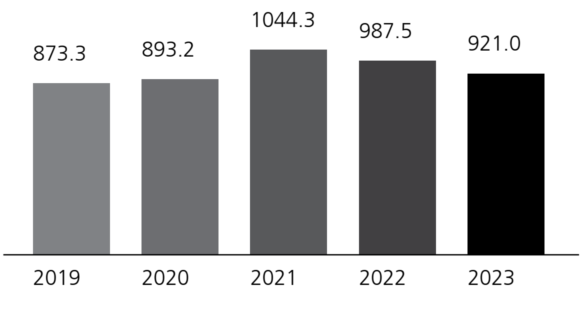
EBITDA without one-time effects



EBITDA with one-time effects



Shareholders' equity



[1] Continuing operations (without Windows Division)
[2] Continuing and discontinued operations (incl. Climate Division), 2022 without Windows Division

All figures in CHF M

Management Report of the Group

Sustainability Report

Group

Financial Report

Notes

Letter to the shareholders

During the financial year, the Arbonia Group (Arbonia) was exposed to a historic slump affecting the construction industry in its markets, which resulted in a volume decrease of up to 30 % for our products in individual markets.

In addition to inflationary increases in construction costs and sharp increases in interest rates, the construction industry was also subjected to political turmoil in Germany, which peaked with divisive negotiations within the "traffic light" coalition government regarding the German Buildings Energy Act (GEG). As a result, possibly record-breaking sales were posted for oil and gas heating systems in the 2023 financial year due to the political uncertainty. Yet at the same time, the market for energy-saving heat pumps headed for collapse, particularly in the fourth quarter of the year.

Dear Shareholders
Dear ladies and gentlemen

During the financial year, the Arbonia Group (Arbonia) was exposed to a historic slump affecting the construction industry in its markets, which resulted in a volume decrease of up to 30 % for our products in individual markets. In addition to inflationary increases in construction costs and sharp increases in interest rates, the construction industry was also subjected to political turmoil in Germany, which peaked with divisive negotiations within the "traffic light" coalition government regarding the German Buildings Energy Act (GEG). As a result, possibly record-breaking sales were posted for oil and gas heating systems in the 2023 financial year due to the political uncertainty. Yet at the same time, the market for energy-saving heat pumps headed for collapse, particularly in the fourth quarter of the year.

A shift in this trend is not expected until the second half of 2024 and subsequent years, due to weakening inflation and falling interest rates on long-term financing activities. In the long term, the markets in which we operate are anticipated to grow considerably based on the acute shortage of housing and due to the need for energy efficiency renovations on existing building stock – not least on account of the EU Emissions Trading System, which is set to include natural gas used to heat buildings from 2027.

Financial figures for 2023
Consequently, Arbonia recorded a decrease in revenue of –10.1 % from CHF 1 202.1 million in the previous year to CHF 1 081.2 million in the 2023 financial year for continuing and discontinued operations. Without currency and acquisition effects (organic), the decline was –9.0 %. On account of the negative influences on business performance that have been described, Arbonia initiated cost reduction measures during the summer, which included making changes to staffing levels and relocating the design radiator production facilities from Dilsen (BE) to Stříbro (CZ). These measures have had a one-time effect on the result at the EBITDA level to the amount of around CHF 11.9 million and are set to yield an improvement in earnings of over CHF 10 million per year from the middle of 2024. Arbonia also fully implemented its cost-cutting program to reduce its workforce by 600 employees at the end of 2023, ahead of schedule. EBITDA with one-time effects amounted to CHF 73.1 million (previous year: CHF 108.3 million). This corresponds to a decrease in the EBITDA margin with one-time effects from 9.0 % to 6.8 %. With one-time effects, EBIT amounted to CHF –4.7 million, compared with CHF 37.0 million in the same period last year, meaning that the corresponding EBIT margin with one-time effects fell from 3.1 % to –0.4 %. With one-time effects, the group result fell from CHF 19.1 million to CHF –17.2 million).

On 27 February 2024, Arbonia announced that the Board of Directors had received several unsolicited expressions of interest in the purchase of the Climate Division (formerly HVAC), triggered by transactions in the market with comparable companies. After careful consideration and with a view to achieving a sustainable increase in value for shareholders, the Board of Directors decided to carry out a structured sales process with several strategic potential buyers with the involvement of investment banks. Without knowing at this stage whether and when the negotiations will lead to a conclusion, the relevant IFRS guidelines (IFRS 5) require the Climate division to be recognised as discontinued operations in the consolidated financial statements as soon as a sale is classified as highly probable. This was the case at the end of 2023. It should be noted that the entire holding costs are allocated to the continuing operations, which leads to increased expense items and has a negative impact on the profitability figures.

Revenue of the continuing operations decreased in the reporting year by 9.2 %, from CHF 555.9 million to CHF 504.6 million. Without currency and acquisition effects (organic), the decrease in revenue amounted to 8.2 %. EBITDA without one-time effects fell from CHF 53.3 million to CHF 34.0 million; this corresponds to a decrease of 36.3 %. EBITDA with one-time effects fell by 36.2 % to CHF 31.7 million (previous year: CHF 49.7 million). Accordingly, the EBITDA margin without one-time effects fell from 9.6 % to 6.7 %; with one-time effects, the EBITDA margin amounted to 6.3 %, compared with 8.9 % in the previous year. EBIT without one-time effects fell from CHF 16.2 million to CHF –6.6 million. EBIT with one-time effects amounted to CHF –8.9 million, compared with CHF 12.4 million in the previous year. The corresponding EBIT margin without one-time effects fell from 2.9 % to –1.3 %; with one-time effects, it decreased from 2.2 % to –1.8 %. The group result from continuing operations without one-time effects amounted to CHF –12.5 million, compared with CHF 3.2 million in the previous year. The group result with one-time effects totalled CHF –14.2 million (previous year: CHF 0.5 million) .

Market environment 2023
Throughout Europe, as well as in Arbonia's most important markets, financing costs have increased significantly as a result of central banks' efforts to combat inflation, which has constrained investments in new buildings. Added to this, various European markets have seen subsidies for the energy efficiency renovation of building stock come to an end or political debates rage on the subject of introducing new subsidies. Consequently, the forecasts for the development of the construction industry in most markets have a negative outlook in the short term due to the difficulties described here and the general economic uncertainty.

The development of the construction industry in Arbonia's largest market, **Germany**, was heavily influenced in 2023 by the rising costs of financing and construction, persistent inflation and uncertainty over which heat generators will be permitted for use and eligible for funding in future. As a consequence, demand both for single-family and two-family houses, and for renovations, has declined significantly. Although projects that have already been started will continue to undergo construction, building permits have decreased by approximately one third, meaning that the construction industry in the near future will have to live off the large number of pending projects and that have yet to be started. Given that clear regulations and funding rates for the renovation of existing heating systems and the installation of new ones were only finalised at the end of 2023, this is likely to mean that the market will remain challenging in 2024, particularly with regard to new construction, despite record high levels of demand for housing.

In Arbonia's second domestic market, **Switzerland**, the development of the construction industry has stabilised following several quarters of steadily declining demand. However, this does not extend to residential construction, which, after reaching record levels in 2017, is continuing to decline and, despite price rises, is recording investment volumes last seen in 2010. As a result, excess demand, especially in metropolitan areas, is continuing to rise. Furthermore, rising financing and construction costs are also impacting Swiss residential construction. However, recovery is anticipated for the coming years, both in the renovation and new construction segments, as the result of financing costs that are regarded as low in an international context combined with falling interest rates and high demand.

In the Eastern European markets of **Poland** and the **Czech Republic**, inflation and, consequently, interest rates are at the highest levels seen in the EU. The costs of financing have risen sharply, meaning that new residential construction has come entirely to a halt. By contrast, the renovation and other building construction sectors have performed very robustly, primarily due to subsidies and government investments in educational and healthcare buildings. Furthermore, demand for industrial buildings remains high. The relatively better performance of other building construction is likely to continue in the current year, coupled with the improved development of the residential construction sector from 2025 onwards.

Arbonia's Southern European target markets **(Italy, Spain and Portugal)** have performed robustly despite being faced with very similar problems to those of other European markets. This is due, on the one hand, to continued good absorption of new buildings in residential construction and, on the other, to EU funding being focused on the energy efficiency renovation of residential and other building construction on the Iberian Peninsula. The same applies to Italy; here, however, renovations of residential buildings in particular declined dramatically in 2023 following the boom that this sector had experienced in recent years due to the "superbonus" government subsidy. As a result of demographic change, the renovation boom and rising prices, savings have decreased, however, meaning that this market is also expected to decline in future. Only new construction and renovations of non-residential buildings are likely to perform better, due to high demand from the tourism sector and government investments in education, for example.

Strategy and development of Arbonia

In the **Climate Division**, 2023 was characterised by historic volume decreases in large parts of the product and country portfolio. In the case of traditional heat exchanger products in particular, continued inventory reduction at wholesalers in the first half of the year and the slump in new construction and renovation activity had a negative impact on sales development. It was only possible to maintain profitability – or even increase it slightly – and thus offset the sharp rise in wages by optimising prices in conjunction with successful cost-saving initiatives and further progress in process and production efficiency. Currency effects also had a negative impact – particularly the strong Swiss franc – as the majority of revenue is generated in the eurozone.

The global impairment to supply chains that dominated the year 2022 gradually eased towards the end of 2022. This enabled delivery capacity to be largely restored in the first half of 2023, with many orders being delivered. The energy shortage feared due to the war in Ukraine did not materialise either – although energy costs remained high. As a result, the situation for the division remained cautiously optimistic in the first half of the year despite a sharp decrease in radiator volumes. Over the course of the year, the picture became bleaker due to further increases in construction costs, rising interest rates and ongoing uncertainty regarding government regulations and funding opportunities in the building sector. A prime example of this are the Benelux countries, where sales nosedived across all products. The resulting reluctance to invest also affected growth segments such as heat pumps in the second half of the year, with sales virtually coming to a halt in Germany and Austria during this period, primarily due to uncertainty regarding funding.

Business in Southern Europe was driven more by commercial construction projects and its development over the course of the year was positive. Although momentum weakened somewhat towards the end of the reporting year, this business area nevertheless proved to be robust. The division therefore benefited from its diversified positioning with solutions for both new builds and modernisation projects in residential construction as well as commercial and industrial construction.

The significant decline in residential construction in Germany, the most important market, had a disproportionate impact on the wholesale business of the **Doors Division**, since trade customers reduced their inventory further due to lower demand and higher interest rates, with the aim of reducing capital lockup. The lower demand of wholesalers also led to many small orders, which required more flexibility in production and led to additional costs in all areas of the company, from fulfilment to manufacturing to logistics. Despite this challenging market situation, Prüm and Garant were able to acquire further market shares in Germany. A volume decrease was also felt in the Swiss market, but not to the same extent as in Germany. The new logistics centre at RWD Schlatter in Roggwil (CH), in which standard doors from Prüm, among other things, can be called up quickly, allowed the division to increase revenue with specialist partners. It was also possible to increase revenue via the new sales organisation in Western Switzerland. The Polish company Invado positively changed its customer structure in the reporting year: it succeeded in entering the construction market and cooperating with selected wholesalers in Germany. In addition, it increased its revenue in Central Europe and in Italy.

The market for sanitary products suffered a further decline in 2023 due to the cost-related postponements of new construction projects and bathroom renovations. Furthermore, an extreme shortage of skilled workers, especially fitters, was intensified by the attractive funding situation for HVAC products and poses further difficulties for the sector. Glass products in particular are also affected by price increases, since their production is extremely energy-intensive. This trend will continue as long as high subsidies are paid for sustainable heat generators and the energy costs remain at this currently high level. In the Glass Solutions Business Unit, cost savings programmes such as staff reduction were also initiated and structures adapted to compensate for the revenue decreases. In addition, it was possible to boost productivity further through increased efficiency.

Intensification of sustainability

In line with its commitment to continuous improvement, Arbonia has made strategic changes in order to improve the quality and relevance of its sustainability reporting. The Swiss Code of Obligations, an important driver for Swiss companies in this regard, has prompted Arbonia to recalibrate its reporting methods. This legal framework underlines the importance of precise, comprehensive reporting which ensures that all stakeholders have the information they need to make well-founded decisions. Furthermore, the 2023 report includes information in accordance with the requirements of the Taskforce on Climate-Related Financial Disclosures (TCFD) for the first time.

Outlook
Although existing challenges will not be fully resolved in the 2024 financial year, there are grounds for optimism. For a start, the German Buildings Energy Act (GEG) is in force. This and the fact that oil and gas boilers are allowed to be used for at least another two years should allow the renovation business – particularly with regard to heating system replacements – to return to normal. This is timely given the increase in capacity at the heat pump plant in Opočno (CZ) in 2024. Furthermore, interest rates have stabilised, meaning that financing costs for clients will once again be calculable. Initial interest rate decreases in 2024 are also likely to help improve profitability for building owners, stimulating growth in new construction and renovations.

By contrast, recovery in the new construction sector as a whole is not anticipated in the coming year. This is primarily due to the constrained overall economic situation. A decline in economic output is assumed for the important German market, among others. Added to this is the trend regarding building permits in Germany. In 2023, these were around 30 % below the previous year, meaning that fewer projects can be started in the future. Although there are a large number of approved construction projects that have yet to be started, it remains to be seen how many of them will actually come to fruition under the current conditions (financing and material costs). In the long term, however, demand in the metropolitan areas and in Germany especially remains so high that this gap in the availability of homes will have to be filled. In light of this situation, fewer people are moving house because they cannot find a home within their price range. As a result, current housing remains occupied and unable to be renovated, causing the renovation sector to be constrained even further. Another factor here is the fact that a large proportion of the buildings in Europe were built after the Second World War and, in general, were last renovated around 30 years ago. In addition, the huge demand for housing allows renovations to be carried out in order to increase rental yield.

Irrespective of the economic conditions, Arbonia is in an excellent position to stand firm in this environment and profit from a recovery in the construction industry. For a start, it will benefit from the combined heat and power (CHP) plant that has been put into operation at the Prüm door plant, from the second large plant at Garant that is to start operating at the end of 2024 or beginning of 2025, and from expanding the provision of photovoltaic systems. In addition, it is set to achieve significant cost reductions in the high single-digit million range through a structured energy purchasing programme and general falls in energy prices, which should have a positive impact on the divisions' margins.

Changes to staffing levels, primarily as a result of natural fluctuation and reducing temporary workers, will also have a positive impact on profitability. Although these changes are also associated with costs, they have, for the most part, already been recorded in the income statement for the 2023 financial year.

On 27 February 2024, Arbonia announced in its press release on the occasion of the 2023 annual results that the Board of Directors of Arbonia had received several unsolicited expressions of interest in the purchase of the Climate Division (formerly HVAC) and had subsequently decided to examine these carefully with the assistance of investment banks.The process and negotiations with several potential strategic buyers are currently at an advanced stage. Following the conclusion of a potential transaction, the Board of Directors intends to utilise a significant portion of the proceeds, in addition to the reduction of net debt, to the shareholders. At the same time, the remaining Doors Division will be strategically developed and further strengthened through targeted acquisitions.

Following the successful completion of the transaction, Arbonia would focus entirely on the door business and the implementation of its strategy. The division continues to work towards the goal of expanding its leading position as a Central and Eastern European supplier of wooden doors and glass solutions. Based on the largely completed, comprehensive investment program in capacity and productivity increases and by increasing market share in its home and adjacent target markets, the Arbonia Door Group is aiming for above-average market growth in the future. Building on the investments made and with the help of digital solutions, the Arbonia Door Group is positioning itself as an innovative full-range supplier and cost leader.

Alexander von Witzleben
Executive Chairman of the Board of Directors

Daniel Wüest
Group CFO

Divisional structure

ARBONIA

Climate Division		Doors Division: Wood Solutions Business Unit	Doors Division: Glass Solutions Business Unit
arbonia	SABIANA	GARANT	Baduscho
BRUGMAN	superia	INVADO	INTERWAND
cicsa	TECNA	JORO	KERMI
CIRELIUS	TERMOVENT	PRÜM	Koralle
KERMI	VASCO	RWD Schlatter	
prolux			

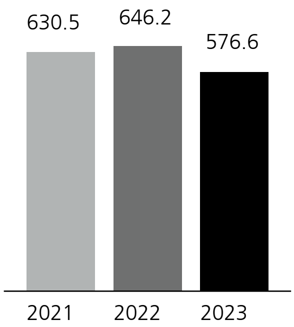
Climate Division

The Climate Division develops and produces energy-efficient systems for indoor climate for buildings of all kinds. It serves customers throughout Europe, with eight production locations, five development competence centres for research and a number of international sales offices.

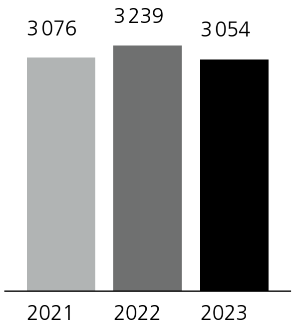
The division promotes sustainable heat and cold generation, heat and energy storage, heat and cold distribution, ventilation and air filtration. The product portfolio includes ventilation units, fan coils, heat pumps, storage batteries, underfloor heating systems and radiators. The systems are suitable for new buildings in the private and commercial sectors as well as for renovation projects.

The pioneering system solutions are seamlessly compatible and pave the way for energy-efficient and energy-independent buildings, promote the use of renewable energies and reduce CO_2 emissions. In this way, the Climate Division is supporting the energy transition in Europe and around the world.

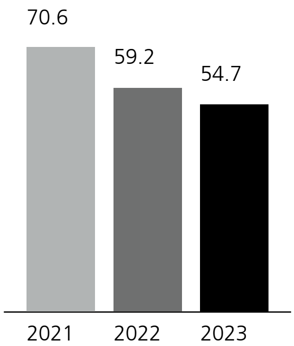
Net revenue
in CHF million



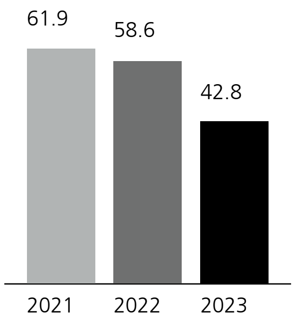
Average headcount
full-time equivalent



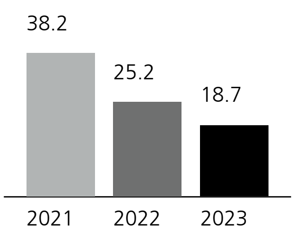
EBITDA
without one-time effects
in million CHF



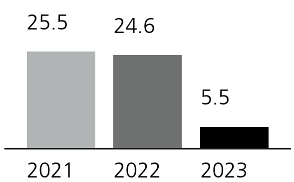
EBITDA
with one-time effects
in million CHF



EBIT
without one-time effects
in million CHF



EBIT
with one-time effects
in million CHF



Market trends

The Climate Division achieved revenues of CHF 576.6 million in the reporting year, down 10.8 % on the previous year (CHF 646.2 million). When adjusted for currency and acquisition effects, revenue was down 9.8 % on the figure for the previous year. The EBITDA margin decreased from 9.1 % in the previous year to 7.4 %. At CHF 42.8 million, absolute EBITDA with one-time effects was 27.0 % below the previous year (CHF 58.6 million). Without one-time effects resulting, among others, from the relocation that had been announced for the design radiator plant, from Belgium to the Czech Republic, EBITDA reached CHF 54.7 million: 7.5 % below the previous year (CHF 59.2 million). EBIT with one-time effects came to CHF 5.5 million, which corresponds to a reduction of 77.5 % compared to the previous year (CHF 24.6 million). EBIT without one-time effects closed with CHF 18.7 million, 25.6 % below the figure for the previous year of CHF 25.2 million.

The year 2023 was characterised by unprecedented volume decreases in large parts of the product and country portfolio. In the case of traditional heat exchange products in particular, further inventory reduction at wholesalers in the first half of the year and the slump in new construction and renovation activity had a negative impact on sales development. It was only possible to maintain the level of earnings and offset the sharp rise in wages by optimising prices in conjunction with successful cost-saving initiatives and progress in process and production efficiency. Currency effects also had a negative impact – particularly the strong Swiss franc – as the majority of revenue is generated in the eurozone.

The global supply chain complications that dominated the year 2022 gradually eased towards the end of 2022. This enabled delivery capacity to be largely restored in the first half of 2023, with many orders being delivered. The energy shortage feared due to the war in Ukraine did not materialise either – although energy costs remained high. As a result, the situation for the division remained cautiously optimistic in the first half of the year despite a sharp decrease in radiator volumes. Over the course of the year, the picture became bleaker due to further increases in construction costs, rising interest rates and ongoing uncertainty regarding government regulations and funding opportunities in the building sector. The resulting reluctance to invest also affected growth segments such as heat pumps in the second half of the year.

Business in Southern Europe was driven more by commercial construction projects and its development over the course of the year was positive. Although momentum weakened somewhat towards the end of the reporting year, this business area nevertheless proved to be robust. The division therefore benefited from its diversified positioning with solutions for both new builds and modernisation projects in residential construction as well as commercial and industrial construction. In July 2023, the division announced its intention to relocate design radiator production from Dilsen in Belgium to the highly automated production plant in the Czech Republic. This measure aims to improve competitiveness in this product group, which is currently under fierce competitive pressure. The second half of the year was dominated by negotiations with employee representatives. These were completed in January 2024, meaning that the relocation can be implemented as planned during the year 2024.

The Portuguese company Cirelius, which was acquired in December 2022 and specialises in the sale of HVAC system solutions, was fully integrated into the division in the reporting year. This acquisition strengthens Arbonia’s market access on the Iberian Peninsula and has already resulted in initial synergies on the cost and sales side.

Products, technology, and innovation
During the reporting year, the Climate Division updated its mission statement: "We create superior indoor climate solutions for future generations". This sums up the division’s strategic direction and, at the same time, demonstrates its exceptional competence profile. The division is focusing on current megatrends and, with its product and system portfolio, is an important pioneer for the energy revolution. This strategy is also reflected in the renaming of the division to "ARBONIA climate".

Although the Climate Division is concentrating on growth products, it is also anchoring its successful position with proven products in established business units. This includes innovations and further developments in the **radiator** business unit; for example, so that solutions that are tailored to renovation projects can be offered for operation with renewable energies. Modern radiators that can be operated perfectly even at low flow temperatures play a key role in renovation projects, particularly when combined with a heat pump. The division presented products from this area to an audience of interested trade specialists at ISH Frankfurt (D).

In the reporting year, the division was the first radiator manufacturer to receive the Environmental Product Declaration (EPD) for all steel radiators. Awarded by the IBU Institut für Bauen und Umwelt e.V., an association of building product manufacturers, this label makes the environmental impact of the products transparent and comparable across the entire process chain. By using products verified through EPDs, specialist partners can demonstrate the environmental credentials that are increasingly required in tenders and the awarding of subsidies. This secures their competitive advantage, while enabling them to implement more sustainable building designs.

The division is paying particular attention to growth markets in the area of indoor climate. Expansion investments were made at the Opočno (CZ) production plant in 2023 in relation to **heat pumps** – a product which is of strategic importance for the future. To ensure an even greater degree of sustainability, heat pumps using environmentally friendly refrigerants were introduced in 2023. Furthermore, cascaded heat pump systems were launched on the market for enhanced heating performance in multi-family homes or larger properties. These systems ensure greater planning flexibility and reliability. The new models operate very efficiently and quietly at low outside temperatures. Alongside the sophisticated heating technology, there is also the option of environmentally friendly cooling in summer.

At the division’s production plant for **fan coils and ventilation systems** in Corbetta (IT), investments to expand capacity were made in storage and logistics technology, production processes and the machine park in 2023 in order to keep pace with the strategic growth in the ventilation market segment. The Climate Division also expanded its product portfolio for residential ventilation and successfully readied a new compact unit for market launch in the reporting year. Due to its small dimensions and practical connection options, it can also be easily installed in cabinets to save space.

In 2023, the Climate Division also further expanded its business with cleanrooms – i.e. the development of architecture and ventilation systems for industries which require stringent control of air parameters. The division is particularly proud of its partnership with a European battery-cell manufacturer, for whom the construction of the cleanroom is proceeding according to plan. It has also acquired further projects with the same customer. In view of the large number of investments in battery systems currently under discussion throughout Europe, the Climate Division expects a very positive outlook for this segment.

The division’s **battery storage** portfolio was expanded in 2023 to include a cascade and emergency power function. A variant with a capacity of 10 kWh was developed and will be launched on the market in 2024. The new storage system is therefore also suitable for owner-occupied homes with larger solar systems and higher consumption rates. The product does not require rare earths and is both highly durable and resistant to fire. This innovative battery storage product was also launched in Switzerland in 2023.

For growth products such as heat pumps, heat transfer products, centralised and decentralised ventilation systems and storage technology, the division expanded its in-house capacities in its **R&D** centres by investing in several test benches.

The Climate Division is focusing on **digitisation** to facilitate a modern form of customer communication and supports service processes with online applications, for example. Relaunching the key brand websites will provide the technical basis for further developing this platform. Further digitisation of internal processes is also ongoing to help the division gain in efficiency and achieve synergy effects.

Outlook

The Climate Division is perfectly positioned with its strategic direction and its product and system portfolio. However, major forecasting institutes do not expect the development of the construction industry to recover significantly in the coming year. Depending on the country, the difficult situation is expected to continue. The division is therefore prepared to start the year by facing considerable challenges. Despite this, demand remains high for new living spaces and energy-efficient indoor climate solutions, particularly in the context of modernisation projects. Furthermore, the first half of 2024 will see the relocation of design radiator production from Dilsen (BE) to the highly automated production plant in the Czech Republic. The planned cost savings will start showing effects from the middle of the year. The division is therefore holding firm to its profitability and growth targets in the medium term. It will continue to benefit from its diversified composition in 2024 and will expand its market position by continuing to implement its strategy.

Highlights

ISH Frankfurt 2023
In March, the HVAC industry met in Frankfurt (D) at the ISH 2023 trade fair. The Climate Division showcased its solutions and impressed the numerous trade visitors with its modern exhibition stands covering a total area of over 750 m².

HVAC Division becomes ARBONIA climate
The Arbonia HVAC Division was renamed ARBONIA climate to better reflect the division's diverse product range and its significant contribution to the energy revolution. The division has its own website which provides information about its structure and objectives.

Further information can be found at:
arbonia-climate.com

Perfect climate for battery production
In a battery gigafactory project in Scandinavia, Termovent ensures dry and clean air inside the manufacturing facility to prevent chemical reactions in the battery cells. The services cover the cleanroom (walls, ceilings, floor), the air handling units and the associated construction and planning work.

Unipol Tower Milan (IT)
An elliptical building consisting of 23 above-ground and three underground floors and a total floor space of 31 000 square metres in the centre of Milan was designed and built as the new headquarters of the Unipol Group. SABIANA supplied over 1 000 underfloor convectors that adapt to the building’s profile.

Innovative heat distribution for airship hangar
The new airship hangar in Mühlheim (D) is also used as an event hall. This double use places very different demands on the temperature control. To meet this requirement, the hangar was equipped with CROSS radiant ceiling profiles. This innovative heat distribution solution is both highly efficient and versatile.

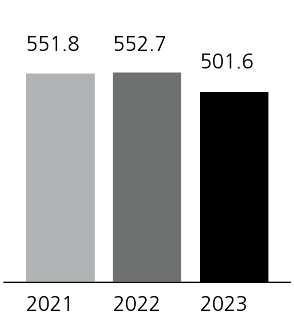
Doors Division

The **Doors Division** consists of the two Business Units, Wood and Glass Solutions.

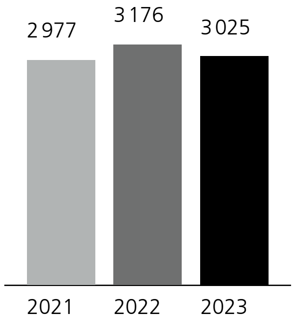
The **Wood Solutions Business Unit**, comprising the companies Prüm, Garant, Invado, RWD Schlatter and Joro, is one of Europe’s leading providers of interior wooden doors and frames. The business unit has five production sites: three in Germany and one each in Switzerland and Poland. In the domestic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

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

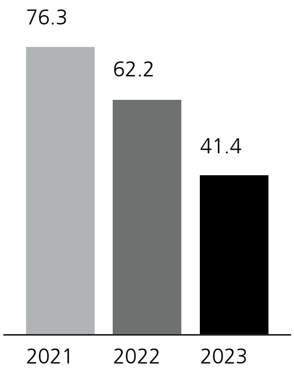
Net revenue
in million CHF



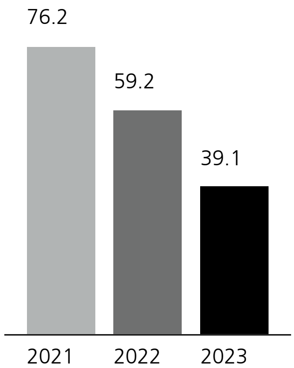
Average number of employees
(full-time equivalent)



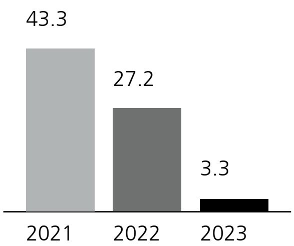
EBITDA
without one-time effects
in million CHF



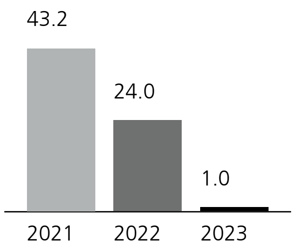
EBITDA
with one-time effects
in million CHF



EBIT
without one-time effects
in million CHF



EBIT
with one-time effects
in million CHF



Market trends

The Doors Division achieved revenues of CHF 501.6 million in the reporting year 2023, which corresponds to a decrease of 9.3 % compared to the previous year (CHF 552.7 million). Organic growth (when adjusted for currency and acquisition effects) amounted to –8.2 %. EBITDA with one-time effects fell by 33.9 %, from CHF 59.2 million in the previous year to CHF 39.1 million. This corresponds to a decrease in the EBITDA margin from 10.7 % to 7.8 %. Without one-time effects, EBITDA fell by 33.5 % from CHF 62.2 million to CHF 41.4 million. EBIT with one-time effects amounted to CHF 1.0 million (previous year: CHF 24.0 million, –95.8 %). Without one-time effects, there was a 88.0 % reduction from CHF 27.2 million in the previous year to CHF 3.3 million.

In 2023, the Doors Division continued to contend with a difficult market environment, primarily in Germany. On the one hand, it experienced a drastic volume decrease, mainly with standard doors in new construction as well as in renovation, which was caused by high construction material prices and interest rates. On the other hand, high energy costs had a noticeably negative impact.

The difficult market situation in the reporting year led to a record level of bankruptcies, which also affected door production suppliers, among others. For residential construction, a 25 % decline in building permits compared to 2022 is expected for the reporting year. Since the time span from approval to completion is around 18 to 24 months, a decline in completions is therefore expected for 2024 as well. Non-residential construction is less affected due to public buildings; as a result, only an 11 % decline in approvals compared to 2022 is anticipated in this segment in 2023.

The significant decline in residential construction in Germany, the most important market, had a disproportionate impact on the wholesale business, since trade customers reduced their inventory further due to lower demand and higher interest rates, with the aim of reducing their capital lockup. The lower demand of wholesalers also led to many small orders, which required more flexibility in production and led to additional costs in all areas of the company, from fulfilment to manufacturing to logistics. Despite this challenging market situation, Prüm and Garant were able to acquire further market shares in Germany. The market for interior doors in general declined by 21 % in the first half of 2023 compared to the previous year; however, Prüm and Garant recorded a decrease of 18 % by comparison.

Joro, which was acquired in 2022, looks back at a successful year. The wide product portfolio for fire protection and project business (specifically custom products for larger sizes) generally allowed the company to increase revenue compared to the previous year despite the market conditions. The company is currently operating at its capacity limit, which is why a capacity expansion is planned for the coming years.

A volume decrease was also felt in the Swiss market, but not to the same extent as in Germany, though. The new logistics centre at RWD Schlatter in Roggwil (CH), in which standard doors from Prüm, among other things, can be called up quickly, allowed the division to increase revenue with specialist partners. It was also possible to increase revenue via the new sales organisation in Western Switzerland.

The Polish company Invado positively changed its customer structure in the reporting year: It succeeded in entering the construction market and cooperating with selected wholesalers in Germany. In addition, it increased its revenue in Central Europe and in Italy.

As a result of the considerable volume decline, the Wood Solutions Business Unit initiated cost-saving measures, including reducing the headcount by around 300 employees. This mainly consisted of terminating temporary employment contracts and reducing expensive weekend shifts. Thanks to the initiated measures as well as slightly increasing volumes, the division was already able to record slight margin improvements in the fourth quarter of 2023.

The market for sanitary products suffered a further decline in 2023 due to the cost-related postponements of new construction projects and bathroom renovations. Furthermore, an extreme shortage of skilled workers, especially fitters, was intensified by the attractive funding situation for HVAC products and poses further difficulties for the sector. Glass products in particular are also affected by price increases, since their production is extremely energy-intensive. This trend will continue as long as high subsidies are paid for sustainable heat generators and the energy costs remain at this currently high level. In the Glass Solutions Business Unit, cost-savings programmes such as staff reduction were also initiated and structures adapted to compensate for the revenue decreases. In addition, it was possible to boost productivity further through increased efficiency. The revenue decline at Kermi in Germany and Bekon-Koralle in Switzerland also resulted in a revenue decline at Arbonia Glassysteme (formerly GVG) due to intercompany transactions.

In the current challenging times, the Doors Division strongly benefits from its long-standing, established distribution channels and customer relationships. In the reporting year, the division also succeeded in acquiring numerous new institutional customers, such as housing companies, for example. As a result of the new organisation of Arbonia Doors in Germany, it was possible to boost the project business of the Wood Solutions Business Unit and the Glass Solutions Business Unit, where its importance (for hotels, shipyards and prefabricated bathroom manufacturers) is increasing. The cultivation of regional markets, such as in Western Switzerland, also promises further growth.

In October 2023, the Doors Division acquired Interwand. The company, which is located in Dörzbach (D), specialises in tailor-made manufacturing of glass partitions in the office area and offers a complete package of services for project business customers, from planning to production to assembly. In future, Interwand will procure glass from Arbonia Glassysteme, doors from Prüm and Joro, as well as fittings from Griffwerk and can use divisional synergies in the process. The Doors Division is expanding its product portfolio through this acquisition and obtains the opportunity to develop its project business and the office building segment.

Products, technology, and innovations

One of the most important differentiating features of doors is the edging technology, since the edging is the most technologically demanding part of door manufacturing. Furthermore, the door edge is also the most exposed part and is affected the most by damage (impacts). The innovative premium edge of Prüm and Garant was also able to gain further market shares in the reporting year and recorded further growth even in declining markets.

In the reporting year, RWD Schlatter put a new cast edging system into operation, which gives door profiles an edge coating made of polyurethane (plastics or synthetic resins). This technology ensures a particularly rugged edge formation in the case of higher requirements. It is used in particular with functional doors in heavily frequented buildings where components are subjected to especially high stresses. This is the case, for example, in hospitals, hotels, retirement and nursing homes, as well as schools.

In the reporting year, the Doors Division recorded an investment volume of around CHF 57.3 million. A large part of this went into the last step for expanding the capacity of the two German production plants Prüm and Garant of the Wood Solutions Business Unit, and the largest portion was spent on the new drilling line at Garant and the two new combined heat and power plants (CHP) of Prüm and Garant. The CHP plant at Prüm is currently being ramped up and will be able to cover the complete heat generation as well as around 60 % of the power requirements of the site starting in mid-2024. The construction of the CHP plant at Garant was able to start as planned. This plant will commence operations in 2025.

On the other hand, a significant share of the investments also went into IT and the digitisation of processes that take place at all sites. The division is still in the process of rolling out SAP S4/Hana throughout the division. Invado was already successfully changed over in 2022. The two companies Garant and Prüm are currently in the project phase, so that the go-live should take place in 2025 or 2026.

In 2023, the two companies Prüm and Garant also launched the new "DOORIT – The platform for doors". This allows more efficient cooperation with specialist trade partners in the areas of configuration, quotation preparation and order processing. This new tool, which will go live in 2024, will give the division a clear potential for differentiation from the competition. The Glass Solutions Business Unit presented the innovative fastening technique KermiGLUE at the world's leading sanitary trade fair ISH in Frankfurt (D). This makes it possible to glue wall profiles for shower enclosures on bathtubs onto the wall, thereby avoiding drilling work. The product is characterised by exceptional stability, fast and user-friendly assembly, as well as residue-free disassembly. This provides a distinct advantage especially for rental properties, since it does not damage the wall, unlike conventional fastening options.

Outlook

The year 2024 is expected to remain challenging for the Doors Division, since there is no prospect of the market conditions improving in the short term. The sharp decline in building permits is likely to result in further volume decreases. For this reason, the division has already taken various measures, largely in the wholesale business, to compensate for potential decreases. These measures include consistently driving expansion of the project business and export, for example.

In the medium term, however, the Doors Division is optimistic about the future. Germany, the most important market for the division, is expected to grow further in the new building segment due to the housing shortage, especially in metropolitan areas. Due to the war in Ukraine and the economic situation, a continued net immigration is expected in Germany, and the space requirement per person is also increasing. The German federal government has therefore confirmed its goal of building 400 000 homes yearly. A recovery is also expected in the renovation segment, since it is still necessary to replace a large number of doors that were installed after reunification and that have thus reached the end of their life cycle. Additionally, the housing stock in general is continually growing. Since the backlog of housing demand cannot be processed at the necessary speed, this will drive renovation forward.

The Swiss market is anticipated to stagnate at a high level and, like the Eastern European markets, offers opportunities for increasing market shares further.

Highlights

Addition of glass partitions to the product portfolio
The Doors Division has acquired Interwand, located in Dörzbach (D). The company is one of the leading manufacturers of wall systems made of glass. In addition to expanding the product portfolio of its Glass Solutions Business Unit, the division has obtained access to the important market segment of office buildings with this step. Furthermore, synergies can be generated with existing products of the division, such as aluminium profiles, glass processing, wooden and glass doors, as well as fittings.

The Prüm site continues to grow
After the frame plant and the high-bay warehouse, Prüm continues to invest in innovative technologies to increase energy efficiency and consistently focus on environmental protection. The new, highly efficient energy centre at the Prüm site, which went into operation in 2023, takes over from the existing plant. Read more about this in the interview with Horst Lichter, Technology Manager of the Doors Division (pages 37 – 39 of the annual report).

Experience products live.
The Doors Division was represented several times at BAU Munich (D). Together with Griffwerk, Prüm and Garant made wooden doors tangible at their stand. Right next to it, the two companies demonstrated how a digitally configured door can be calculated at the press of a button at their digital stand. The interface from the digital door configurator DIETÜR to the calculation program DOORIT makes this innovation possible.

Kermi at ISH in Frankfurt
Kermi Sanitary Equipment successfully demonstrated the aesthetics of glass solutions in the bathroom at the world's leading trade fair ISH in Frankfurt and was pleased with the positive response of the public as well.

Sustainability report

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

Facts and figures

Goal:

4.2 %

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

Success:

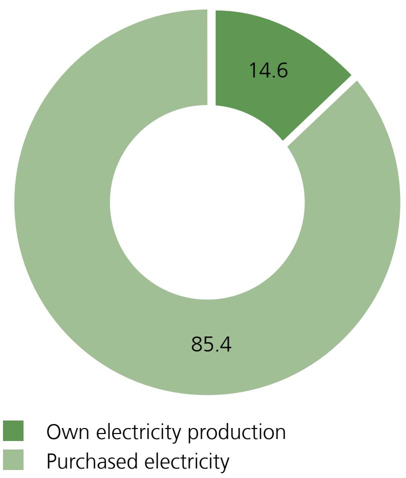
7.6 %

In 2023, Arbonia achieved a reduction in operational CO_2 emissions from Scope 1 and 2 of 7.6 % compared to 2022.

Arbonia increases its score in its EcoVadis rating in 2023 and thus receives the

«committed» label.

Share of own electricity production of total electricity (in %)



WE SUPPORT

We are a member of the

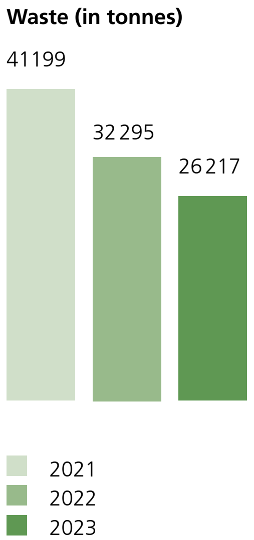
UN Global Compact

and are committed to its 10 universal principles.

The data situation in

Scope 3

has been significantly improved. We have collected valid data for all relevant categories in accordance with the Greenhouse Gas Protocol.



«Once the two new biomass combined heat and power plants are up and running, we will have no further need of heating oil and will be able to do without fossil energy sources.»

Horst Lichter, General Manager Technology, Doors Division

The Climate Division is the first radiator manufacturer to obtain for its steel radiators the

Environmental Product Declaration (EPD).

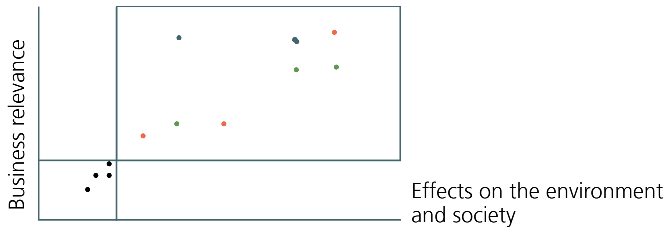
We report for the first time in accordance with the requirements of the

Taskforce on Climate-Related Financial Disclosures (TCFD).

12.1

is the average number of years that Arbonia employees work for the company.

We have sharpened our focus on relevant sustainability topics by conducting a new materiality analysis.



Preface

Dear Readers,

Over the past year, we have made a concerted effort to maintain Arbonia's focus on the key issues for the future in the context of sustainability. Even in economically challenging times, we are continuing to pursue healthy and sustainable growth – a strategy that is becoming closely intertwined with our sustainability targets across all parts of the company. Arbonia is keen to play an active role in the European Green Deal, Europe's major sustainability project. With our innovative products, we can contribute to climate protection efforts in the emission-heavy building sector and live up to our responsibility in this area. The crucial factor, however, is the CO2 reduction targets for our emissions from Scope 1 and Scope 2 in line with the Science Based Targets initiative (SBTi). These targets underline our support for the Paris Climate Agreement and have resulted in tangible success in 2023.

In the reporting year, Arbonia was able to increase the share of electricity that it produces itself from 12.9 % in the previous year to 14.6 % by installing further PV systems on the roofs of the production plants. A further success was the reduction in heating oil consumption for heat production by 32.0 %. General electricity consumption was also around 9.5 % lower than in the previous year. Greenhouse gas emissions from Scope 1 and 2 dropped by 7.6 % overall; however, the greenhouse gas intensity (greenhouse gas emissions in kgCO2e/CHF net revenue) increased by 2.7 % due to a drop in revenue. We were able to improve the data situation in Scope 3 significantly in the reporting year. We can now collect valid data in all relevant categories in line with the Greenhouse Gas Protocol. The next step is to start working on appropriate reduction measures.

In line with our commitment to continuous improvement, the Arbonia Group has also made strategic changes in order to improve the quality and relevance of its sustainability reporting. The Swiss Code of Obligations, an important driver in this regard, has prompted us to recalibrate our reporting methods. This legal framework underlines the importance of precise, comprehensive reporting which ensures that our stakeholders have the information they need to make well-founded decisions. Furthermore, the 2023 report also includes information in accordance with the requirements of the Taskforce on Climate-Related Financial Disclosures (TCFD) for the first time. You can read the TCFD report on pages 50 to 53.

Our sustainability strategy is divided into the sub-areas of Climate (ecological issues), Community (social issues) and – new for 2023 – Compliance (governance issues). We firmly believe that these three elements are closely intertwined and that they must be aligned with each other in order to make our company fit for the future.

One of the most important structural changes in this year's report, however, is the modified approach used to evaluate materiality. Given the dynamic nature of sustainability topics, we have undertaken a comprehensive review of our existing materiality matrix in order to identify and prioritise the most important topics for our company and for our stakeholders.

We know that sustainability is an ongoing process which requires continued commitment and also means constantly dealing with new regulatory requirements. We therefore see this report not just as a snapshot, but as a milestone on our journey to a more sustainable future. It highlights the work we are doing to ensure transparency, accountability and compliance with legal regulations across all areas of our company. We are proud of what we have achieved so far and are motivated to keep getting better.

This report will tell you about the progress we have made and the challenges that lie ahead of us, presenting us with further opportunities for improvement.

We would like to thank our shareholders, partners, customers and employees for supporting us and going on this journey with us. Together we will create a world in which business and the environment can coexist in harmony.

Alexander von Witzleben
Executive Chairman

Daniel Wüest
Group CFO

Companies of Arbonia

Arbonia is a focused building components supplier and consists of two divisions: Climate and Doors with the Wood Solutions and Glass Solutions Business Units.

Production companies

Company	Site	Division / Business Unit	Manufactured products
AFG RUS	Stupino (RU)	Climate	Steel panel radiators
Arbonia Glassysteme GmbH	Deggendorf (D)	Doors / Glass Solutions	Construction glass
Bekon-Koralle AG	Dagmersellen (CH)	Doors / Glass Solutions	Shower stalls
Brugman Fabryka Grzejników Sp. z o.o.	Legnica (PL)	Climate	Design and steel panel radiators
GARANT Türen und Zargen GmbH	Ichtershausen (D)	Doors / Wood Solutions	Interior doors and frames
Interwand GmbH	Dörzbach (D)	Doors / Wood Solutions	Glass wall systems
Invado Sp. z o.o.	Ciasna (PL)	Doors / Wood Solutions	Interior doors and frames
joro türen gmbh	Renchen (D)	Doors / Wood Solutions	Functional doors
Kermi GmbH	Plattling (D)	Climate Doors / Glass Solutions	Steel panel radiators Shower stalls
Kermi s.r.o.	Stříbro (CZ)	Climate	Special radiators, storage batteries
PRÜM-Türenwerk GmbH	Weinsheim (D)	Doors / Wood Solutions	Interior doors and frames
PZP Heating a.s.	Opočno (CZ)	Climate	Heat pumps
RWD Schlatter AG	Roggwil (CH)	Doors / Wood Solutions	Functional doors
Sabiana s.p.a.	Corbetta (IT)	Climate	Ventilation and air-conditioning equipment (air heaters, radiant panels, fan coils, central air conditioners, heat recovery, filter technology, evaporative coolers)
Termovent Komerc d.o.o.	Kladovo (RS)	Climate	Air-handling units for cleanrooms
TPO Holz-Systeme GmbH	Leutershausen (D)	Doors / Wood Solutions	Special doors incl. door frames and door trims
Vasco BV[1]	Dilsen (BE)	Climate	Design radiators, ventilation, pipes for underfloor heating

[1] The closure of design radiator manufacturing at the Dilsen site was announced in 2023.

Administration and distribution companies

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

Energy for the future

The Doors Division is making progress with regard to renewable energy. Two new state-of-the-art biomass combined heat and power plants at Prüm and Garant will provide more sustainable heat and electricity in the future by means of cogeneration. The plants will cover around half of the electricity requirements of the two sites and 100 % of the heat requirements. The plants will be fuelled with residual production materials – i.e. wood waste – from the door production facilities. Horst Lichter, General Manager Technology in the Doors Division, explains how this clever solution contributes to climate protection in this interview.

Mr Lichter, as General Manager Technology you are responsible for the two new biomass combined heat and power (CHP) plants at Prüm and Garant. Why did Arbonia decide to invest in two new plants at these sites?
HL: The new, highly efficient biomass CHP plants will take over from the existing facilities. Furthermore, they will replace the smaller, decentralised systems previously used to heat the sites – including the heating oil installations. After 30 years of operation, the old heating systems were in need of modernisation. At the same time, updates to the German Technical Instructions on Air Quality Control ("TA Luft") meant that the existing facilities needed to be modernised in order to meet the emissions requirements for certain air pollutants. We therefore got to work straight away designing the two plants for Prüm and Garant, adapting the size of the plants to the planned growth for each company. For Prüm, this was primarily based on the size of the new production halls; in the case of Garant, the old heating systems were too small. So we knew we needed to build larger plants, and we also wanted to tie this in with our climate targets.

Can you explain the technology to us?
Of course. A biomass CHP plant uses biomass as fuel. By burning our production waste, such as wood dust and uncontaminated, shredded wood-based materials, we can produce steam at a very high pressure. This steam is then used in subsequent processes to heat the halls and presses and to generate electricity via a steam turbine. Using the steam in multiple ways like this is known as "cogeneration" or "combined heat and power", which is very energy-efficient. At the same time, we have the positive side effect that our wood waste – which we previously had to dispose of at significant expense – can now be used to generate energy.

What does this have to do with sustainability?
By recycling our wood waste, not only are we reducing our need for external biomass sources, we are also preventing the release of greenhouse gases which would be produced if the wood waste were burned or left to decompose without energy recovery. Furthermore, the wood waste no longer needs to be transported over 150 kilometres via lorry for disposal, which also cuts down on emissions.

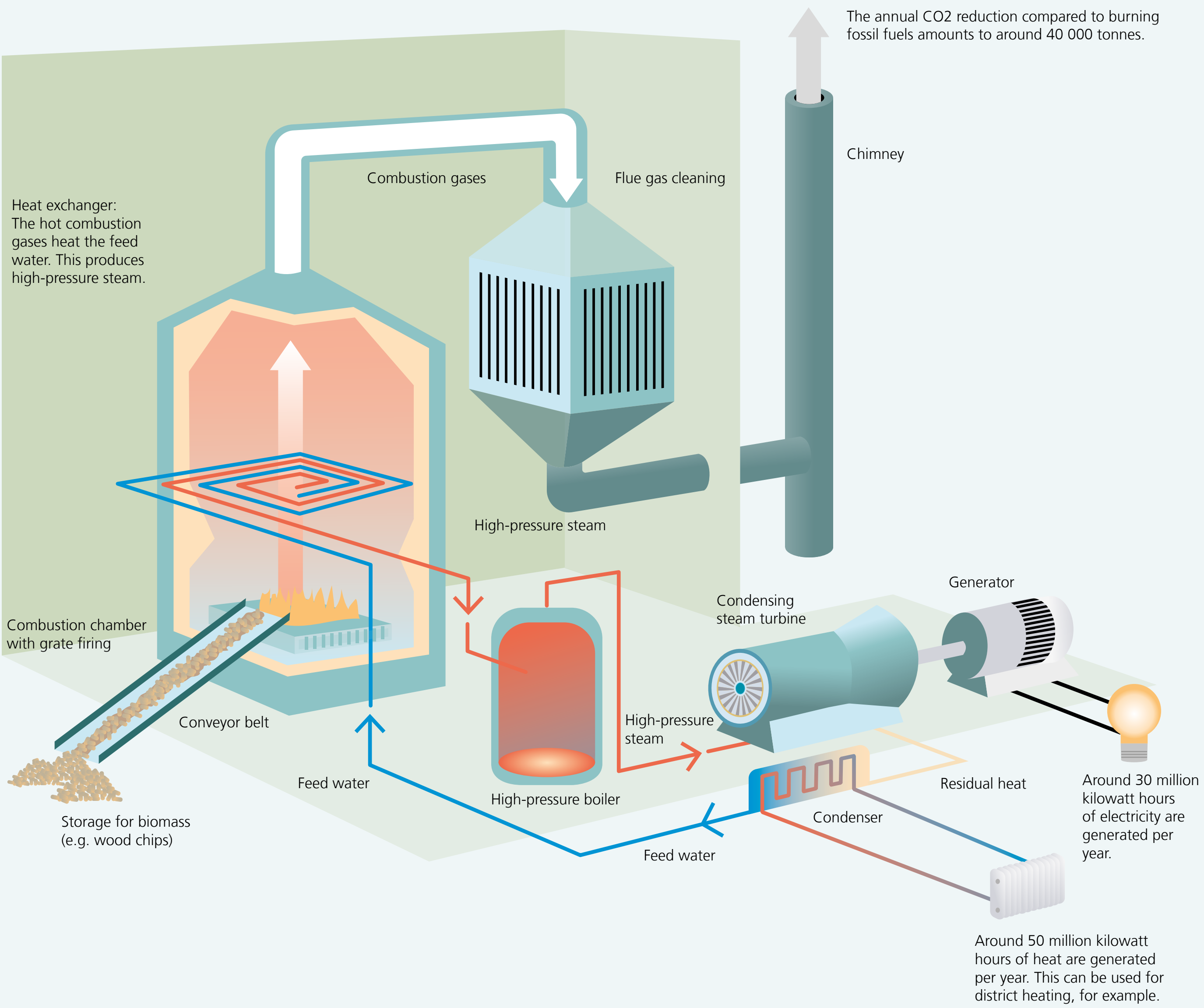
How does this fit in with Arbonia's general environmental targets and its commitment to climate protection?
We at Arbonia support the Paris Climate Agreement. With this in mind, we intend to reduce the intensity of our emissions substantially by 2035. In the Doors Division, once the new plants have been completed we will be able to cover 100 % of our heat requirements at Prüm and Garant with energy that we produce ourselves. Furthermore, we want to keep increasing the proportion of electricity that is generated in-house – to this end, we are combining the biomass CHP plants with our own photovoltaic systems. Once the two new plants are up and running, we will have no further need of heating oil and will be able to do without fossil energy sources. For Arbonia, the construction of the two biomass combined heat and power plants represents an investment in the future that will pay off in the long term, as well as a major contribution to sustainability and, hence, climate protection.

What challenges did you have to deal with along the way?
The planning and implementation phases involved a number of challenges due to the complexity of the project and the number of people involved. However, through meticulous planning and close collaboration with our technical teams, we were able to overcome these challenges. We commissioned the plant at Prüm at the end of 2023, and the Garant plant will be completed in 2025.

How have the local communities around the Prüm and Garant production plants responded to the use of wood waste for energy production?
The response has been very positive. The local people appreciate the fact that we are using state-of-the-art flue gas filter technology to help improve the air quality. Furthermore, with the plant at Prüm, we are already able to feed our unused electricity into the grid and cover some of the energy requirements of nearby companies. The plants are running 24/7 – but we only make doors five days a week, which means that we can feed the electricity generated at weekends into the grid. The compensation we receive for this weekend electricity covers the costs of operating the plant. A further advantage for us is that these plants allow us to save on CO2 taxes.

Is Arbonia planning to integrate further sustainable solutions into its business model?
The success of these plants will serve as a foundation for future efforts. At Arbonia, we are always actively looking for opportunities to increase our resource efficiency, reduce waste and further minimise our environmental impact. For us, sustainability is an ongoing process rather than just a target, and we are committed to continuous improvement and innovation. We want to use the experience we have gained at Prüm and Garant in other parts of the company too. For example, we are currently working on strategic plans for photovoltaic systems and renewable energy sources at Invado and RWD Schlatter.

Biomass combined heat and power plants
With consumption of 40 000 tonnes of wood or other biomass, a CHP plant in the 5 MW class will generate around 30 million kilowatt hours of electricity and 50 million kilowatt hours of heat per year. In terms of its operating principle, a power plant of this kind works in the same way as a coal-fired power station.



Sustainability approach

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

Our sustainability strategy is divided into the three sub-areas of **Climate** (ecological issues), **Community** (social issues) and **Compliance** (governance issues). In these areas, we want to continually improve our sustainability performance beyond the legal requirements. As part of the new materiality analysis, the Cash section has been replaced with Compliance. A detailed description can be found on page 85.

Sustainability strategy

Our approach is to create (added) value from raw materials in a responsible manner. In line with a sustainable transformation, we are investing in both the product portfolio and the production processes. We also support the Paris Agreement from the Paris Climate Conference as well as the European Green Deal. On this basis, we are pursuing the strategic goal of actively contributing to minimising global warming. The crucial factor in this regard is the CO2 reduction targets for our emissions from Scope 1 and Scope 2 in line with the Science Based Targets initiative. In the reporting year, we made significant progress with regard to the recording of emissions from Scope 3 in particular and also developed approaches for reducing these emissions (see “Emissions and energy”, p. 54 onwards). Further information about our climate strategy can be found in the “Strategy” section of the TCFD report (see p. 52).

The Group-wide sustainability strategy applies to the entire corporate group and is supported by the Board of Directors. This is demonstrated by our ongoing commitment to the objectives of the United Nations (UN) Global Compact, which we joined in the last reporting year.

The sustainability goals are centrally defined and coordinated; the Climate and Doors Divisions are responsible for the decentralised implementation. For this purpose, they are developing specific plans with individual measures and expanding their product portfolios so that they contribute to the Group-wide goals.

Sustainability governance

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

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

The Board of Directors and Group Management are pursuing a long-term strategy, while always keeping in mind the interests of the company, its employees, shareholders and other important stakeholders. Once a year, they review the strategy and its reporting with regard to the material topics for Arbonia. The Board of Directors of Arbonia is continuously informed about new legal requirements for sustainable corporate governance. It takes on the decision-making and control function for all measures and evaluates the performance on the basis of defined targets.

This concerns Internal Audit and thus risk assessment, for example. In the reporting year, Internal Audit sent the Board of Directors 15 audit reports on risks and the implementation of planned measures. These reports are also available to external auditors. The Board of Directors is also continually involved in examining possible acquisitions in the form of due diligence processes. The Board of Directors can order investigations or call in external consultants via the Audit Committee in all areas of competence. As of the 2023 financial year, quantitative climate targets aimed at reducing the intensity of greenhouse gases have also been integrated into the variable compensation for Group Management.

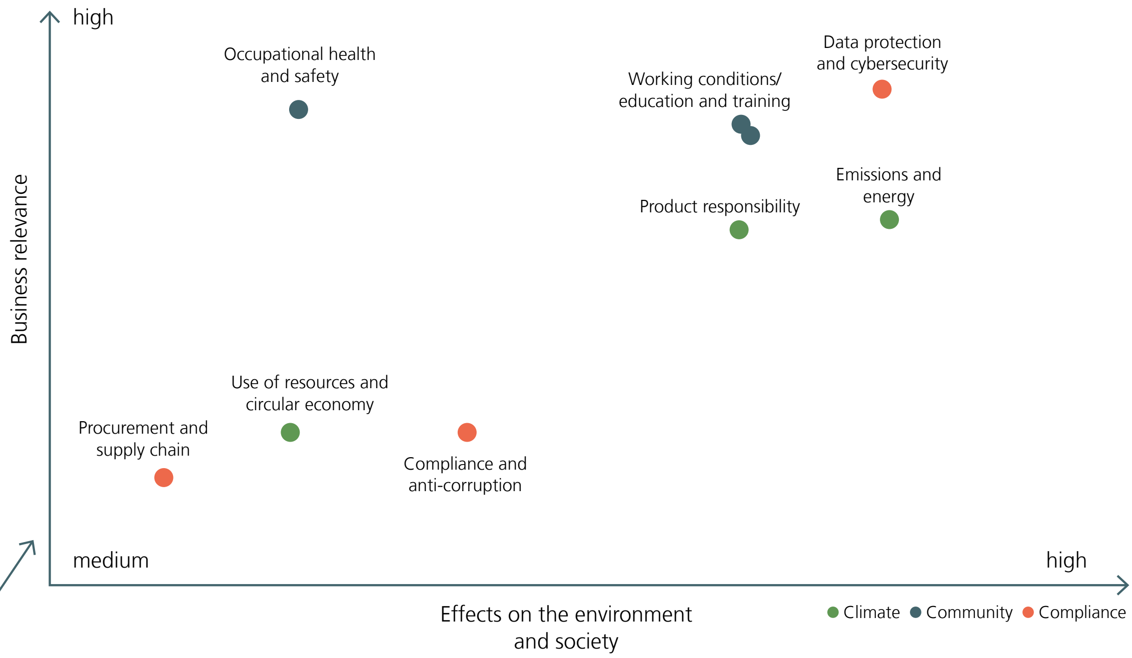
Materiality analysis

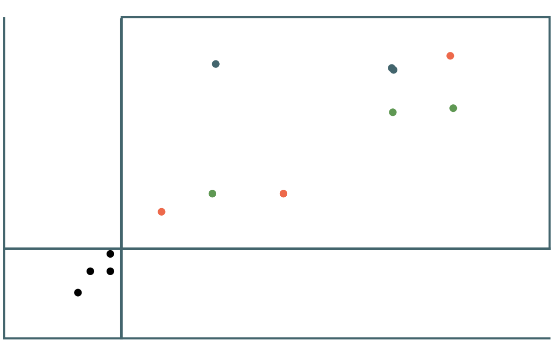
For our fourth sustainability report we conducted a new materiality analysis in 2023. This involved defining 13 topics which, on the one hand, are relevant to long-term business success and, on the other hand, are relevant with respect to important effects on the environment and society. The analysis was based on frameworks such as the GRI Standards, the Swiss Code of Obligations (see also "Matching material topics with the interests of the Code of Obligations", p. 44) and an initial comparison with the European Sustainability Reporting Standards (ESRS). Additional references included a benchmark analysis with sustainability reports from competitors as well as ESG rating analyses.

A core team consolidated the selection of topics, and an evaluation was then carried out by 23 internal stakeholders including the CFO of the Arbonia Group, the sustainability officers, as well as representatives of the divisions from various areas of responsibility and various corporate functions. The individual topics were rated according to the two dimensions "Effects on the environment and society" and "Business relevance". A threshold value was used to distinguish material topics from non-material topics. A workshop was then held where the stakeholders validated the results together with an external team of experts.

On this basis, nine of the 13 topics were rated as "material"; these topics are shown in the matrix below:

Materiality matrix





However, the following four topics were rated as non-material: "Equal treatment and opportunities for all", "Social engagement", "Water and waste water", "Biodiversity and ecosystems". While Arbonia is aware that these topics are also highly relevant when considering the topic of sustainability as a whole, their current significance with regard to both business success and effects on the environment and society was rated as significantly lower than that of the other topics in this reporting cycle. Nevertheless, Arbonia is also undertaking measures and initiatives in these non-material areas.

Article 964a ff. Code of Obligations

Matching material topics with the interests of the Code of Obligations
The Swiss Code of Obligations sets out requirements regarding sustainable corporate governance in order to protect people and the environment. These requirements came into force in 2022. They oblige large Swiss companies to produce an annual report on the non-financial risks for the environmental matters, social issues, employee-related issues, human rights and measures aimed at combating corruption. There are also further stipulations regarding transparency in the sensitive areas of child labour and conflict minerals. In this report, the Arbonia Group applies the new regulatory requirements for the first time. The table below matches up the material topics with the areas from the Code of Obligations. Within the report, the detailed requirements of the Code of Obligations are disclosed in a separate paragraph before the respective material topic.

Material topic of Arbonia	Allocation of material topics in accordance with Code of Obligations, Article 964ter, B.[1]	Page
Emissions and energy	Environmental matters	54
Use of resources and circular economy	Environmental matters	61
Product responsibility	Environmental matters; Social issues	65
Working conditions	Social issues	72
Education and training	Employee-related issues	77
Occupational health and safety	Employee-related issues	80
Compliance and anti-corruption	Combating corruption	86
Procurement and supply chain	Respect for human rights; Environmental matters; Social issues; Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (Seventh section Article 964^{quinquies})	88
Data protection and cybersecurity	Social issues	92

Risk management

Given that our risk management process has been institutionalised for some time now, the risk catalogue was updated once again in the reporting year by means of a structured process. The catalogue comprises strategic, operational and external risks that can be translated into a total of 26 risk scenarios.

Key people from the Group and the respective divisions are involved in evaluating the risk scenarios on the basis of both probability of occurrence and extent of loss. The two divisions and the Group representatives evaluate the entire risk catalogue, with the divisions rating the risks more highly overall. As part of the evaluation, the risk exposures are represented on a matrix. The results are compared with the previous year to check their plausibility and consolidated for the Group and the Doors and Climate Divisions. The entire risk profile is presented to the Audit Committee as well as to the Board of Directors.

In the reporting year, the risks differ with regard to individual points or their order. The three highest non-financial risks from the perspective of the Group are in the areas of energy supply (strategic), product portfolio (strategic) and compliance (operational). When aggregated across both divisions, the greatest non-financial risks are in energy supply, materials / raw materials (external) and compliance.

Mitigation measures have been defined for each risk. A status report indicates whether the respective measure is planned, proposed, implemented, or completed, or whether it is an ongoing process. This status report is integrated in a risk management tool which carries out continuous internal monitoring of the risk exposure and the status of the measures.

In the future, more detailed risks that are linked to sustainability aspects will be added to the risk catalogue. Therefore, as an initial step, potential risks were defined and aggregated by the internal stakeholders as part of the new materiality analysis (see p. 43). These ESG risks will be incorporated into the annual evaluation in future by means of comparison with current risk management activities.

Stakeholder engagement

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

Memberships in the most important chambers and associations – including Swissmem (association of the Swiss mechanical, electrical and metalworking industries), SwissHoldings, or the German-Swiss Chamber of Commerce – allow us to have a continuous dialogue with sector-related companies and relevant interest groups. We have also been a signatory of the UN Global Compact since the end of 2021 and meet all of the obligations arising from our membership.

In addition to our global engagement, we as Arbonia support communities at our production sites. This is demonstrated by numerous donor programmes and support for non-profit organisations. Many companies sponsor sports activities for young people and adults. In addition, the Group sponsors a non-profit association which organises educational projects to prepare children and young people for the challenges of the digital age. We also help to finance scholarships to universities of applied science.

Inclusion of stakeholders and their concerns

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

Arbonia's contribution to the SDGs

Arbonia is aware of its economic, environmental and social responsibility. We are committed to operating more sustainably over the long term.

We make a substantial contribution to climate protection with our products, which reduce energy consumption in buildings. For this purpose, we continually drive innovations in our two core areas of indoor climate and interior doors. In addition, Arbonia strives for a dynamic, open corporate culture and places a great deal of importance on a pleasant, appreciative and supportive working environment with attractive working conditions. As regional employers, the companies of Arbonia are an important economic factor in the respective regions.

Arbonia is committed to the United Nations' goals for sustainable development. In particular, Arbonia is dedicated to supporting the eight Sustainable Development Goals (SDGs) highlighted in colour below.

We are not yet able to fully measure our contribution to achieving the SDGs. However, in the following chapters we will show activities that support the goals of the United Nations for sustainable development. This is identified by SDG icons in the corresponding subchapters.

Climate

As a building components supplier for products and solutions for indoor climate as well as interior doors made of wood and glass, Arbonia has a responsibility for the environment and climate. We see great potential in the transformation into an environmentally compatible economy and would like to substantially contribute to making buildings more sustainable with our product, development and service portfolio. By reducing greenhouse gas emissions along our entire value chain, product innovations and new solutions, we aim to reduce the environmental impact of our business activities and those of our customers

TCFD report

The report for the 2023 financial year is the first time that the Arbonia Group is reporting on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) with regard to climate-related risks and opportunities. The reporting is based on the requirements in relation to governance, strategy, risk management, as well as key figures and targets. Although the TCFD was formally dissolved in 2023, its standards continue to point the way ahead and are currently being implemented at Arbonia.

In the first TCFD report, Arbonia discloses how physical risks and opportunities which may arise in connection with climate change are identified and handled. The focus in each case is on the financial consequences for the company.

Arbonia's strategic objective and company-wide ambition is to actively contribute to climate protection. Linked to this are the goals of consistently lowering energy consumption and reducing CO_2 emissions in Arbonia's own production facilities and in the upstream and downstream parts of the value-added chain.

1. Governance

The overarching strategic responsibility for climate-related risks and opportunities lies with the Board of Directors, while operational responsibility lies with Group Management. As climate-related topics affect all areas of Arbonia's business, they are managed at the highest operational level.

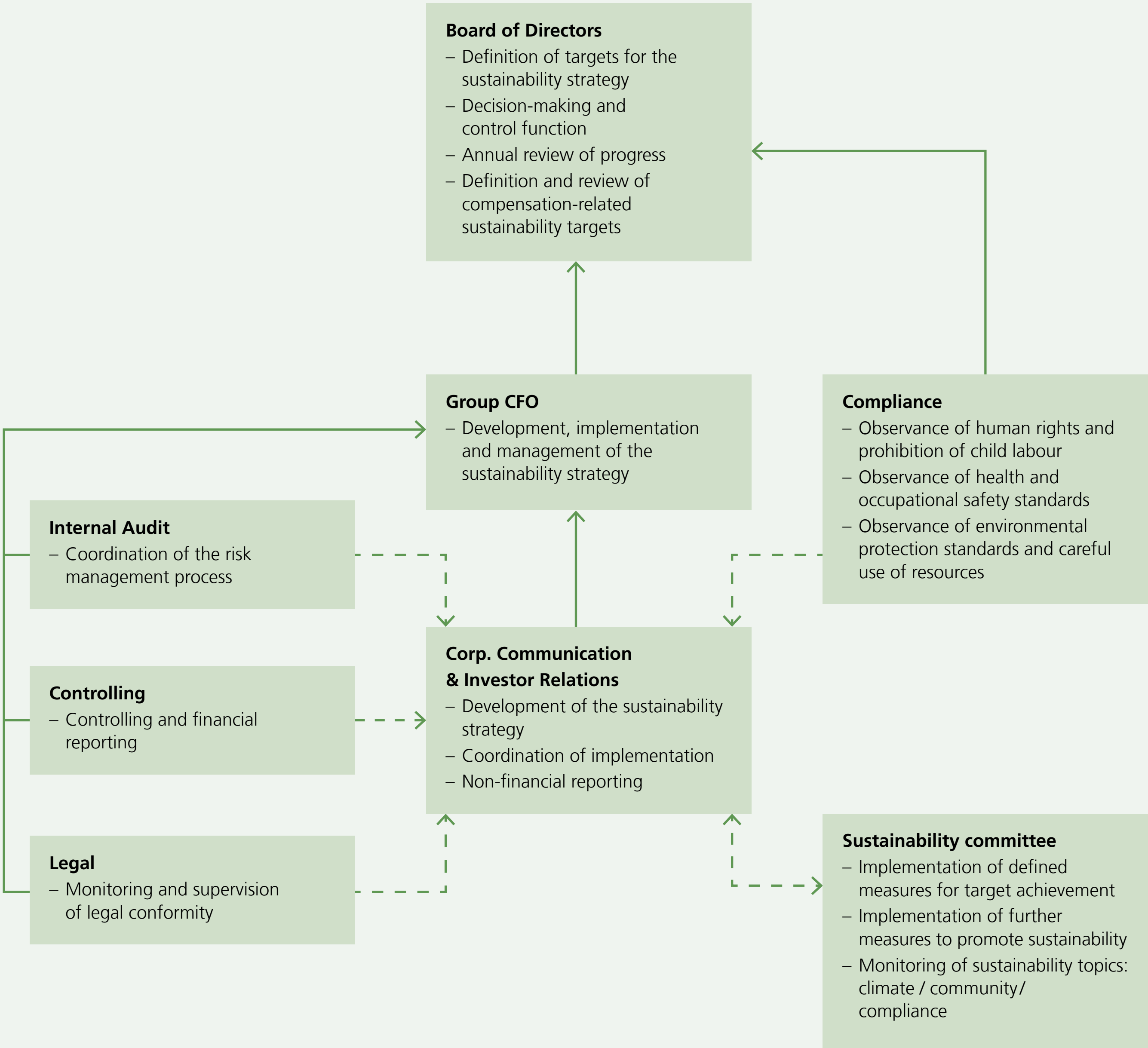
The Board of Directors and Group Management are pursuing a long-term strategy, while always keeping in mind the interests of the company, its employees, shareholders and other stakeholders. Once a year, they review the strategy and its reporting with regard to the material topics for Arbonia. In collaboration with Group Management, the Board of Directors defines the sustainability strategy which also includes approaches relating to the climate strategy. The sustainability strategy covers the material topics of emissions and energy, use of resources and circular economy and product responsibility. Reducing the intensity of greenhouse gases is defined as the central goal and is integrated into the variable compensation for Group Management.

Group Management is responsible for implementing the climate strategy, with the results and degree of target achievement being presented to the Board of Directors at least once a year for review. The Group CFO is responsible for managing the topic within the Group and develops the climate strategy together with the sustainability committee and representatives of the Corporate Communications & Investor Relations department. The sustainability committee consists of a representative of the Climate Division and one representative each from the Wood Solutions Business Unit and the Glass Solutions Business Unit of the Doors Division. The divisions or their companies coordinate individual measures with the Group functions and implement them. Group Management evaluates important initiatives and projects on a monthly basis.

The sustainability committee also develops approaches for deriving climate-related risks and opportunities for Arbonia. This includes, for example, integrating climate-induced consequences into the Arbonia Group's risk management activities. To this end, as an initial step, potential risks were defined and aggregated by the internal stakeholders as part of the new materiality analysis (see p. 43). Climate risks will be incorporated into the annual evaluation in future by means of comparison with existing risk management activities.

Various types of relevant climate data, such as energy consumption, are recorded in a central tool. The data is then distributed to the relevant managers, particularly the plant managers, via an internal reporting system.

Simplified sustainability governance structure



2. Strategy

Arbonia's climate strategy aims to reduce the company's ecological footprint. We want to play an active role in reducing environmental impact and promote a more sustainable use of resources. We are committed to continuously optimising our production and supply chain in order to reduce greenhouse gases and minimise energy consumption. In this context, we are focusing on the use of energy-efficient technologies and renewable energies. Furthermore, we are striving to use more sustainable materials and promote the use of alternatives with a lower environmental impact. By promoting environmentally responsible conduct and providing training, we are making our employees more aware of the topic of climate protection and encouraging them to play an active role in implementing our climate strategy.

We will keep reviewing and improving our climate strategy on the basis of international standards and best practices. With transparent reporting and regular progress reviews, we will ensure that we achieve our targets and make a positive contribution to the fight against climate change.

The Arbonia Group's efforts to decarbonise its business activities are based on the 1.5 degree target from the Paris Climate Agreement. The crucial factor in this regard is the CO_2 reduction targets for our emissions from Scope 1 and Scope 2 in line with the Science Based Targets initiative (SBTi). In the reporting year, we made particular progress with regard to the recording of emissions from Scope 3 and also developed approaches for reducing these emissions.

When it comes to evaluating climate-related opportunities and risks, Arbonia distinguishes between a short-term (< 1 year), medium-term (2–5 years) and long-term (> 5 years) perspective. In the reporting year, possible opportunities and risks were identified within these timescales and analysed in two scenarios. The basic principles of this initial internal analysis are presented here. In line with the TCFD recommendations, the climate-related consequences for Arbonia fall into the following three categories:

Physical risks
Physical climate risks encompass direct consequences for companies as a result of climatic changes; for example, potential damage to buildings. These risks result from climate change effects such as drought, water shortage, heat, heavy rainfall and sea level rise. Some of these problems were previously referred to as natural hazards, but climate change is causing an increase in both extent and probability of occurrence. Potential physical risks were prioritised internally in the first analysis in 2023. These risks are to be looked at in more detail for the individual sites in the next few years.

Transitory risks
Transitory climate risks describe indirect effects for companies as a result of the successive decarbonisation of the national economy and arise from ambitious climate protection policies. Linked to this are factors such as tightening of emissions trading rules, stricter efficiency regulations, or changing market conditions, as well as technological progress.

Climate-related opportunities
The decarbonisation of the economy brings with it opportunities for company-specific growth. The same applies to the climatic changes that are expected in the coming decades. Competitive advantages may be achieved by changing the product portfolio, adopting a forward-looking approach to market positioning and optimising operational processes.

Within this context, Arbonia is pursuing the goal of generating 60% of the net revenue of the Climate Division via low-emission, energy-efficient growth products by the 2026 financial year. In addition, the company is focusing on the topic of energy efficiency during the use phase as a further strategic growth area.

The characteristics of the three categories of climate-induced consequences described here are linked to scenario analyses. Our initial approach at Arbonia was to investigate two scenarios for global warming by the year 2100 (see graphic on the next page).

3. Risk management

The Arbonia Group has a centralised risk management system which is implemented in accordance with an institutionalised process. All potential and material risks are evaluated as part of this system. Key parameters for the evaluation include probability of occurrence, reputational damage and extent of loss. The Arbonia Group's risk management process is repeated on an annual basis and the results are reported to the CFO and the Board of Directors.

The Arbonia Group's risk catalogue (see also "Risk management", p. 45) encompasses a higher-level ESG scenario which takes climatic changes into consideration. In the current evaluation, this scenario is not assigned a high expectancy value at either Group or division level. As the Arbonia Group, we will differentiate this risk in the subsequent evaluations in order to establish a more direct link to individual business units for the evaluation participants.

	Scenario considered	
Category	**1.5 °C–1.8 °C**	**> 3 °C**
	Selected potential risks and opportunities identified in the initial analysis:	
Acute physical risks	Production interruptions and damage due to flooding	
Chronic physical risks	–	Increased electricity costs for cooling and air conditioning due to increasing heat heat and more frequent heatwaves
Opportunities due to long-term physical changes	Higher demand for air conditioning products due to increasing heat and more frequent heatwaves	
Transitory market risks	Impact of emission targets and target achievement on financial valuations and creditworthiness	–
Transitory political / legal risks	Increased costs for emissions accounting and fulfilment of other legal requirements and their tracking in the supply chain	–
Transitory market opportunities	Increased demand for Arbonia products due to the attractiveness of construction projects in which energy-efficient and low-emission products are used	–

In the reporting year, Arbonia launched an initiative in order to prepare for increased integration of climate-related risks into the group-wide risk management activities. A longlist with relevant physical and transitory aspects was produced in a pilot project, based on the recognised scenarios of the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). As a first step, this list was qualitatively assessed by Risk Management and the Corporate Communications & Investor Relations department, with the project team developing concrete risk scenarios with defined timescales for individual aspects. For an extract of the opportunities and risks under consideration, see "2. Strategy".

As an initial step, these analyses relate to the Arbonia Group's largest sites. Potential consequences for the entire Group are derived from trend descriptions, forecast ranges and financial calculations – on this basis, proposals can be developed for managing the risks under consideration. The aim is to establish a standardised process that uses the longlist as a basis to identify and evaluate risks at regular intervals and transfer them to the central risk management system.

The next step will involve defining suitable measures for mitigation. In the future, this will incorporate the upstream and downstream parts of the value-added chain in addition to Arbonia's own production facilities.

4. Key figures and targets

On the basis of the SBTi guidelines, we have determined a path for reducing our own CO_2 emissions (Scope 1 and 2) and defined corresponding targets and measures. We are aiming for an average annual absolute reduction of 4.2% by the year 2035 (reference year 2020). A certified energy and environmental management system reviews the target achievement and the effectiveness of the implemented measures.

The optimisation of energy consumption – and thus the improvement of the CO_2 balance sheet – has long since become a task of all companies, departments and areas of the Arbonia Group. All targets in the area of energy efficiency are defined annually and advanced with corresponding measures.

In the reporting year, Arbonia slightly increased the share of electricity that it produces itself from 12.9% in the previous year to 14.6% by installing further PV systems on the roofs of the production plants. A further success was the reduction in heating oil consumption for heat production by 32.0%. Greenhouse gas emissions from Scope 1 and 2 dropped by 7.6% overall; however, the greenhouse gas intensity (greenhouse gas emissions in $kgCO_2e$/CHF net revenue) increased by 2.7% due to a drop in revenue.

Complete monitoring of the key figures in energy management is the most important instrument for Arbonia to continue to pursue the strategic targets relating to energy efficiency and CO_2 emissions. This also makes it possible to measure the share of renewable energy.

Emissions and energy

Article 964a ff. Code of Obligations

Concept and due diligence
Environment-related activities affect all business processes – from research and development through production to logistics and transport. We are aware that our operating activities result in greenhouse gas emissions. As Arbonia, we have been paying special attention to this issue for many years and are continually taking new measures to improve our environmental impact further. Arbonia aims to operate with the lowest possible emissions at our own company, in production and in the area of transport and logistics. The main objective of all companies is to grow responsibly and to aim for maximum energy efficiency. On the basis of the SBTi, we have determined a path for reducing our own CO_2 emissions (Scope 1 and 2) and defined corresponding targets and measures. We are aiming for an average annual reduction of 4.2% (incl. growth) by the year 2035 (reference year 2020). Arbonia is also in the process of identifying the greatest factors influencing the Scope 3 emissions, in order to formulate reduction targets and measures for these as well. The energy efficiency of our production processes is monitored as standard and investigated with regard to optimisation potential. For this purpose, clear competencies and energy officers have been designated. These officers from the areas of production and logistics continuously monitor the target achievement. All targets in the area of energy efficiency are evaluated annually.

Measures including evaluation of effectiveness
Arbonia is constantly working to improve its energy efficiency on the basis of certified energy and environmental management systems. New or improved energy-efficient machines play an important part in this. Arbonia is steadily increasing the share of renewable energy in its electricity consumption by expanding the provision of photovoltaic (PV) systems and wind turbines as well as biomass CHP plants at its production sites. Furthermore, Arbonia has expanded its fleet of electric cars and, in 2023, some companies introduced policies stipulating that only electric cars may be used.

Material risks and how they are handled (own scope of business and, where applicable, business relationships)
Growing customer expectations regarding sustainability as well as increasing legal requirements entail risks that we are able to counter – both at our own company and in the upstream and downstream parts of the value-added chain – with scientifically substantiated climate targets, an improved data situation and corresponding measures. A higher quantity of data and an improved quality of data will allow us to provide more detailed information about material risks and how they are handled in future.

Key performance indicators
The most important key performance indicators are the energy consumption by energy source (MWh) and the composition of energy consumption (MWh). We also record other key environmental figures – these can be found in the table on page 56.

Priority	Target	Status 2022	Status 2023
The Climate Division achieves additive CO_2 savings by operating energy-efficient products[1] at customers.	By 2025: aggregated savings of 350 000 tonnes of CO_2	Savings of 175 200 tonnes of CO_2 for the years 2020, 2021 and 2022	Savings of 224 387 tonnes of CO_2 for the years 2020–2023
Arbonia reduces its CO_2 emissions from Scope 1 and 2.	By 2035: reduction by an average of 4.2% per year	Reduction of 7.9% compared to 2021	Reduction of 7.6% compared to 2022

[1] Among others: heat pumps, X2 radiators

The subject area of "Emissions and energy" is important to Arbonia in two respects: A great potential for reducing greenhouse gases lies in buildings, which are the largest source of CO_2 emissions in Europe after mobility, with a share of over 30%. By demonstrating its commitment in this area, Arbonia is aiming to fulfil increasing customer expectations regarding sustainability – there is great demand for products that reduce the energy consumption in buildings and ensure a pleasant indoor climate at the same time. Arbonia identified this trend early on and makes a substantial contribution with its products. Improvements can be achieved in new buildings as well as in renovations – especially through the use of integrated system solutions, as well as through the use of individual components from the Climate Division. Furthermore, the interior doors made of wood and glass also help to lower the energy consumption of buildings thanks to their insulation capacity (see "Product responsibility", p. 65 onwards).

At the same time, we at Arbonia aim to operate with the lowest possible emissions at our own company, in production and in the area of transport and logistics. In particular, the upstream and downstream parts of the value-added chain (Scope 3) make up a large part of the overall emissions. Arbonia is therefore in the process of identifying the greatest factors influencing the Scope 3 emissions in order to formulate reduction targets and measures on this basis.

We are aware that conventional energy generation consumes finite resources that contribute to climate change. In 2023, we started collecting data for Scope 3 emissions from our own operating activities and the value-added chain in order to identify and mitigate relevant risks more effectively. The materiality analysis from 2022 was updated in 2023, with the divisions defining the following categories:

3.1 Purchased goods and services
3.2 Capital goods
3.3 Upstream fuel- and energy-related emissions
3.4 Transport (upstream)
3.5 Waste
3.7 Employee commuting
3.9 Transport and distribution (downstream)

This means that Arbonia now has valid data for all relevant categories of its value-added chain. As a result, the value indicated for Scope 3 (see "Key environmental figures", p. 56) is much higher than in previous years. On the basis of the data collected for Scope 3, Arbonia will define appropriate targets and measures which will be reported from 2024 onwards. The aim for 2023 was to gradually improve the quality and quantity of the data.

As far as Scope 1 and Scope 2 are concerned, we are implementing measures on an ongoing basis – including the construction of PV and CHP plants. In the reporting year, Arbonia slightly increased the share of electricity that it produces itself from 12.9% in the previous year to 14.6% by installing further PV systems on the roofs of the production plants. A further success was the reduction in heating oil consumption for heat production by 32.0%. Greenhouse gas emissions from Scope 1 and 2 dropped by 7.6% overall; however, the greenhouse gas intensity (greenhouse gas emissions in $kgCO_2e$/CHF net revenue) increased slightly by 2.7% due to a higher drop in revenue.

One decisive measure for more energy efficiency is the certification of various production sites according to the ISO standard 50001, which requires a complete monitoring of energy key figures, among other things.

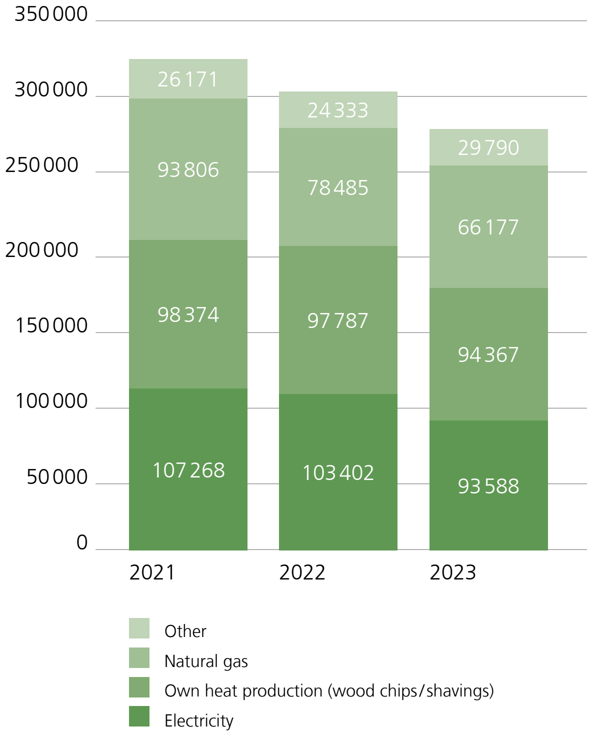
Arbonia is also keen to promote e-mobility. A new company policy stipulates that only electric cars may be used at some sites starting in 2023. Company vehicles with an internal combustion engine will therefore be replaced with electric vehicles on an ongoing basis. Employees are able to charge their cars at many of our sites (charging prices apply) and charging points are also available for visitors.

Key environmental figures

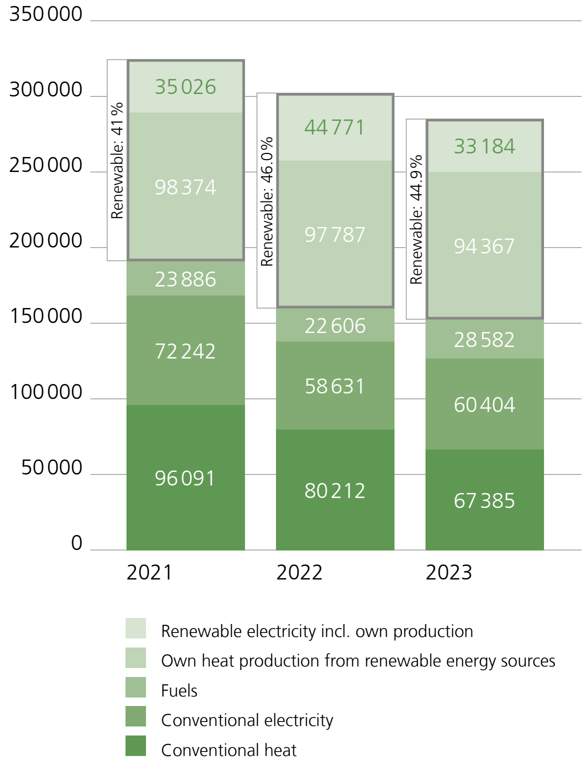
	2023	2022	2021
Energy consumption in MWh	**283 922**	**303 721**	**325 618**
Thereof renewable	44.9 %	46.9 %	41.0 %
Electricity	**93 588**	**103 402**	**107 268**
Own electricity production	14.6 %	12.9 %	12.2 %
Total renewable electricity	35.5 %	43.3 %	32.7 %
Heat	**161 752**	**177 999**	**194 464**
Own heat production (wood chips/shavings)	94 367	97 787	98 374
Natural gas	66 177	78 485	93 806
Heating oil	1 208	1 727	2 285
Fuels	**28 582**	**22 606**	**23 886**
Diesel	27 027	21 534	22 624
Petrol and Liquified Petroleum Gas (LPG)	1 555	1 555	1 262
Energy consumption in kWh/CHF net revenues	**0.26**	**0.25**	**0.28**
Greenhouse gas emissions (Scope 1–3) in tCO_{2e}	**472 766**	**87 359**	**77 581**
Greenhouse gas emissions (Scope 1–2) in tCO_{2e}	**55 964**	**60 588**	**65 759**
Scope 1	**22 844**	**23 858**	**27 719**
Own heat production (wood chips/shavings) [1]	1 428	1 480	1 520
Natural gas	13 432	15 847	19 227
Heating oil	314	461	611
Diesel	7 285	5 805	6 049
Petrol and Liquified Petroleum Gas (LPG)	385	266	312
Scope 2 (Location-based)	**33 120**	**36 730**	**38 040**
Electricity	33 120	36 730	38 040
Scope 3 [2]	**416 802**	**26 771**	**11 822**
3.1 Purchased goods and services [3]	346 923	–	–
3.2 Capital goods [4]	3 774	–	–
3.3 Upstream fuel- and energy-related emissions	12 143	15 038	15 104
Energy-related upstream chain electricity	7 655	9 859	9 636
Heating-related fuels	2 809	3 883	3 955
Transport-related fuels	1 680	1 296	1 513
3.4 Transport (upstream) [5]	9 292	–	–
3.5 Waste [6]	5 826	–	–
3.7 Employee commuting [7]	11 275	11 733	11 822
3.9 Transport and distribution (downstream) [8]	27 570	–	–
Greenhouse gas emissions (Scope 1–2) in kg CO_{2e} / CHF net revenues	**0.052**	**0.050**	**0.055**
Greenhouse gas emissions (Scope 1–3) in kg CO_{2e} / CHF net revenues	**0.385**	**0.073**	**0.066**

[1] Direct emissions due to the production of the greenhouse gases methane and nitrous oxide, which are not absorbed during growth. Biogenic CO_2 emissions emissions are reported outside of scopes according to the GHG protocol and amounted to 33 406 t CO_{2e} in 2023 and 34 616 t CO_{2e} in 2022.
[2] For Scope 3.1, 3.2, 3.4, 3.5, 3.9: headquarters in Arbon (CH), AFG RUS in Stupino (RU) and Brugman Fabryka Grzejników Sp. z o.o. in Legnica (PL) are not part of the scope.
[3] Refers to production-related products from Tier 1 suppliers.
[4] Refers to machinery, equipment, buildings and vehicles from Tier 1 suppliers with a value of CHF / EUR > 10 000.–
[5] Refers to the transport of the goods considered in Scope 3.1.
[6] Refers to the waste of the goods considered in Scope 3.1.
[7] The calculation is based on an employee survey on commuter behaviour from 2022.
[8] Transport of the products sold and marketed to customers. Storage is excluded.

Energy consumption by energy source (MWh)



Composition of energy consumption (MWh)



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

Scope 1: Emissions from fuels.
Scope 2: Emissions that result from the production of purchased electricity. Country-specific emission factors are used here ("location-based approach").
Scope 3: The categories 3.1 Purchased goods and services; 3.2 Capital goods; 3.3 Upstream fuel- and energy-related emissions; 3.4 Transport (upstream); 3.5 Waste; 3.7 Employee commuting and 3.9 Transport and distribution (downstream) are reported in accordance with the Greenhouse Gas Protocol. Country-specific emission factors are also used here ("location-based approach").

Emission factors used: IEA (2023), DESNZ (2023), LfU Bayern, AIB (2023), US EPA (2023) and Ecoinvent 3.10

Climate Division

Conserving energy – and producing it ourselves
The Climate Division is continually expanding its capacities for generating its own electricity and heat from renewable energies. In 2023, a PV system with 300 kWp was installed on the roof of the production plant in Stříbro (CZ) to supply the production facilities with renewable energy. Plans are under way to expand this system by 400 kWp. A further 100 kWp system will be installed at the second Czech production site in Opočno in 2024, with plans in place to gradually expand this system in future too. The PV system at the production site in Kladovo (RS) is already generating around one third of the site's own power requirements (11 482 MWh in the reporting year). This share is set to be increased to 50% by employing a more efficient means of feeding power into the grid. The heat production and cooling take place through heat pumps with higher capacities, so that the need for gas is eliminated entirely.

In 2023, the PV system in Plattling (D), which has a capacity of 1.6 MW, produced around 1 500 MWh of electricity. This system was also expanded in the reporting year and is about to be put into operation. From 2024 onwards, the division is expecting to produce around 2 500 MWh of PV electricity in total at this site, corresponding to around 14% of the site's power requirements. In combination with the new CHP system, the share of self-produced electricity is set to rise to around 21% in 2024.

Sabiana in Corbetta (IT) is also gradually increasing its share of self-produced electricity. At the moment, the site covers 62% of its total electricity consumption thanks to the PV systems on all production plant roofs, saving 535 tonnes of CO_2 emissions each year. The approval of a new investment will make it possible to increase energy production to 1 660 kWp, covering 75% of the total consumption and saving 654 tonnes of CO_2 per year. This new PV system started production at the end of 2023 and will be fully operational in 2024. Another initiative helping to reduce energy consumption at this site is the replacement of traditional lighting in the factories/offices with energy-efficient LED lamps. This work was completed in 2023. In addition, the Corbetta production site (IT) already has charging stations for electric cars and new electric vehicles have been added to the company fleet.

At the site in Dilsen (BE), around 60% of the total power requirements are covered by a wind turbine with an output of 2 MW. The site also has a PV system to help generate green electricity. Additionally, the offices were ecologically renovated in the reporting year. Heat pumps were installed here as well, so that gas is no longer needed to generate heat.

In Opočno (CZ) up-to-date energy standards have been taken into account with regard to the new construction of the heat pump plant and an investment in new compressors. A heat pump – developed in-house – was also installed to heat the entire site. The reduction of the energy consumption is analysed and monitored at this site in the framework of Six-Sigma projects, a management system for process optimisation.

Improved logistics
The division wants to decrease traffic in logistics by optimally bundling loads together. With this in mind, Termovent in Serbia has increased the quantity of goods loaded on each transport pallet by around a third, roughly halving the number of transports. In addition, the division uses telematics data to review and optimise driving behaviour and driving distances. High-emission vehicles are being replaced by new ones; for example, at the Corbetta (IT) site, where the fleet was switched to the "Euro 6" emissions standard.

Greening at local sites
Maintaining biological diversity is closely connected to engagement in the area of emissions and energy. The creation of green spaces and planting of additional trees on the company premises will promote biodiversity at the local sites of the division. After an analysis of the biodiversity at the Plattling (D) site, initial measures were initiated to protect and strengthen the flora and fauna. In September 2023, the division acquired a new plot of land in Corbetta (IT), close to the existing production facilities, to allow production capacity to be expanded in future. Around 100 m² of the land will be dedicated to biodiversity.

In addition to greening at production sites, efficient production and sales processes also play an important role. Despite volume growth, the Climate Division is committed to manufacturing in existing or reduced spaces to consolidate production. Intensively built areas in the production plant are compensated for with organically cultivated compensation areas.

Doors Division

Numerous measures for greater climate protection
A large proportion of the companies in the Doors Division regularly carry out certification audits according to the standards ISO 9001, 14001 and 50001. Energy efficiency is an important factor especially in the modernisation of production lines and peripheral systems because it allows significant reductions in power consumption. And the degree of self-sufficiency is continually increasing through the construction of new or the expansion of existing energy generation systems. Attention is also paid to energy-saving technology in new buildings and renovations at the operating sites. For example, in 2023 all lighting systems in the production facilities were fitted with the latest LED technology and movement sensors. At Invado alone, an area of over 21 000 m³ was equipped with new LED lighting in 2023.

A compensation system for high-frequency reactive components was installed as a pilot project at the Prüm site, making it possible to filter non-usable energy components directly without incurring any costs. As a result, energy costs were reduced by up to 3%. The project is now going to be rolled out to other sites. Optimisation measures are under way in procurement to ensure that collection and return transport arrangements are agreed with as many suppliers as possible in order to avoid empty trips. An energy efficiency analysis project is also ongoing with the aim of deriving new measures. The production facilities were optimised in the reporting period, leading to increased energy efficiency. Progress was also made with regard to using residual materials from door production to generate heat and power: At the end of 2023, the old CHP system was replaced with a more modern and more efficient biomass CHP plant which can produce more than twice the amount of electricity. This means that, from mid-2024 onwards, the site will be able to generate up to 60% of its power requirements internally and also supply power to neighbouring companies. Furthermore, the new biomass CHP plant will no longer use evaporative cooling during operation. Cooling is carried out using radiators that are connected to a closed circuit, reducing total water consumption by up to 25%.

RWD Schlatter also installed another PV system on the new logistics centre in Roggwil (CH), allowing around 335 MWh to be fed into the power grid per year. The flow of goods has also been optimised thanks to this new logistics centre. Various stock relocations and transport routes have been eliminated, saving around 15 tonnes of CO_2 per year. Furthermore, as part of the construction work, RWD Schlatter pre-equipped all of its parking spaces for the subsequent installation of charging stations and installed 18 charging points for electric cars. Two electric cars have already been purchased for business purposes.

In 2021, the Garant production plant in Ichtershausen (D) started the planning phase for a state-of-the-art biomass CHP plant which is set to commence operations in 2025. This plant will cover around 50% of the power requirements of the production plant.

Meanwhile, Invado has installed a PV system with an output of 50 kW and a silo measuring 50 m³ for biomass. Invado has also obtained approval to build a PV system with an output of up to 2 100 kW and plans to start construction in 2024.

In the Glass Solutions Business Unit, work was completed on a new production hall at the end of June 2023. The new hall features up-to-date insulation values and was partly built to replace old parts of the building. In October 2023, a new PV system with an annual capacity of 402 000 kWh was put into operation in Dagmersellen (CH). The new hall is heated with a modern heat pump and a new heating system featuring state-of-the-art technology was also installed in the old building.

In addition, the division is also optimising its production processes – for example with the implementation of shop floor management at various sites. Furthermore, packaging material will no longer contain any films whatsoever in the future, saving 60 tonnes of packaging foil per year. An additional 280 m³ of gas will be saved every year by dispensing with a shrink film machine.

We are also focusing on sustainability when it comes to the construction materials for our buildings. Lignum Holzwirtschaft Schweiz, the umbrella organisation for the Swiss forestry and wood industry, awarded RWD Schlatter AG a certificate for the construction of its new warehouse. Only certified Swiss wood was used for the entire structure, with the 171 m³ of timber binding 126 tonnes of CO_2e according to the certificate.

Maintaining biodiversity
The Doors Division is implementing concrete measures and is driving innovations to minimise the negative impact on biodiversity. It has reduced the total solvent emissions for the manufacture of doors by one third in the past ten years, for example and is now increasingly relying on water-based coating materials. As a result, the proportion of solvents used was only around 5.1% in 2023. By changing over the painting process, Prüm and Garant have also succeeded in achieving considerable savings in paint consumption. They have reduced the consumption by 18 and 40 tonnes to less than 100 tonnes of paint per year respectively. Prüm has also contributed to the renaturation of a compensation area of 12 567 m² and has guaranteed financial support for the required maintenance of the deciduous mixed forest for the next 30 years.

For their practice and test pieces, the trainee workshops only use leftover wood from the neighbouring wood processing company that would otherwise be disposed of. This means there is no need to purchase any new sawn timber or building timber. The new spraying robot at Prüm will be operated with a cyclone separator in future, keeping the system’s water consumption to a minimum.

Consistently monitored objectives

A certified energy management system has made it possible to considerably simplify the monitoring at several companies. This has led to a greater sensitivity for energy savings. At the Plattling (D) site, for example, measurements are regularly taken in production via a state-of-the-art data acquisition system to identify any weak points and immediately replace inefficient consumers. At the Weinsheim (D) site, approximately 100 in-plant energy measurement points are in operation for the machines and the infrastructure. At the Deggendorf site (D), all consumption is called up in real time with a state-of-the-art energy management system. An automated reporting system makes it possible to take countermeasures when defined limit values are exceeded. An annual budget is available for measures to increase efficiency.

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

Use of resources and circular economy

Article 964a ff. Code of Obligations

Concept and due diligence
Our declared objective is to conserve natural resources and establish a materials cycle that is as circular as possible, thus also cutting down on the amount of energy required for transporting and processing those raw materials. Various areas of the company share responsibility for the cross-cutting issue of resource management. Product Management and Development have the task of designing products that can be produced in as resource-efficient a manner as possible. The production managers are responsible for ensuring that processes are designed with resource efficiency and a circular economy in mind. Within this context, the divisions and companies of Arbonia have also set themselves their own targets in some cases. For example, the Climate Division intends to minimise the use of materials in production and reduce error costs to well below 1 % of annual turnover. In the Doors Division, Garant has set itself the target of reducing energy and resource consumption per manufactured part by at least 3 % per year. A waste policy has been in place across the entire Group since the 2022 financial year. This policy aims to raise awareness of consistent separation of operational waste, stipulates that production must be reviewed with regard to resource-efficient processes and states that volumes of waste must be measured.

Measures including evaluation of effectiveness
The introduction and expansion of digital systems supports resource-efficient operations at Arbonia, which led to less waste, reduced water consumption and optimised use of resources in the reporting year. Arbonia has established a forward-looking resource management system, focusing on high quality and production that is as free of defects as possible in order to prevent rejects and complaints. Energy and material savings are to be taken into consideration when developing new products and improving existing ones. Usable production waste or old parts are used again in manufacturing where possible. In 2023, the divisions were able to increase the proportion of recycled materials and replace plastics in both products and packaging with cardboard. At the same time, the proportion of recyclable products and the use of recycled packaging are increasing and more and more products are undergoing sustainability certification. Arbonia is also keen to protect resources when it comes to its construction activities – for example, by using domestic woods where possible. In 2023, RWD Schlatter received a sustainability award for the use of Swiss wood in its construction work.

Material risks and how they are handled (own scope of business and, where applicable, business relationships)
Market distortion and supply chain problems can cause (raw) material and freight prices to rise, or result in products and services being unavailable. It is not possible for higher manufacturing costs to be passed on to the customer in full, or they cannot be passed on quickly enough, resulting in additional expense, delivery delays, a decrease in revenue and loss of margins.

Key performance indicators
Our key performance indicators relate to the use of resources and the circular economy as well as water consumption, waste by disposal method, waste and error costs (see table on p. 62).

Priority	Target	Status 2022	Status 2023
The Climate Division reduces material use in production.	By 2035: reduction of error costs to less than 1% yearly	Error costs of 0.68% in 2022	Error costs of 0.85% in 2023
The Doors Division reduces resource consumption for water (in m³), gas (in MWh) and waste (in t).	By 2035: annual reduction of 3%	Natural gas reduced by 33%, waste reduced by 29%, water consumption measured for the first time in 2022[1]	Natural gas reduced by 33%, waste reduced by 17%, water consumption reduced by 10%

Arbonia is keen to conserve natural resources and is pursuing a forward-looking resource management strategy in line with the principle of continuous improvement. The company is also using digital solutions to support the planning and implementation of production processes. Energy- and material-efficient production based on good resource management simultaneously reduces manufacturing costs and thereby increases competitiveness. We therefore strive for energy and material savings in the development of new products as well as in the improvement of existing products. The use of old or common parts is also checked in this phase. The aim is to achieve a decrease in waste and the associated direct and indirect costs. We measure the quantity of waste and analyse the error costs in order to assess the effectiveness of the measures. The waste resulting at the company is consistently separated, pretreated where necessary and then recycled. The quantity of products that are disposed of through waste incineration and in landfills is also to be analysed and minimised. The companies of Arbonia regularly check how resources can be used even more carefully – for example, through clever product design and production that is as free of defects as possible. The goal here is to minimise reject and error costs by means of continuous monitoring.

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

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

To ensure constant improvement, employees must be provided with information and training on a continuous basis – via shop floor management or company meetings, for example.

Key figures for resource efficiency

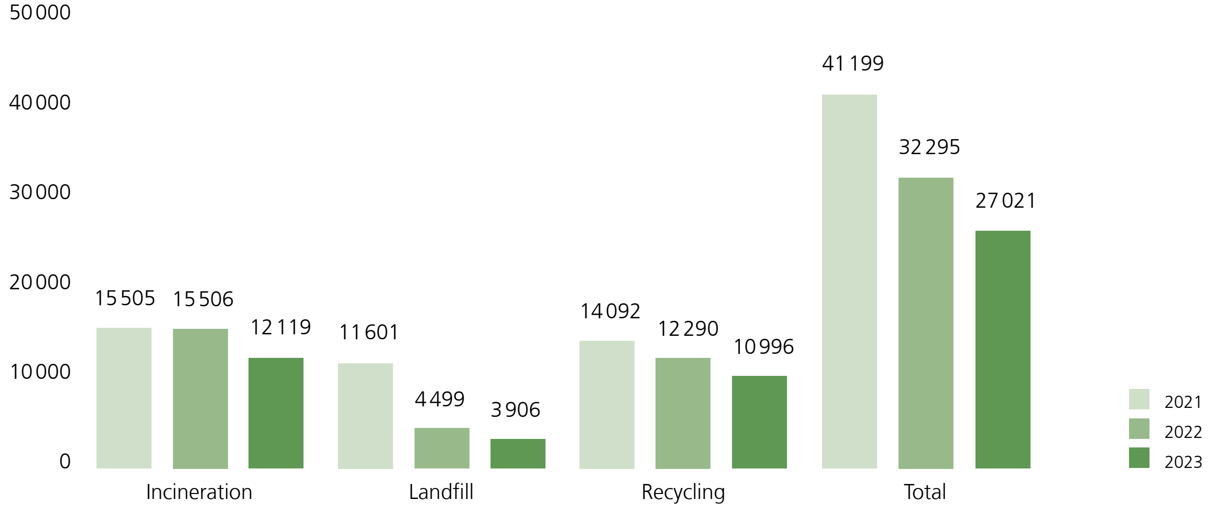
	2023	2022	2021
Error costs in % of net revenues	1.5	1.3	1.3
Waste in t	**26 217**	**32 295**	**41 199**
Non-hazardous waste	**22 598**	**29 198**	**32 967**
Incineration	11 826	15 306	9 590
Landfill	2 758	2 992	10 738
Recycling	8 014	10 900	12 639
Hazardous waste	**3 619**	**3 097**	**8 232**
Incineration	293	200	5 915
Landfill	1 148	1 506	863
Recycling	2 178	1 390	1 453

The figures for non-hazardous and hazardous waste cover all manufacturing companies in the Arbonia Group as well as the headquarters in Arbon, Switzerland. Pure distribution companies were not included. The treatment and disposal of waste at Garant was changed in 2022, resulting in significant shifts within the survey methods.

Key water consumption values

	2023	2022
Water consumption in m³	210 293	273 373
Water consumption in m³ / CHF net revenues	**0.19**	**0.23**

Waste by disposal method (in metric tonnes)



Climate Division

Continuous resource minimisation and reuse
The Climate Division has set itself the target of minimising the use of materials in production. The aim is to reduce error costs to well below 1% of the annual turnover – while simultaneously increasing productivity. In addition, the division wants to use more recycled materials in all areas. Within the scope of the digitisation projects, Industry 4.0 and Logistics 4.0 are leading to considerably increased efficiency with a reduced use of resources.

Last but not least, the division is also making a contribution to the careful use of resources with its products. Steel radiators, for example, are nearly completely recyclable and can be reused at the end of their life. In the production of radiant panels, less material is now required due to an improved product design; the same holds true for the production of heat exchangers.

Examples for an efficient use of resources
The division has a number of initiatives and projects aimed at contributing to resource efficiency and a circular economy. In the reporting year, for example, reject and error costs were reduced beyond the set target, resulting in error costs of just 0.85% in 2023.

In Stříbro (CZ), progress was made with the ongoing projects aimed at reducing pipe wall thicknesses. In Corbetta (IT), further improvements were made with regard to the proportion of fully recyclable products and packaging. Furthermore, rather than packing heat exchangers in single-use packaging when transporting them internally between the production plants, they are now packed in a recycled plastic box which can be used for 10 years. This initiative, which began in 2023 and will be completed in 2027, will gradually reduce the quantity of plastic and paper materials used in internal packaging. By 2027, the aim is to have completely eliminated the 336 kg of plastic used in 2023, as well as reducing the number of wooden pallets in use. The company is switching to plastic pallets for internal transport, which means that the 25 210 kg of wood used in 2023 will be reduced to zero by 2027. A further aim is to reduce the use of plastic and cardboard in production and logistics processes as well as in administrative tasks in the company's offices.

Sabiana's goal is to integrate recycled materials into its operations. One example of this is the use of sintered expanded polystyrene (recycled EPS instead of "pure" EPS) as padding in packaging. The proportion of recycled EPS in use is currently minimal, but the division is planning to implement a gradual substitution between now and the end of 2027. By then, 60% of the packaging material should feature 35% recycled EPS and the remaining 40% should feature 15% recycled EPS. The integration of recycled material is also being evaluated in relation to other internal assembly/production processes.

Furthermore, EPS is to be replaced with cardboard within the packaging process in order to reduce the amount of non-renewable packaging materials in certain product lines. Using cardboard instead of plastic in product and packaging components has already reduced the amount of plastic used in several product families. In total, 21 440 kg of plastic was saved in 2023. The ultrafiltration system installed in 2022 allows water to be treated, thus reducing water consumption. Sabiana is also keen to reduce the number of plastic water bottles used by employees and has therefore provided free water coolers in the offices and production facilities.

In Serbia, the division has installed various workstations to optimise all process steps further. The objective is to use scrap for production – for example for metal plates and profiles. In 2023, the Plattling (D) site initiated a project which involves filtering the water from test basins and reusing it, thus saving up to 60% fresh water.

Doors Division

Working towards an ambitious target
For the Doors Division, energy-related and environmental key figures play an important role in the planning and application of the future production technology. For example, Garant wants to lower the energy and resource consumption per manufactured part by at least 3% per year. This is to be achieved through greater machine efficiency, preventive maintenance and continuous servicing, optimisation of manufacturing control and minimisation of downtimes. In 2023, digital solutions allowed the companies in the Doors Division to reduce their inventories and improve delivery accuracy. The targets are also monitored through monthly tracking, among other things.

With regard to glass solutions from Kermi, a shop floor management system introduced in 2023 has improved production planning, thus reducing excess production and inventories. RWD Schlatter is also working to make its processes more sustainable in the future with the help of its state-of-the-art machinery. Particular attention is also to be paid to the continued reduction of production waste and consistent use of leftover materials. Invado has set itself the goal of delivering doors and frames exclusively in cardboard packaging in the future. By the end of 2023, the company had managed to replace around two thirds of the polystyrene corner protection with cardboard. The plan for 2024 is for all corner protection to be made of cardboard.

Product responsibility

Article 964a ff. Code of Obligations

Concept and due diligence
Product Management implements all new requirements on the part of customers and/or legislators at the interface between the company and the market. The team assigns responsibilities within the company, defines specifications for quality assurance and regulates the labelling requirement including corresponding certifications in line with technical conformity. The team is additionally responsible for product compliance with regard to legal regulations and standards, ensures health and safety for (end) customers and controls the handling of problematic components such as dangerous chemicals.

Measures including evaluation of effectiveness
With our measures, we especially want to extend the service life of the products. Key factors are the continuous optimisation of the quality management system and production methods, the modernisation of the machinery as well as the careful selection of suppliers with the highest standards. Corresponding training courses for employees aim to continuously increase responsibility for product quality.

Material risks and how they are handled (own scope of business and, where applicable, business relationships)
New sustainability requirements may lead to a lower product margin as customers are unwilling to pay higher prices. At the same time, there is a risk of damage to the company's image or reputation if the product portfolio is not sufficiently sustainable or if the products being developed do not correspond to market demand.

Furthermore, there is a particular focus on product safety or technical defects which may have legal consequences. Strict quality controls and high safety standards are therefore required.

Key performance indicators
We collect data on the revenues that result from new products and use this to analyse the success of our product innovations. Feedback from customers and end users significantly contributes to a qualitative assessment as well. Furthermore, the proportion of certified sites (ISO 14001 and ISO 50001) plays an important role in the assessment for product management (see table on p. 66).

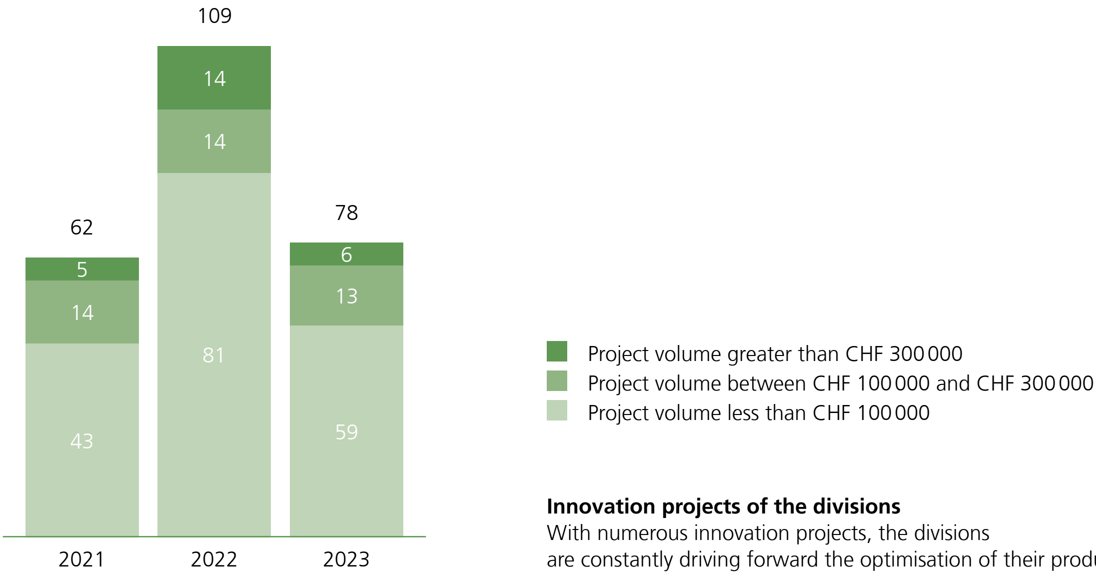
Our product strategy is based on optimising existing production processes and existing products as well as developing innovative solutions with a focus on energy efficiency. We expect green technologies to provide us with further impetus and development breakthroughs. This is our way of responding to the increasing demands of customers, residents and legislators. At the same time, these innovations allow customers to reduce energy consumption and thus save money. In addition to these performance requirements, standardised processes aimed at ensuring product safety are an integral part of operational workflows. This involves checking material quality and functionality as well as applicable safety guidelines. Training programmes ensure that all relevant employees are applying the processes.

New requirements on the part of customers or legislators feed directly into product programme planning and roadmap development. The sales managers of the individual markets are kept informed through close collaboration and the Development department implements the defined projects accordingly. A large portion of our production sites operate with certifications for environmental management (ISO 14001) and energy (ISO 50001).

Key figures for product responsibility

	2023	**2022**	**2021**
Total production volume[1] in TCHF	819 820	833 586	851 671
of which at ISO 14001 certified sites	46.0 %	47.8 %	42.7 %
of which at ISO 50001 certified sites	66.0 %	71.6 %	64.9 %

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



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

Climate Division

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

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

At the same time, the product strategy of the Climate Division is oriented towards the climate change package of the EU Commission, which aims to reduce greenhouse gases by 55% by 2030 and achieve a climate-neutral economic area by 2050. The division has already been pursuing a consistent strategy of further developing integrated heating systems and corresponding components by means of innovations for several years. This strategy comprises modern heat generation and optimum heat transfer as well as systems for energy storage for all building types and application areas. Within this context, the Climate Division offers solutions for new buildings as well as the renovation market. A recent example of our innovations is the development of a new heat pump generation which uses natural cooling agents.

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

Sabiana has obtained relevant certifications in the fields of environmental management, product health and safety and employee safety (ISO 9001 and ISO 14001). Furthermore, Sabiana follows the rules of the Ridomus/Ecoped consortium for the management and disposal of products that have reached the end of their life cycle and may contain electrical and electronic components.

In the reporting year, Sabiana made a start on the process of obtaining EPD (Environmental Product Declaration) certification. The Cassette ECM (low energy consumption electronic motor) product family was selected as a representative product in terms of volume and revenue. The corresponding EPD was verified and then published on the Environdec international platform (Sweden) in October 2023. The starting point for EPD certification involves developing the relevant Product Category Rules (PCR) which define the carbon footprint over the entire life cycle of the product. The PCR were submitted to Environdec in July 2023 and are scheduled for publication in March 2024. The definition of all further EPDs and their publication is taking place as planned on the basis of the priorities defined for the various product families (Carisma). The corresponding EPD certification was verified in September 2023 and published in October 2023.

Kermi also obtained an Environmental Product Declaration (EPD) for all steel radiators in the reporting year. Awarded by the IBU Institut für Bauen und Umwelt e.V., an association of building product manufacturers, this certification makes the environmental impact of the products transparent and comparable across the entire process chain. The label makes it possible for building designers and contractors to gain a competitive advantage in tenders by using products with a lower environmental impact. Kermi is the first company in Germany to obtain EPD certification for all steel radiators in its product portfolio.

Energy efficiency thanks to new products
Developing innovative heat pumps and storage batteries is a key priority for the Climate Division due to their sustainability credentials. In addition to the actual product development, this also concerns the further process optimisation and system integrations. In addition to the existing 7 kWh and 11 kWh devices, the division introduced an air/water heat pump for outdoor use with an output of 18 kWh in the reporting year. The introduction of a storage battery with an output of 10 kWh is planned for the first quarter of 2024 in order to be able to equip larger properties as well.

The Climate Division is keen to gain additional impetus for its innovation work through participation in trade fairs, cooperation with universities, studying specialist literature, participation in industry associations and standardisation bodies, as well as continuous training of employees. New developments are protected by applying for industrial property rights if possible. Systematic product optimisation is based on the regular exchange of ideas between management and production as well as professional monitoring of deadlines and costs.

Sabiana is keen to promote the use of an electrostatic filter system instead of a mechanical one and is using information materials and training to raise its profile among installers, dealers and end customers. This filter is more energy-efficient and resource-efficient. Electrostatic filtration leads to reduced steel and aluminium consumption due to the longer life cycle and does not generate any hazardous waste. Furthermore, this filter system reduces energy consumption by 70%, improves indoor air quality and kills germs. In 2023, Sabiana increased the production quantities of electronic motors (ECM) for all fan coil models. These motors result in reduced energy consumption compared to conventional asynchronous motors. For example, the energy consumption of ECM cassettes with the same air flow is reduced by 35% at high speeds and up to 75% at low speeds.

Key figures for product responsibility: Climate Division

	2023	2022	2021
Employees in research & development (FTE)	85	80	72
Expenditure on research & development (TCHF)	10367	11106	10649
Expenditure on research & development as a share of revenues	1.8%	1.7%	1.7%
Share of net revenues from third parties with new products[1]	9.8%	12.3%	10.8%
Expansion investments in % of total investments	46.6%	65.7%	25.3%

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

Doors Division

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

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

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

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

Key figures for product responsibility: Doors Division

	2023	2022	2021
Employees in research & development (FTE)	47	51	50
Expenditure on research & development (TCHF)	4777	4957	4950
Expenditure on research & development as a share of revenues	1.0 %	0.9 %	0.9 %
Share of net revenues from third parties with new products[1]	18.5 %	16.5 %	21.4 %
Expansion investments in % of total investments	57.2 %	58.7 %	48.6 %

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

Certification and quality assurance

Internal product management in the Doors Division ensures that even highly specialised customer requirements are fulfilled in every detail and all legal regulations and common standards are observed without compromise through standards-compliant production. In this way, the sales volume for certified products can be successively increased. In the Doors Division, consistently high product quality is ensured in part by the ISO 9001 quality management system as well as further certification bodies such as ift and SIPIZ.

Risk and hazard assessments are carried out in the development process as a matter of principle and measures are implemented to reduce hazards where appropriate. Furthermore, particularly in the case of products with electrical and/or electronic parts, extensive internal and external testing is carried out; for example, regarding electrical safety and electromagnetic compatibility. If necessary, modifications are made to products following these tests. It was also possible in the reporting year to test products' practical suitability more effectively thanks to the company's own certified laboratory with a test bench.

Quality assurance monitors the materials used during manufacturing, supervises production control and checks the manufactured parts. The assurance of the highest quality standards – the heart of the standard EN ISO 9001 – makes it possible to maximise customer satisfaction. The building products manufactured by the Doors Division are subsequently placed on the market in accordance with valid legal regulations and standards. This requires in-house production control; documentation is carried out by the respective quality assurance department at the individual companies.

Quality characteristics and conformity

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

In the reporting year, Prüm and Garant each passed the audits by FSC®, PEFC, WPK ift and WPK SIPIZ, concluding the investment programme for these sites. The division is continuing to invest in IT and the digitisation of processes. The ERP system at Invado has already been switched over to SAP S4/HANA; the roll-out to Prüm and Garant is still ongoing. The harmonisation of the ERP system will make future cooperation between the companies more efficient and increase productivity.

Community

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

Working conditions

Article 964a ff. Code of Obligations

Concept and due diligence
It is our stated aim to permanently secure the attractiveness of our sites, further increase employee retention and pool our many years of experience. At Arbonia, we provide our employees with modern facilities and offer them attractive, future-oriented jobs as well as a wide range of development and career opportunities. We believe that integrating employees with a migration background is an integral part of a modern working culture. Guidance is provided in our Code of Conduct, while overarching Group-wide guidelines on equal opportunities and freedom from discrimination establish a framework in which diversity can be put into practice.

Within the corporate group, the respective HR officers of the divisions as well as of the Group are responsible for the further development of the Arbonia culture within the workforce. They report to the CEOs of the divisions or the CFO of the Group. A regular exchange among the HR officers ensures that any insights or ideas are shared across all companies. Close cooperation with employee representatives in all countries is a crucial factor in our business success. Regular meetings take place between the management teams at all sites and employee representatives.

Measures including evaluation of effectiveness
In order to be perceived as an attractive employer, we want to increase employee retention, strengthen our employer branding and make sure that our recruitment processes are up to date. Our compensation system is structured in line with common market practices. Location-specific employee benefits also contribute to our attractiveness as an employer. We have continued to make our workplaces more flexible, with options for mobile working as well as various models for flexible working hours and part-time working.

Material risks and how they are handled (own scope of business and, where applicable, business relationships)
Staff absences and departures (retirement, turnover, illness, overwork, etc.), hiring mistakes for key positions, labour shortages on the European work markets and inflation can result in staff bottlenecks, leadership shortage, loss of know-how and higher personnel costs. These factors can jeopardise Arbonia's financial targets.

The recruitment market remains tight. This bottleneck is already reflected in longer recruitment processes. The shortage of skilled workers is one of the greatest challenges at the moment and poses a potential risk for competitiveness.

Key performance indicators
The key performance indicators are the turnover rate, period of employment and gender distribution in management. Details can be found on page 75.

At Arbonia, we foster a dynamic, open corporate culture. In doing so, we aim to create a pleasant, appreciative and supportive work environment and live up to our corporate responsibility. As regional employers, the companies of Arbonia make a contribution by creating and securing jobs, generating income and paying public charges in the form of taxes.

Wages, social benefits, employment level, contract set-up and compensation are to follow the principles of a responsible Group. For this purpose, three central leadership principles were determined: Firstly, colleagues maintain direct, personal working relationships with each other and are open to ideas or other points of view. Secondly, day-to-day business is characterised by pragmatism and realism; decisions are based on facts. Thirdly, managers take time for their employees and do not regard them only as workers but also as people. These principles also apply to the development of employees alongside day-to-day work.

Diversity is a key priority at Arbonia. We promote an inclusive culture in which all employees are treated equally regardless of gender, ethnicity, age, sexual orientation, religion, or other characteristics. Values such as equal opportunities, equal treatment and freedom from discrimination are extremely important to us. Although the labour market is regulated differently in each country, the overarching guidelines of the Group and the divisions apply at all Arbonia locations.

Employee satisfaction and equal opportunities
An attractive work environment is demonstrated by motivated and satisfied employees. This increases competitiveness and is reflected in a lower gross turnover rate (incl. retirements). In the reporting year, however, this increased slightly from 10.7% in the previous year to 14.6%. The duration of employment relationships is also an indication of employee satisfaction. The average period of employment at Arbonia is 12.1 years. In order to live up to Arbonia's reputation as a fair employer in line with the market and to make changes when necessary, we regularly compare ourselves with other internationally active companies of a similar size.

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

The two divisions offer additional benefits for the companies that are subject to collective labour agreements in order to ensure attractive compensation beyond the industry-standard pay. These benefits include a programme for obtaining e-bikes and discounted memberships for fitness studios and swimming pools.

In companies that are not subject to collective labour agreements, the compensation for the core workforce is significantly above the legal minimum wage. We ensure that our compensation level is in line with the market by means of agreed principles and internal groupings, as well as regular analysis in collaboration with the employee representatives, taking into account the labour market and developments in the region.

In developing the compensation structure, we follow common market practices of similarly situated companies that operate on the capital market. A benchmark analysis commissioned in 2020 showed that the compensation of the members of Group Management is of a similar magnitude to that of the two comparison groups. In addition, Arbonia's salaries are reviewed annually by an external service provider and compensation levels are amended in the event of significant deviations.

On the occasion of each Annual General Meeting, the Board of Directors proposes that the Compensation Report be approved by means of a non-binding consultative voting process. In the reporting year, the Compensation Report was confirmed with a qualified majority. The Compensation Report (see p. 123) of Arbonia presents the compensation governance and the principles of the compensation system of the Board of Directors and Group Management. In addition, it contains information on the compensation of the Board of Directors and Group Management in each financial year, on the roles that the members of the Board of Directors and Group Management exercised at other companies with economic purpose and on the shareholding rights held by the members of the Board of Directors and Group Management.

The Compensation Report has been compiled in accordance with the regulations on compensation at companies whose shares are listed at a stock exchange in the Swiss law that supplements the Swiss Civil Code (Part Five: Code of Obligations) in the fourth section on corporate law and the Directive on Information relating to Corporate Governance (DCG) of 29 June 2022 of the SIX Exchange Regulation.

For the financial year 2023, Arbonia has included a quantitative sustainability target in the variable compensation of Group Management for the first time. This was determined by the Board of Directors at the request of the Nomination and Compensation Committee in the previous year. The aim is to create incentives for efforts towards a more sustainable corporate governance.

Close social partnership
We work constructively with the trade unions in all countries in which we operate. One example of this collaboration was the development of a redundancy programme as part of the plans to close radiator production in Dilsen (BE) in 2023. In Switzerland, the collective labour agreement of the Swiss mechanical, electrical and metalworking industries (Swissmem) is applied at all companies, unless other mandatory collective labour agreements are in effect. Contact with social partners in Switzerland is therefore generally established through this association. Most of the German companies are also subject to collective labour agreements – either via an in-house wage agreement or the regional collective agreement of the trade unions.

The Arbonia Board of Directors approves all important internal frameworks and general agreements. These include the Code of Conduct (see "Compliance and anti-corruption", p. 86–87), the salary system, management development, collective labour agreements and wage agreements, as well as the strategic guidelines for HR management over all levels down to the local sites. The divisions receive support from the Group in succession planning and management development as well as in recording key performance indicators. In addition, personnel matters are also discussed and addressed across divisions depending on their relevancy.

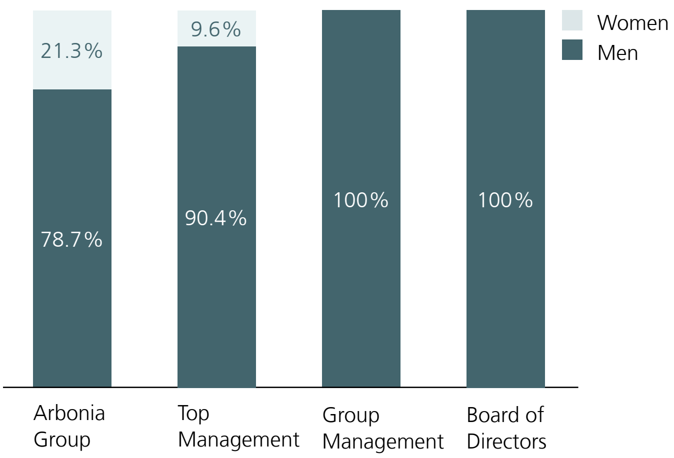
Employees can see the conditions of the relevant wage agreements on information boards and screens at the production plants or via the Intranet at all times in addition to through communication by the social partners themselves. At the same time, there is no uniform procedure for the entire Group, since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

Composition of the workforce as of 31 December

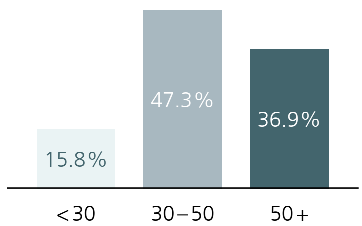
		2023	Share in %	2022	Share in %	2021	Share in %
Employees (permanent employees only; in FTE)		5893		6132		6040	
Employees (permanent employees only)		6213	97.3 %	6341	97.3 %	6232	97.6 %
Apprentices		159	2.6 %	176	2.7 %	165	2.4 %
Interns		4	0.1 %				
Employees who are not permanent [1]		142	2.2 %	203	3.1 %	–	–
Employees by employment type	Full-time		92.5 %		93.1 %		93.0 %
	Part-time		7.5 %		6.9 %		7.0 %
Employees by gender	Female		21.3 %		21.0 %		–
	Male		78.7 %		79.0 %		–
Employees by age	< 30 years		15.8 %		17.8 %		–
	30–50 years		47.3 %		47.1 %		–
	>50 years		36.9 %		35.1 %		–

[1] Such employees were mainly employed in logistics, assembly and production in the reporting year.

Diversity according to gender



Age structure



All of our companies maintain continuous relationships with their stakeholders in order to communicate innovative strength, social commitment and a positive aura externally for the purposes of employee recruitment. Investments in the infrastructure as well as the progressing digitisation create further synergy effects within the Group and thereby provide high efficiency gains. The growing automation of routine activities increases the quality of jobs.

By directly addressing the regional labour market and identifying potential employees early on – for example, within the context of internships – the quality and quantity of the workforce at the respective sites is to be strengthened further. These targets can be reviewed by looking at whether vacancies can be filled and, if so, how quickly. Furthermore, tailored integration management allows employees with health impairments to return to the workplace.

Climate Division

Targeting higher employee satisfaction
The companies of the Climate Division have set themselves high targets as part of their dynamic corporate culture. The aim is to react quickly to changing conditions, with HR development measures playing a key role in this regard. Integrating employees with a migration background has been an objective of the division for a number of years. At the same time, however, our principle of inclusion also encompasses the creation of jobs for people with a disability. In the reporting year, Kermi was declared to be an "Inklusionsmotor 2023" (driver of inclusion) by a subsidiary of the VdK Bayern social association in recognition of its outstanding social engagement in this area.

The division reviews the satisfaction of its employees at individual sites every two years by means of a survey. In addition, mental health and work-related stress factors are also analysed. Various measures are derived on the basis of this data.

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

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

Doors Division

Measures in the area of corporate culture
The division regards a dynamic corporate culture as an important part of employer branding. It also reflects the social responsibility of the individual companies and is therefore a high priority.

Measures for retaining employees include increased efforts in the area of HR development or an improved integration of employees with a migration background. In addition to reducing the turnover rate, the division also wants to speed up the process of filling vacancies with qualified employees; for example, by using professional onboarding systems as well as by developing new key performance indicators in human resources. In general, the division aims to respond to changing conditions faster and more flexibly. The progress in achieving these objectives is checked using key performance indicators such as the turnover rate or period of employment. At Invado, the targets – which also include further diversification of the top management – are reviewed by external audits at regular intervals.

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

The small number of risk factors that resulted in measures were incorporated into the division-wide manager training sessions. There were also tangible measures in relation to working environment conditions.

Education and training

Article 964a ff. Code of Obligations

Concept and due diligence
With our HR work, we want to help people reach their full potential and we invest in internal and external further training for this purpose. This will enable us to respond to changing conditions faster and more flexibly. We are continuing to expand our education and training activities in the context of individual HR development and we are using talent promotion initiatives to open up internal development opportunities. When it comes to recruitment, we work with schools and universities and take part in regional activities in the field of personnel marketing, such as trade fair appearances and sponsoring, to help us find suitable candidates.

Measures including evaluation of effectiveness
Employees are prepared for new requirements with internal and external training. In addition to specialist further training, this also includes seminars for strengthening methodical expertise, educational leave, advancement qualification and courses on project management. Training rooms and exhibits at the production sites give employees the opportunity to familiarise themselves with the manufacturing processes as well as with the product application.

Material risks and how they are handled (own scope of business and, where applicable, business relationships)
Given the constant need for staff, declining applicant numbers and a trend towards academic education paths pose a risk for Arbonia's revenue targets. For this reason, our brand as an employer is set to play an increasingly important role in our efforts to combat the shortage of skilled workers. We are therefore stepping up our commitment to employer branding, looking for new recruitment channels and focusing on increasing employee retention – particularly for junior staff.

Key performance indicators
The number of apprentices, most of whom are employed by Kermi, Prüm and Garant in Germany, fell by 10% to 159. The average time spent on training per Arbonia employee amounted to 8.2 hours in the reporting year. This key figure was recorded for the first time in the 2023 reporting year.

In order to be seen as an attractive employer, we promote professional development, nurture employees' individual skills and focus on increasing employee satisfaction and retention by ensuring that we are always developing and improving. We foster a culture of continuous learning at Arbonia and identify gaps in knowledge and skills by means of employee interviews, performance reviews and feedback. Based on the company targets and strategies, we determine the necessary key competencies and knowledge areas.

Education and training as a matter of course
For Arbonia, cooperation with schools and universities is playing an increasingly important role in demonstrating the attractiveness of its training opportunities to potential applicants at the earliest possible stage. This includes, for example, offering "taster" internships in the production companies. Furthermore, we involve our trainees in our communication activities in order to harness their persuasive power and creativity when it comes to social media and appealing to the younger generation directly.

At Arbonia, we support employees' professional development with internal and external further training and contribute to the majority of costs. At some sites, we also offer dual study places on an annual basis in order to support university students in a practical environment. We determine the need for further training with the help of annual employee interviews as well as through close cooperation between supervisors and the Human Resources department. In principle, any employee can take part in further training. However, the training must follow a clear objective and is subject to evaluation once it has been completed. This applies to internal as well as external programmes.

The training portfolio ranges from subject-specific and management training to soft skills and on-the-job qualification programmes. In particular, the efforts put into ensuring that junior staff have the right qualifications have paid off with regard to filling demanding specialist and management positions and the associated internal careers.

Climate Division

Supporting employees' professional development is one of the medium- to long-term targets of the Climate Division. In order to achieve this target, a number of measures have been introduced at the various sites; for example, the promotion of "high-potential" profiles or internships for students in Italy. The aim of this project is to support professional development in various company positions and processes as well as for individual employees. The division has initiated projects with the university in Castellanza, Italy, in order to identify potential skilled workers.

To this end, a rotation system was introduced for production employees involved in production assembly processes. In addition, the division offers an international job rotation programme which is targeted at young talent from various foreign subsidiaries and aims to develop their management skills. Internal finance courses were held for new recruits along with refresher courses for all employees in order to improve the corporate culture and communication within the company.

Doors Division

Professional development and training are important topics for the Doors Division too. To combat the shortage of skilled workers across all training paths, the division is focusing on developing attractive training opportunities in order to recruit motivated and talented junior staff and fill specialist and management positions.

In addition to the traditional dual education system, we are introducing a dual study programme in future-relevant areas such as IT as well as expanding opportunities for student workers and internships for schools and further education institutions. In this context, it is crucial that our communication is tailored to the target group in question and that our trainers are aware of the target group's needs, as the younger generations have different expectations when it comes to aspects such as work-life balance. By working with schools and attending school fairs, we are also able to use teachers as "multipliers" to help raise our profile.

We have also been working on improvements in order to retain existing employees. For example, the concept of the employee interview has been expanded and standardised and has undergone further digitisation so that potential can be identified more quickly. Further training has been individually tailored to the topics relevant to the division and the subsidiaries and programmes have been introduced for managers and prospective managers. Furthermore, the division is offering courses on programs such as Excel, training in project management, coaching, as well as sales and trade fair training.

Occupational health and safety

Article 964a ff. Code of Obligations

Concept and due diligence
Our concept for occupational health and safety is based on a three-pillar concept. The first pillar provides measures for prevention. The second pillar integrates absence management, which relates to interventions. The third pillar contains case management, which promotes integration or re-integration. All three pillars are supported and developed together with the relevant stakeholders – Group Management, managers, HR employees, business partners, as well as social partners. The production managers, HR managers and the works council are responsible for occupational health and safety. In addition to this, specific people are designated as responsible within the individual companies.

Measures including evaluation of effectiveness
Risk avoidance and health protection are central topics in all employee training at Arbonia. We continually analyse the processes internally and externally; for example, through special workplace inspections together with the responsible people. If accidents occur, they are immediately analysed and measures are initiated to minimise the risk of accidents in future. To avoid and identify health risks to employees early on, we hold leadership courses for supervisors on a regular basis. Employees can take advantage of professional company medical care as well as preventative medical check-ups. During the reporting year, we further expanded the health management system and took specific measures to minimise non-occupational accidents as well. These include courses for stress management, first aid courses and psychological support services. The measures are aligned with the needs of the workforce via corresponding employee surveys.

Material risks and how they are handled (own scope of business and, where applicable, business relationships)
Consistent occupational safety is also an important topic for us due to its impact on the operating activities of the companies: Each accident and downtime causes additional costs. The consequences can be a slowdown or downtimes in production. This is associated with reputational damage and a lower work morale.

Key performance indicators
The key performance indicators for occupational health and safety are the proportion of employees covered by an appropriate management system, the absence rate, the accident frequency rate, the accident severity rate and the number of deaths. Details can be found in the table on page 81.

Priority	Target	Status 2022	Status 2023
By increasing occupational safety, we reduce days lost to work accidents.	By 2025: Reduction of lost days by 25 % compared to 2021	Increase of 4.3 % compared to the base year	Increase of 38.0 % compared to the base year, partly due to a change in the survey method.

As Arbonia, we ensure a health and safety culture at a high level by operating safe production plants as well as distribution and logistics sites. This involves the prevention of accidents and injuries, continuous risk analysis with derived measures, as well as proactive heath promotion in the workplace. The aim is to lower absences, prevent illnesses and reduce mental and physical stress.

All of our sites fulfil the legal regulations for the respective countries, which means that we could in principle apply for certification according to OHSAS 18001 or ISO 45001. This has not been necessary so far, though.

Key figures for occupational health and safety

	2023	2022	2021
Proportion of employees covered by an occupationa health and safety management system	97.1 %	97.5 %	97.0 %
Absence rate	6.3 %	7.2 %	5.5 %
Frequency of minor accidents (number of accidents per 200 000 working hours)	5.2	3.2	–
Frequency of major accidents (number of accidents per 200 000 working hours)	3.8	2.7	–
Total number of accidents at work[1]	327	235	328
Number of work-related fatalities	0	0	0
Accident frequency rate (number of accidents per 200 000 working hours)	8.6	5.9	6.9
Accident severity rate (days lost per 200 000 working hours)	93.6	70.4	67.8

[1] The survey method used at multiple companies was changed in 2023, which means that the key figures are not comparable.

Climate Division

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

Employees are consistently involved in designing the occupational safety systems through their valuable suggestions for improvement. At the Plattling (D) site, all work processes are regularly reviewed – with the aim of minimising physically difficult or stressful activities through technical support or the use of machines. In administration, individual work situations are continually optimised through regular inspections by the company doctors – for example, by using height-adjustable desks. In Corbetta (IT), internal area inspections and hazard analyses are also standard for all workplaces. Employees benefit from health insurance that provides preventative medical check-ups for the entire family. The employees of the division are provided with the protective equipment and work safety clothing necessary for their work free of charge. In addition, defibrillators are available at all locations. If accidents or illnesses should occur, shift paramedics and first aiders are available. Internal statistics on the sickness and accident rates allow a monthly overview of the current situation at all companies.

A wide range of measures
With the "Jobcycle" initiative, the Climate Division provided employees at the Plattling (D) site with access to e-bikes during the reporting year. An opportunity to quit smoking was also offered through the health working group. Further support services included shoulder/neck screening and a presentation on healthy eating in the workplace.

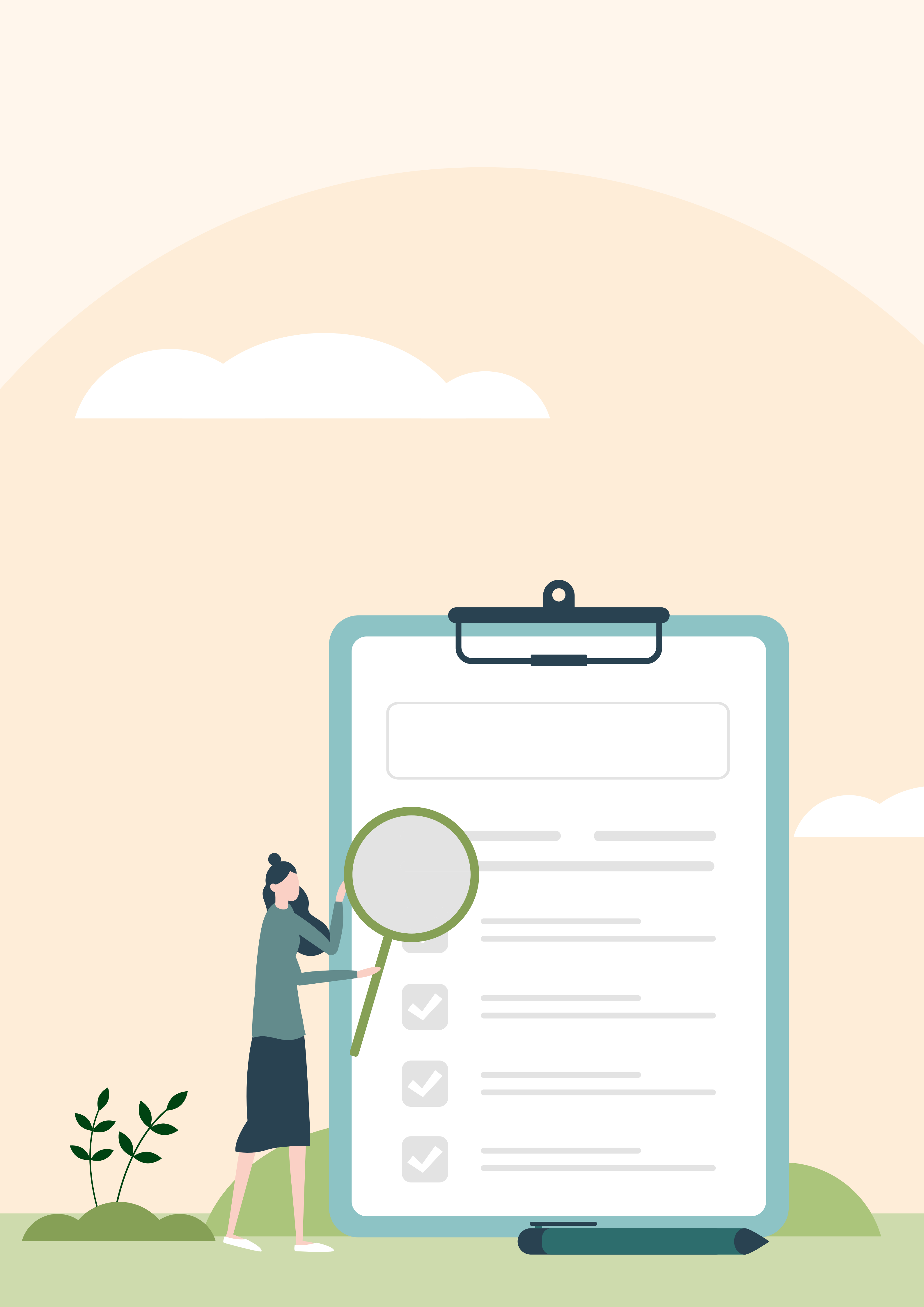
Doors Division

Health promotion, prevention and training
Company health programmes are also offered in the Doors Division. Examples include the "Focus on People" platform at the Glass Solutions Business Unit and a comprehensive range of courses and training. Employees can also take advantage of professional company medical care as well as preventative medical check-ups. Various committees of the companies (occupational safety committee, health working group, works council committee, occupational health and safety protection) hold regular meetings to analyse the current situation and develop suitable measures. The division also promises its customers in every work contract to maintain the highest standards in respect to occupational safety. External business partners who work on the business premises of the division also communicate and apply the same safety rules. All employees of the Doors Division have access to subsidised, occupational health services and health promotion programmes such as fitness, yoga and Pilates. Health problems such as back pain are actively addressed with ergonomic workplaces.

In the reporting year, Invado installed two new automatic unloading units – one for flat doors and one for adjustable frames. Both units also have a sorting feature which saves time and takes the strain off employees during assembly. A door buffer station was also set up behind the machining centres, eliminating the manual work in this area. Automation solutions of this kind were implemented at the other companies a long time ago – taking the strain off employees and increasing effectiveness.

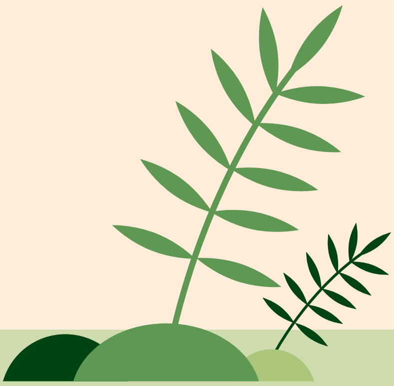
RWD Schlatter has its own health management system which is looked after by a five-person health panel. Current topics are discussed on a regular basis in collaboration with those responsible for Arbonia's company health management scheme and measures are initiated as appropriate.
Some of the measures developed and implemented by the health panel include:
– Discount on herbal remedies to strengthen the body's defences
– Ear protection for employees in production
– First aid course, fire extinguishing course
– Campaign for flu vaccinations
– Analysis of illness rate as a result of occupational and non-occupational accidents

Continually reviewed targets
In addition to internal reviews, the division also relies on regular feedback from external agencies to help achieve its targets. The division receives important feedback through area inspections by the industrial inspectorate and trade unions as well as from external safety audits. Occupational safety is also continually checked and evaluated at Garant, Prüm, RWD Schlatter and Invado. At Invado, this check also comprises analysis of the results of work environment tests (e.g. noise, weights) and medical examinations as well as the performance of risk assessments in the workplace. Occupational safety is further ensured by continuous inspections of work conditions and machine efficiency as well as ongoing safety training for employees.



Compliance

For Arbonia, integrity and law-abiding business practices lay the foundation for sustainable corporate governance and hence a future-proof company. The spectrum of topics covers numerous ethical principles relating to our internal collaboration and our work with business partners. Furthermore, the topics of data security and data transfer are becoming more and more important. In addition to our own business practices, we are also placing increasing emphasis on due diligence in the supply chain. In all countries in which Arbonia operates, it adheres to the Universal Declaration on Human Rights of the United Nations, the UN Convention on the Elimination of All Forms of Discrimination against Women, the UN Convention on the Rights of the Child and other international standards for protecting human rights.



Compliance and anti-corruption

Article 964a ff. Code of Obligations

Concept and due diligence
Employees are called upon to participate actively in observing the Code of Conduct, including the "Supplement to the Code of Conduct" for production employees (blue collar) [jointly referred to as "Code of Conduct" in the following]. For this reason, the Board of Directors issued a whistleblowing directive in 2013 and has introduced whistleblowing reporting units. The whistleblowing concept was further developed in 2023 based on the EU Whistleblowing Directive and in accordance with the national regulations of the individual EU countries. The process for dealing with reports was defined in a policy which was made available to our subsidiaries in the EU together with an information sheet indicating the relevant reporting units.

Arbonia has designated a compliance officer in each division. These people are responsible for implementing Group specifications in the corresponding subsidiaries. All employees who identify violations of the Code of Conduct are requested to report them to the internal or legally prescribed external reporting units. The CEOs of the divisions, the divisional compliance officers, the Head of Compliance and the Head of Internal Audit function as internal reporting units. The protection of the reporting employees is a central element of the whistleblowing concept. Whistleblowers must not be subject to any disciplinary, legal, or other actions that could be to their detriment due to their reporting. In the reporting year, Arbonia introduced a supply chain policy for minerals from conflict and high-risk zones as well as for products or services with a risk of child labour. This policy is to be incorporated into a risk management system. In addition, risk officers were appointed and risk assessments were carried out. No suspected cases of child labour were identified during this process.

Measures including evaluation of effectiveness
Upon joining the Arbonia Group, all employees sign the Code of Conduct and commit to upholding the company's values as well as its ethical and social principles. Internal Audit checks that all new employees have signed the Code of Conduct and also checks selected aspects of the Code. The Board of Directors receives an internal audit report with the results. In addition to the Code of Conduct, the Board of Directors issued the "Supplement to the Code of Conduct" in 2018, which is specially addressed to production employees. This contains in-depth regulations for production – for example, concerning resource handling, occupational safety and environmental protection. It does not contain topics such as competition law. The "Supplement to the Code of Conduct" is hung in the factory halls in the form of posters and explained to the employees by means of the blue collar training video.

After new national whistleblower legislation came into force at the end of 2022 and in 2023, the people responsible for this area in our subsidiaries received training on the EU Whistleblower Directive and the need to implement a local whistleblower reporting unit. To take into account digitisation in the field of compliance as well, Group Management approved the introduction of various compliance e-learning courses for office employees (white collar) and a training video with the most important contents from the "Supplement to the Code of Conduct" for production employees (blue collar). The blue collar training video was made available to the divisional compliance officers on 1 June 2023 for use at the production sites. The e-learning courses, starting with the "Compliance principles" module, were sent to selected office employees in December 2023 as part of a pilot project. The "Compliance principles" module is set to be rolled out to all office employees in 2024. Selected office employees will also receive one or more of the following modules: "Fair competition", "Data protection" and "Fair supply chains". The directive regarding the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (VSoTr) was introduced at the Group companies in Switzerland, accompanied by training sessions.

Material risks and how they are handled (own scope of business and, where applicable, business relationships)
The subject of compliance is an integral part of the risk management process of the Arbonia Group. It is defined as an operational risk and encompasses the infringement of existing laws, regulations and contracts with subsequent sanctioning. At Group level, compliance is currently classified as a medium-high risk. Possible violations relate to tax payment, transfer pricing, infringements of the Code of Conduct at production sites, corruption cases, embezzlement, infringements of competition law and cartel law, data protection breaches, or the unlawful sharing of software licences. Consequences may include fines and reputational damage.

Key performance indicators
Following the establishment of the new e-learning platform for compliance topics, the number of people participating in the corresponding courses represents a relevant performance indicator.

We are aware of our economic, ecological and social responsibility and commit to the following in our Code of Conduct:
– Respecting human rights, with particular regard to the prohibition of child labour,
– Ensuring the health and occupational safety of employees,
– Cooperating with suppliers who have committed to sustainable operating activities and fulfil their social responsibility,
– Observing environmental protection standards and
– Using resources carefully.

Managing risks
In 2023, Arbonia started work on the introduction of a management system for handling risks. This included developing a supply chain policy for minerals and metals potentially originating from conflict and high-risk zones and another for products or services where there is reasonable suspicion of child labour. Furthermore, Arbonia is working on a system for tracing back the supply chain. This involves appointing employees to determine and evaluate the risk of harmful consequences in Arbonia's supply chain. They create a risk management plan and implement measures to minimise the identified risks. In addition, they ensure that compliance with due diligence obligations regarding minerals and metals is checked by an independent specialist. The underlying rules are based on internationally recognised regulations, particularly the guiding principles of the OECD.

Directives
The Code of Conduct was updated in the reporting year with some minor changes. In addition, amendments were made to a number of directives which supplement the general Code of Conduct within the Arbonia Group. These directives include the anti-corruption directive, the directive on gifts and the directive for protection against sexual harassment, bullying and discrimination. The competition directive was also updated in 2022. The Code of Conduct and some of the further directives have been translated into up to twelve languages and are available on the Intranet for office employees. A water policy and a waste policy have also been in place in the company since the 2022 financial year.

Two further compliance directives were introduced in the reporting year. The first of these relates to the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (VSoTr). The first step is to check whether the import and processing quantities exceed the threshold below which a company is exempt from the due diligence and reporting obligations regarding conflict minerals. The purchasers at the Swiss companies confirmed that the legal thresholds were not exceeded for 2023.

The next step is to check whether there is a particular risk of child labour in relation to products distributed by the Swiss subsidiaries within Switzerland or worldwide. Companies that can prove they only have a low risk of child labour are exempt from the due diligence and reporting obligations. For the 2023 financial year, the purchasers at the Swiss companies as well as the Head of Corporate Procurement and supply chain compliance officer confirmed that there was a low risk of child labour for the Arbonia Group.

The other new directive relates to working with tools based on artificial intelligence (AI) (see "Data protection and cybersecurity", p. 92). The use of ChatGPT and translation tools such as DeepL or Google Translate entails risks with regard to trade secrets and personal data. For this reason, Arbonia has defined restrictions for AI-based tools: The directive contains a list of key terms which are not permitted to be entered in AI-based tools.

Whistleblowing concept
The Board of Directors is informed about all whistleblowing reports and the associated investigations as well as initiated measures. Two cases were reported through whistleblowing in the reporting year. In both cases, the subsequent investigations did not find any indication of unlawful conduct or any shortcomings within the company. No sanctions were imposed due to non-compliance cases either.

Code of Conduct training
The compliance training previously provided virtually and in person by Arbonia Compliance is now being replaced by the compliance e-learning courses. These courses deal with all key topics of the Code of Conduct and go into more detail on individual directives and topics, such as conflicts of interest, insider trading, data protection, competition and cartel law, fair supply chains, as well as corruption.

Procurement and supply chain

Art. 964a ff. Code of Obligations

Concept and due diligence
Arbonia takes its responsibility very seriously with regard to upholding human rights and preventing child labour within its own scope of business and in relation to business partners. A new policy targeting more sustainable procurement was developed in 2023. This policy aims to bring Arbonia's strategic and operational procurement practices in line with the most important international standards, the UN Children's Rights and Business Atlas, the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (VSoTr), as well as outlining the steps required to implement these principles. This policy is intended to ensure that Arbonia's procurement processes are sustainable, ethical and transparent.

As part of a risk analysis relating to the LkSG and the Swiss Code of Obligations, the due diligence process was expanded in the reporting period to include suppliers with a purchasing volume of more than CHF 0.5 million. The risk analysis also incorporates an assessment based on product groups. Suppliers from countries with an elevated risk in relation to human freedom, child labour risk and slavery risk are checked regardless of the purchasing volume. When assigning product groups and countries to risk categories, Arbonia follows internationally recognised standards such as the UN Children's Rights and Business Atlas.

Measures including evaluation of effectiveness
Arbonia has developed a Supplier Code of Conduct which has been approved by Group Management. The document is to be successively extended to all suppliers if possible and is already part of most orders. In this document, our suppliers expressly commit themselves to the Universal Declaration of Human Rights of the United Nations, the UN Convention on the Elimination of All Forms of Discrimination Against Women and the UN Convention on the Rights of the Child.

Arbonia uses external key figures when assessing the suppliers and combines these with internally generated data to produce an overall evaluation. Since the 2022 financial year, we have primarily been using ratings from EcoVadis for this purpose. In 2023, we were able to cover around 70% of the purchasing volume of the German companies or around 50% of the purchasing volume of all Group companies with EcoVadis or comparable ratings. Suppliers without an external rating have to guarantee in a suitable way – for example, with a code of conduct – that human rights are respected and that child labour and forced labour in particular are prevented.

Material risks and how they are handled (own scope of business and, where applicable, business relationships)
The main material risks are liability risks as well as a reputational risk in the event of misconduct by direct/indirect suppliers. Linked to this is the risk of a lack of transparency on the part of our suppliers. These risks may occur in connection with transportation and logistics issues, where the risks can include climate-related interruptions to the supply chain and delivery delays. More generally, there is also a risk of increasing procurement costs.

Key performance indicators
Key performance indicators include the number of suppliers for which we have ratings and the number of suppliers which have a code of conduct.

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

As a corporate group, we are continuously raising awareness of ecological and social factors in direct and indirect purchasing. For this purpose, we are working on a company-wide standard for supplier assessment according to ESG criteria and are providing staff in our purchasing departments with training on sustainable supply chains. Nevertheless, negative effects can also occur due to risks within the supply chain. This concerns ecological aspects such as Scope 3 emissions as well as human rights violations. We are conscious of this challenge and strive for greater transparency and compliance with due diligence obligations in relation to our suppliers.

In the reporting year, our procurement activities were affected by geopolitical events as well as volatile energy and material prices. In this respect, Arbonia has intensified its efforts to cover all requirements relating to value creation. The context of procurement and supply chain not only comprises all direct materials that enter inventory through purchasing and procurement, but also indirect materials such as tools and equipment, consultation and rent.

We preferably work with suppliers from the EU or the EEA; ideally with companies from countries in which Arbonia is active with production sites. In the reporting year, 78 % of the purchasing volume was procured from local suppliers; i.e. from countries where we have our own production sites. This improves our ability to monitor production means compared to a partnership with suppliers from remote regions.

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

As a corporate group, we are continuously raising awareness of ecological and social factors in direct and indirect purchasing. For this purpose, we are providing staff in our purchasing departments with training in the form of Ecovadis Academy modules on sustainable supply chains. At the same time, we are working on a company-wide standard for supplier assessment according to ESG criteria. In a first step, all direct suppliers will be checked and prioritised according to the sales volume. As soon as this process is established, indirect suppliers will also follow according to the same assessment criteria. When assessing the suppliers, Arbonia is increasingly collecting external key figures (e.g. solvency, risk indicators, ESG ratings) as well and combining these with the internally generated data to produce an overall evaluation. In the reporting year, we primarily used ratings from EcoVadis for this purpose. The scope was extended to include suppliers with an annual purchasing volume of more than CHF 0.5 million. As a result, we were able to cover around 70% of the total purchasing volume in Germany or 50% of the global purchasing volume with EcoVadis or comparable ratings.

Suppliers from countries with an increased risk in relation to violations of human rights, child labour and slavery are under observation regardless of the purchasing volume. However, these make up less than 1.5% of the global purchasing volume. Suppliers without an external certificate have to guarantee in a suitable way – for example, with a code of conduct – that human rights are respected and that child labour and forced labour in particular are prevented.

We at Arbonia also underwent an evaluation by EcoVadis ourselves in the reporting year. The progress we have made is demonstrated by our increased score and the "Committed" label we achieved. The focal points of the evaluation criteria changed in the reporting year and significantly more companies applied for a rating. This is why we did not achieve a bronze rating this year, despite improving our score. With this in mind, Arbonia will step up its efforts.

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

Climate Division

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

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

Clear responsibilities regarding Procurement and supply chain
In close coordination with customers and the marketing and sales departments, products are to be developed that can be manufactured more sustainably. The main goal of Sabiana remains certification in accordance with ISO standard 14000, which assesses the effects of the supply chain on the environment. For this purpose, the company assigns clear responsibilities, creates regular exchange formats and develops a status report including key performance indicators. Furthermore, the company launched a project in the reporting year to evaluate its own supply chain in relation to sustainability aspects. A new platform (CERVED) is being implemented for this purpose. Progress reports relating to various sustainability topics are being produced in line with the internal supply chain guidelines. The first 50 suppliers are to be evaluated using the platform over the course of 2024. The company is aiming to evaluate 150 suppliers by 2026.

Doors Division

The companies of the division are focusing on consistent certificates of origin for wood, among other things. At RWD Schlatter, a new timber trade regulation specifies a PEFC share of 80%; for FSC-certified wood, the share is 20%. At Invado, 100% of the wooden panels are made of raw material of European origin (EUTR documents). Complete monitoring of the chemicals used is also important. In this way, the division avoids toxic substances and replaces them with less problematic materials. Additionally, the division is gradually changing over to packaging materials made from renewable raw materials such as cardboard and paper and is increasingly eliminating plastic or polystyrene. At RWD Schlatter, residual material from Sonitus mid-layers is used as an intermediate layer for transport. Furthermore, as of this year, Arbonia Doors AG in western Switzerland is FSC® and PEFC-certified.

Measures in supplier management and in logistics

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

Data protection and cybersecurity

Article 964a ff. Code of Obligations

Concept and due diligence
At Arbonia, we have expanded the Information Security Management System, which contains a holistic security programme. In addition, further guidelines have been issued; for example, on general IT security, password security, or the information security requirements for third parties. Our comprehensive security approach is continually reviewed using audits and penetration tests in the context of the information security strategy. Cyber risks are an integral part of the risk management process, as is the risk transfer to insurance. Arbonia has taken the necessary measures with regard to the new Swiss Federal Act on Data Protection (DSG).

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

Measures including evaluation of effectiveness
The security awareness programme helps employees to successfully recognise real threats and potential attacks in both their work and private lives and to react to them correctly, in accordance with the motto "THINK BEFORE YOU Click.Post.Type". The effectiveness of the awareness programme is checked on a regular basis; for example, by means of pretend phishing emails or test calls to employees.

In 2023, to ensure compliance with the GDPR and Swiss law, Arbonia began to update its websites, maintain records of processing activities and enter into data processing agreements with service providers who collect personal data.

Material risks and how they are handled (own scope of business and, where applicable, business relationships)
Unauthorised parties may gain access to sensitive customer data as a result of insufficiently secured access and data connections (virtual and physical), or sensitive data may get into the wrong hands due to a lack of due diligence on the part of an employee. This will result in additional costs and criminal proceedings. Stakeholders are included in the further development of the IT security architecture by means of regular user surveys. An inadequate IT infrastructure (network, firewalls, servers, etc.), outdated ERP systems, incorrect use of IT (internally), or a cyber attack may impede digitisation and lead to an IT failure, data loss and insufficient competitiveness. This may in turn result in operational restrictions, delivery delays, additional costs and/or financial losses.

Key performance indicators
Various key figures give Arbonia an overview of the implemented security measures. For example, the company keeps a record of the number of training sessions held annually in order to teach employees about these sensitive topics as well as the rate of participation in these sessions. Further key figures are collected via SIEM incidents (security information and event management) for all companies.

Priority	Target	Status 2022	Status 2023
Arbonia increases the participation rate in e-learning courses in the area of cybersecurity.	By 2025: Average participation rate of 100%	68%	87 %

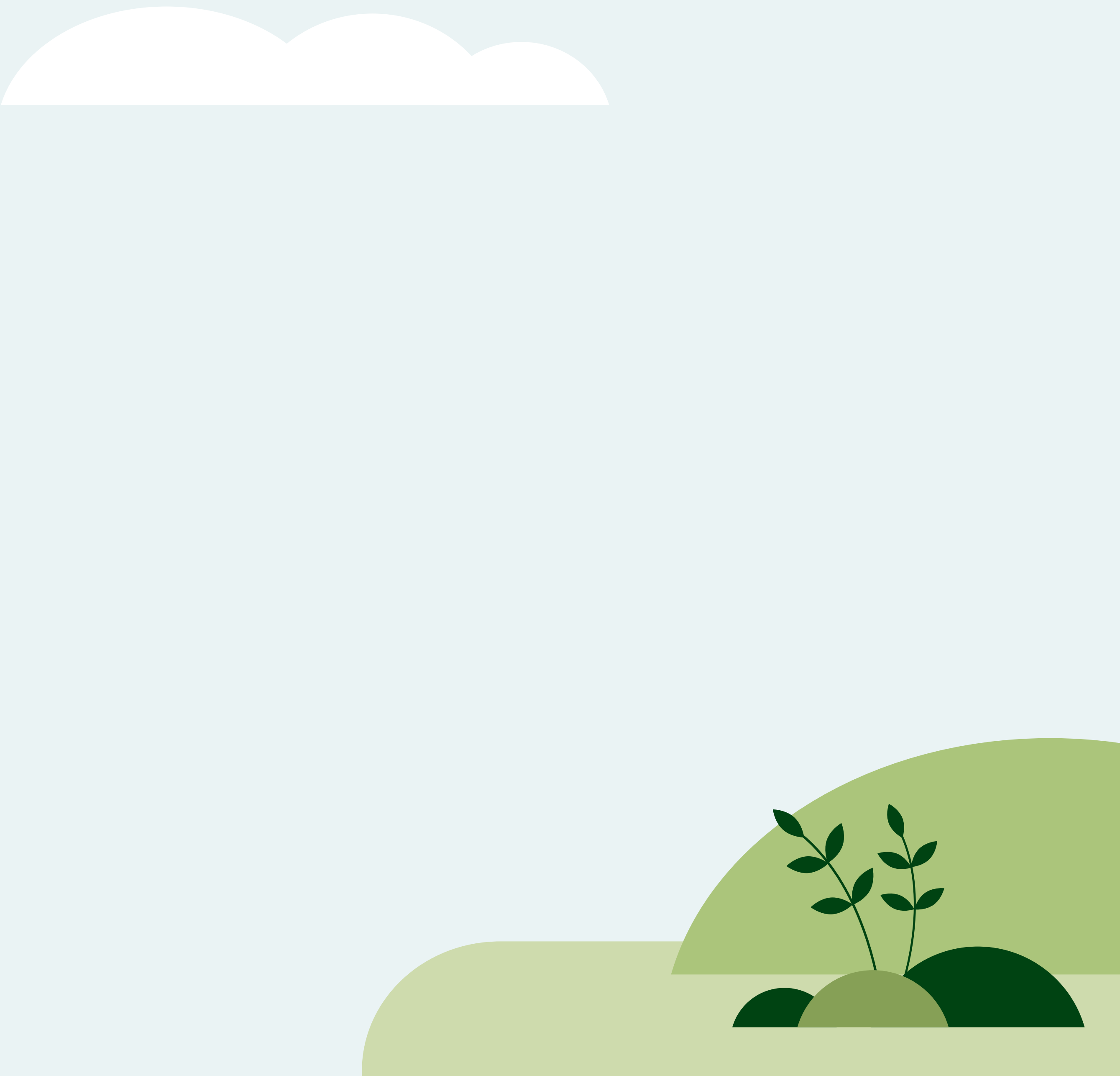
As Arbonia, we can only maintain information security together with our employees. Our aim is to protect the operating activities and competitiveness of the Group against attacks on business and customer data. The employees of Arbonia are a central link in the security chain in the area of cybersecurity and must assume responsibility accordingly. The most common attack tool for cyber attacks is e-mail – followed by social engineering (manipulating or influencing a person) and the Internet. For this reason, it is extremely important to recognise, avoid and report suspicious sources.

Together for more information security
Through targeted measures to strengthen cyber resilience, we at Arbonia are trying to reduce the risk of successful cyber attacks to a minimum. We are pursuing an integrated security approach with technical measures, processes, guidelines and standards, compliance with and implementation of which is checked by the Chief Information Security Officer and his or her team at Group level. Cyber attacks of any kind must be recognised early on and repelled. Accordingly, employees are increasingly being trained and made aware of this topic.

This involves a number of policies. The password policy describes and defines principles for the creation, handling and use of passwords in the Arbonia Group. The policy on information security requirements for third parties sets out the security standards and requirements that must be fulfilled by service providers and suppliers who come into contact with sensitive information or IT systems belonging to Arbonia. It aims to ensure that third parties implement appropriate security practices in order to protect the confidentiality, integrity and availability of information. Furthermore, in 2023 Arbonia responded to the development of AI by issuing “Instructions for using AI-based tools”. These instructions cover benefits, risks, data protection and restrictions regarding use of such tools. Furthermore, a “Data Privacy Statement for Employees” was compiled, providing information about the data Arbonia collects from employees and the purpose for which it is used. Arbonia has also started to enter into agreements with service providers who process personal data from Arbonia. In addition, the privacy policy was updated on all Arbonia websites in line with the GDPR and Swiss law.

THINK BEFORE YOU Click.Post.Type.
The security awareness campaigns under the motto “THINK BEFORE YOU Click.Post.Type” contain various measures. In this context, employees are regularly invited to participate in various awareness and training units, whereby more in-depth training courses are pursued specially for IT administrators and other exposed persons. These courses provide information on the secure handling of data as well as information systems and aim to make everyday life more secure. The participation rate was 87% in the reporting year (previous year: 68%) and should increase to 100% by 2025.

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



Appendix

Report profile

With this sustainability report, Arbonia AG is publishing non-financial information on its operating activities for the fourth time (date of publication: 27 February 2024). It thereby enshrines ecological, social and economic sustainability in its corporate development. Arbonia documents its impact on the climate and the environment, specifies strategic sustainability targets and reports on the degree of target achievement for the material topics. The information includes overarching management approaches for the entire Group. In addition, the targets and measures are described on the level of the Climate Division (formerly HVAC) and the Doors Division.

This report has been created in accordance with the GRI Standards 2021. All information refers to the reporting period from 1 January to 31 December 2023 (by analogy with the financial reporting). The indicators were selected based on an updated materiality analysis in which various internal and external stakeholders were surveyed (see also p. 43). As a result, nine material topics were defined. Further guidelines for the content structure are ESG rating analyses, guidelines of the Task Force on Climate-related Financial Disclosures (TCFD), as well as the Sustainable Development Goals (SDGs) of the United Nations.

The key environmental figures of this sustainability report include the resource consumption of all manufacturing companies of the Arbonia Group as well as the Corporate Center in Arbon, Switzerland. Alongside information about its direct (Scope 1) and indirect energy-related emissions (Scope 2), Arbonia provides extensive data about its overall supply chain (Scope 3) in this report. Pure administration and distribution companies were not included due to their low environmental impact. The key figures in relation to employees include all companies. Some Arbonia sites produce for several companies, which is why the corresponding site is often given in the report instead of the brand name.

There is an annual reporting cycle – the last report was published on 28 February 2023. Due to the effective requirements of the Swiss Code of Obligations Art. 964a ff., this report is divided into a mandatory part and a voluntary part. The scope of consolidation of the annual report is given on page 34–45.

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

GRI index

CONTENT INDEX ESSENTIALS SERVICE 2023

The Sustainability Report 2023 was submitted to GRI Services for the "GRI Content Index – Essentials Service". This involved checking that the GRI Content Index is presented in a way that is consistent with the reporting requirements of the GRI Standards and that the information in the index is clearly presented and accessible to stakeholders. The service was created on the basis of the German language version of the report.

Use declaration	Arbonia has reported in accordance with the GRI Standards for the period from 1 January to 31 December 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI sector standard(s)	none

Standard / Disclosure		**Location**	**Comment / Omission**
General Disclosures			
GRI 2: General Disclosures 2021			
1. The organisation and its reporting standards			
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2-2:	Entities included in the organisation’s sustainability reporting	34, 35	
2-3:	Reporting period, frequency and contact point	96	
2-4:	Restatements of information	96	
2-5:	External assurance	96	
2. Activities and workers			
2-6:	Activities, value chain and other business relationships	3, 4, 9, 11–12, 19–20, 89	
2-7:	Employees	75	
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Standard / Disclosure		Location	Comment / Omission
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2-10:	Nomination and selection of the highest governance body	113	
2-11:	Chair of the highest governance body	42	
2-12:	Role of the highest governance body in overseeing the management of impacts	45, 50	
2-13:	Delegation of responsibility for managing impacts	42	
2-14:	Role of the highest governance body in sustainability reporting	42, 96	
2-15:	Conflicts of interest	105 – 121	
2-16:	Communication of critical concerns	86	
2-17:	Collective knowledge of the highest governance body	42	
2-18:	Evaluation of the performance of the highest governance body	33, 42, 74	
2-19:	Remuneration policies	121 – 131	
2-20:	Process to determine remuneration	121 – 131	
2-21:	Annual total compensation ratio		Restrictions on confidentiality: Employees' individual salaries are protected as confidential information and their disclosure, including for the purpose of statistical analysis, remains restricted accordingly.

Standard / Disclosure		Location	Comment / Omission
4. Strategy, policies and practices			
2-22:	Statement on sustainable development strategy	33	
2-23:	Policy commitments	87, 88	
2-24:	Embedding policy commitments	86, 88	
2-25:	Processes to remediate negative impacts	45	
2-26:	Mechanisms for seeking advice and raising concerns	86	
2-27:	Compliance with laws and regulations	86	
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Standard / Disclosure		Location	Comment / Omission
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2-30:	Collective bargaining agreements	73, 74	

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GRI 3: Material Topics 2021			
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3-2:	List of material topics	44	

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GRI 3: Material Topics 2021			
3-3:	Management of material topics	54	
GRI 302: Energy 2016			
302-1:	Energy consumption within the organisation	56, 57	
302-3:	Energy intensity	56	
302-4:	Reduction of energy consumption	56, 57	
GRI 305: Emissions 2016			
305-1:	Direct (Scope 1) GHG emissions	56	
305-2:	Energy indirect (Scope 2) GHG emissions	56	
305-3:	Other indirect (Scope 3) GHG emissions	56	
305-4:	GHG emissions intensity	56	
305-5:	Reduction of GHG emissions	53, 56	

Use of resources and circular economy			
GRI 3: Material Topics 2021			
3-3:	Management of material topics	61	
GRI 303: Water and Effluents 2018			
303-5:	Water consumption	62	

Standard / Disclosure		Location	Comment / Omission
GRI 306: Waste 2020			
306-3:	Waste generated	62, 63	
Product responsibility			
GRI 3: Material Topics 2021			
3-3:	Management of material topics	65	
GRI 417: Marketing and Labeling 2016			
417-1:	Requirements for product and service information and labeling	69	

Standard / Disclosure		Location	Comment / Omission
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GRI 3: Material Topics 2021			
3-3:	Management of material topics	72	
GRI 401: Employment 2016			
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GRI 405: Diversity and Equal Opportunity 2016			
405-1:	Diversity of governance bodies and employees	75	

Standard / Disclosure		Location	Comment / Omission
Training and education			
GRI 3: Material Topics 2021			
3-3:	Management of material topics	77	
GRI 404: Training and Education 2016			
404-2:	Programs for upgrading employee skills and transition assistance programs	77, 78	

Standard / Disclosure		Location	Comment / Omission
Occupational health and safety			
GRI 3: Material Topics 2021			
3-3:	Management of material topics	80	
GRI 403: Occupational Health and Safety 2018			
403-1:	Occupational health and safety management system	80	

Standard / Disclosure		Location	Comment / Omission
403-2:	Hazard identification, risk assessment and incident investigation	80, 81	
403-3:	Occupational health services	81	
403-4:	Worker participation, consultation and communication on occupational health and safety	80	
403-5:	Worker training on occupational health and safety	82, 83	
403-6:	Promotion of worker health	81	
403-7:	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	81	
403-8:	Workers covered by an occupational health and safety management system	81	
403-9:	Work-related injuries	81	

Compliance and anti-corruption			
GRI 3: Material Topics 2021			
3-3:	Management of material topics	86	

Procurement and supply chain			
GRI 3: Material Topics 2021			
3-3:	Management of material topics	88	
GRI 204: Procurement Practices 2016			
204-1:	Proportion of spending on local suppliers	89	
GRI 308: Supplier Environmental Assessment 2016			
308-1:	New suppliers that were screened using environmental criteria	89	
GRI 414: Supplier Social Assessment 2016			
414-1:	New suppliers that were screened using social criteria	89	

Data protection and cybersecurity			
GRI 3: Material Topics 2021			
3-3:	Management of material topics	92	

Glossary

Biomass combined heat and power (CHP) plant: Generates electrical energy by burning solid biomass such as wood chips. A biomass CHP plant also provides heat which can be used as district heat, local heat, or process heat. A systematic representation of a biomass CHP plant can be found on page 39 of the sustainability report.

ChatGPT: Computer program which uses artificial intelligence to communicate with users via text-based messages and images. It can understand questions/prompts and generate answers and interacts with a human via a dialog window.

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

Cyclone separator: A device used in process engineering and industry to separate solid particles from a gas stream. The cyclone uses centrifugal force to achieve this separation. The term "separator" refers to the primary function of removing particles from the gas.

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

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

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

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

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

Feed water: Water that is specifically treated and made available for use in steam generators or boilers. It is heated in a boiler in order to produce steam.

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

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

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

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

Heat exchanger: A device used to transfer thermal energy from one material flow to another. The two elements do not come into direct contact with each other; they are conveyed past each other.

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

ISO – International Organization for Standardization: The International Organization for Standardization develops international standards that help to improve the quality and safety of goods and services as well as simplifying trade between countries and companies.

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

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

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

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

quinquies: This Latin word is often used in legal texts to indicate that a particular article, section, or paragraph has been amended or supplemented five times.

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

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

Scopes: To distinguish between direct and indirect emission sources, the GHG Protocol defines three areas of validity for reporting and accounting greenhouse gases.
Scope 1: All emissions that we cause directly.
Scope 2: Indirect CO2 emissions from purchased energy such as electricity, steam, district heating, or cooling.
Scope 3: All indirect emissions that occur along our value-added chain.

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

Shop floor management: This term refers to the work and management tasks at a manufacturing facility. It covers the organisational and management practices that can be implemented directly in the production area; i.e., on the "shop floor".

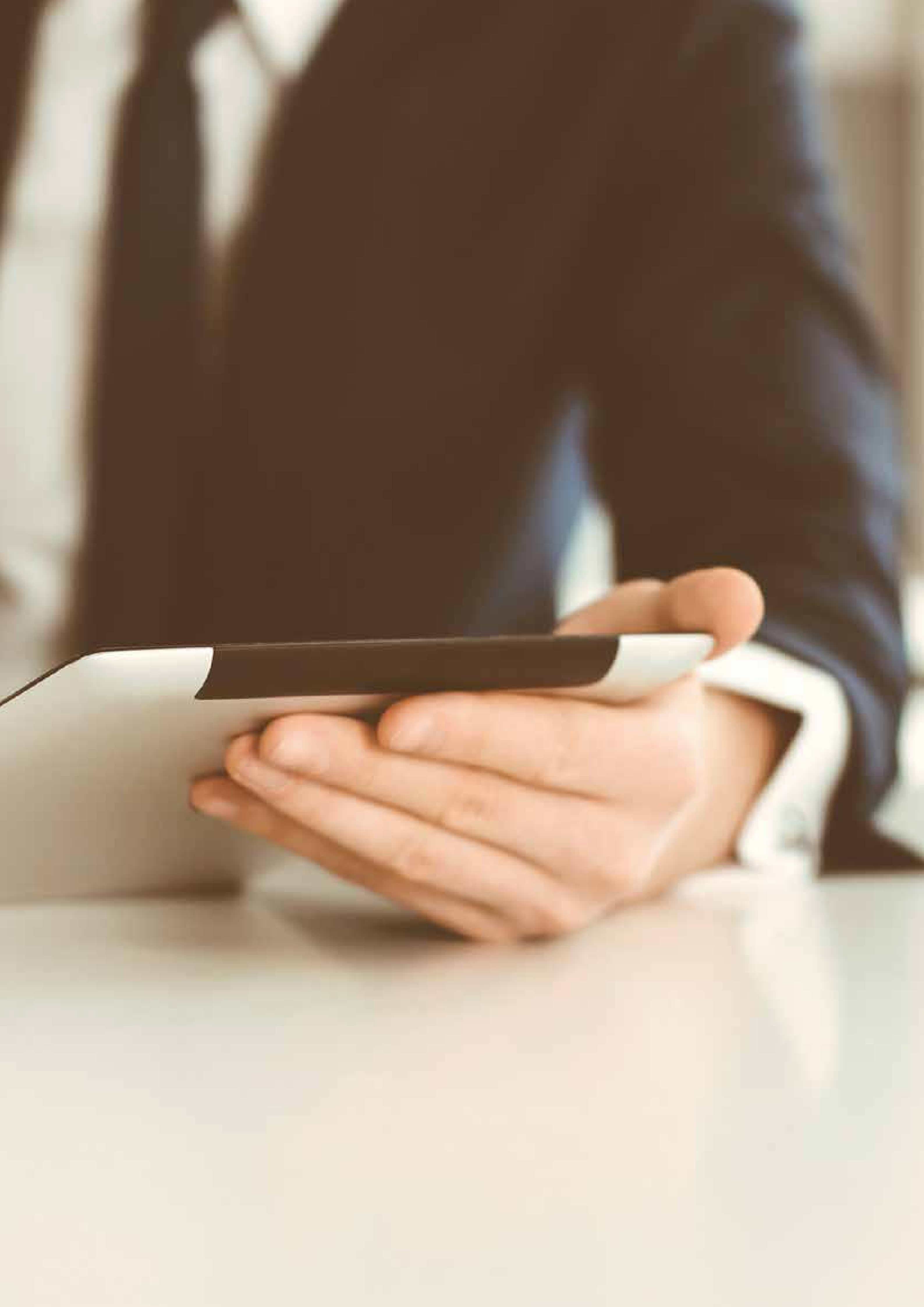
SIEM – Security Information and Event Management: Performs a real-time analysis of security alarms from various sources, applications and network components and thereby contributes to the IT security of an organisation.

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

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

Sonitus mid-layer: The inside of a door is also called the mid-layer and is enclosed by the frame and cover plates. Sonitus mid-layers are primarily used with sound insulated doors. The residue of the relatively soft material is also well suited to protecting doors from scratches during transport. This reduces the need for other protective material and means that residue can be reused instead of disposed of.

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



Corporate Governance

This report complies with the Directive on Information relating to Corporate Governance (DCG) of 29 June 2022 of the SIX Exchange Regulation.

Unless otherwise indicated, the disclosures apply as of 31 December 2023.

1. Group structure and shareholder base
1.1. Group structure

Board of Directors	Group Management
Alexander von Witzleben Executive Chairman of the Board of Directors	**Daniel Wüest** Group Chief Financial Officer
Peter Barandun Vice Chairman	**Alexander Kaiss** CEO Climate Division
Peter E. Bodmer	**Claudius Moor** CEO Doors Division
Markus Oppliger	
Heinz Haller	
Michael Pieper	
Thomas Lozser	
Dr. Carsten Voigtländer	

1.1.1. Operational Group structure
As of 31 December 2023, the operational Group structure of Arbonia AG comprises (1) the Climate Division (formerly the Heating, Ventilation and Air Conditioning Division) and (2) the Doors Division with the Wood Solutions Business Unit and the Glass Solutions Business Unit (see divisional structure page 9). Together with the Finance/Controlling/Reporting area, the two divisions form the Group's operational structure as of 31 December 2023.

As of 31 December 2023, Arbonia Group Management comprised the Group Chief Financial Officer ("Group CFO") and the CEOs of the two divisions (1) Climate and (2) Doors. Group Management is headed by the Executive Chairman of the Board of Directors, who is not a member of Group Management himself. Group Management is supported by Corporate Functions.

The company reports in line with IFRS on the basis of the above divisional structure. The Board of Directors of Arbonia is examining several expressions of interest but also offers for the sale of the Climate Division (formerly HVAC). As at the balance sheet date 31 December 2023, a sale of the Climate Division is considered highly probable and consequently, in accordance with IFRS 5, Arbonia repots Climate Division as discontinued operations. Descriptions of the divisions as of 31 December 2022 can be found on pages 11 – 25.

1.1.2. Scope of consolidation
The scope of consolidation of Arbonia AG, headquartered in Arbon TG ("Arbonia" or the "company") comprises the Group companies listed in the financial report on pages 217 – 218 (collectively the "Group"). The name, registered office and share capital of the Group companies, as well as the interests held by the Group, are also detailed on these pages. Arbonia shares are listed at the SIX Swiss Exchange in Zurich under securities number 11 024 060 (ISIN CH0110240600).

Information about market capitalisation can be found in the Supplementary Information for Investors on page 242. Other than Arbonia, none of the other Group companies included in the scope of consolidation are listed at any stock exchange in Switzerland or abroad.

1.2. Major shareholders

	31 December 2023		31 December 2022
	Voting and capital shares	Shareholding notification	Voting and capital shares
	In %		In %
Artemis Beteiligungen I AG	22.56	17 December 2016	22.10
Leo Looser	3.03	17 April 2019	3.03
UBS Fund Management AG	3.26	8 July 2023	< 3.00

On 17 December 2016, Artemis Beteiligungen I AG, which is controlled by Michael Pieper, reported a shareholding of 20.02 % (www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html). As of 31 December 2023, the shareholding of Artemis Beteiligungen I AG amounts to 22.56 %.

On 8 July 2023, UBS Fund Management (Switzerland) AG reported a shareholding of 3.26 % (www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html).

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

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

2. Capital structure
2.1. Capital
As of 31 December 2023, the ordinary capital of Arbonia is CHF 291 787 620.60, the conditional capital for convertible bonds and options, option rights and similar forms of financing is CHF 57 960 000 and the conditional capital for rights of employees and members of the Board of Directors for the acquisition of shares is CHF 8 820 000. The capital band has a lower threshold of CHF 262 807 620.60 and an upper threshold of CHF 349 747 620.60. The company has no authorised capital.

The ordinary capital results from note 48 of the appendix to the consolidated financial statement on page 204.

	Quantity	Nominal value	Share capital
Registered shares 31 December 2022	69 473 243	4.20	291 787 620.60
Registered shares 31 December 2023	69 473 243	4.20	291 787 620.60

2.2. Capital band and conditional capital
Capital band
The capital band has a lower threshold of CHF 262 807 620.60 and an upper threshold of CHF 349 747 620.60. Accordingly, the capital may currently be increased by 13 800 000 registered shares with a nominal value of CHF 4.20 per share and decreased by CHF 6 900 000 registered shares with a nominal value of CHF 4.20. The nominal value may be reduced to no less than CHF 3.783. The capital band is valid until 20 April 2028.

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

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

The capital band was not used in 2023.

Conditional capital
The share capital can be increased for financing purposes (convertible bonds and options, option rights and similar forms of financing) by a maximum of CHF 57 960 000 by issuing a maximum of 13 800 000 registered shares with a nominal value of CHF 4.20 each, which shall be fully paid up. The share capital can be increased for employee participation purposes by a maximum of CHF 8 820 000 by issuing a maximum of 2 100 000 registered shares with a nominal value of CHF 4.20 each, which shall be fully paid up. These registered shares are to be issued upon exercise of option rights granted in conjunction with convertible bonds, bonds with option rights, or similar forms of financing offered by Arbonia or one of its subsidiaries. Shareholders' subscription rights are excluded.

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

The conditional capital was not used in 2023.

Group of beneficiaries, conditions and modalities
The group of beneficiaries and the conditions and modalities for issuing shares from the capital band and the conditional capital are described in Article 3a, Article 3b and Article 3c of the Articles of Association (including with reference to Article 5 of the Articles of Association). The Articles of Association are available at www.arbonia.com/en/corporate-governance.

2.3. Changes in capital
In the last three reporting years (2021 – 2023), the share capital of CHF 291 787 620.60, which is fully paid up and divided into 69 473 243 registered shares with a nominal value of CHF 4.20 each, remained unchanged.

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

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

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

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

2.6.3. Nominee registrations
Nominees are persons who, on applying for registration, do not explicitly declare that they hold the shares for their own account and with whom the Board of Directors has signed an agreement to this effect. No nominee is entered in the share register with voting rights for more than 3 % of the registered share capital entered in the Commercial Register. Beyond this limit, a nominee is only entered in the share register with voting rights insofar as he or she discloses the names, addresses and shareholdings of the persons for whose account he or she holds 0.5 % or more of the registered share capital entered in the share register. In the event of such a disclosure, the nominee concerned is entered in the share register with voting rights up to a maximum of 8 % of the registered share capital entered in the Commercial Register.

2.6.4. Procedure and requirements for limitations on transferability
Under Article 13 para. 7 of the Articles of Association (www.arbonia.com/en/corporate-governance), limitations on the transferability of registered shares require the approval of at least two thirds of the voting shares represented and the majority of the nominal share values represented.

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

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

3.1. Members of the Board of Directors
As of 31 December 2023, the Board of Directors consisted of the following members:

Alexander von Witzleben

1963, German citizen, resident in Erlenbach ZH, degree in business management, from 17 April 2015 to 30 June 2015 Chairman of the Board of Directors, from 1 July 2015 to 22 April 2022 Chairman and delegate of the Board of Directors and interim CEO and since 22 April 2022 Executive Chairman of the Board of Directors (see 3.5). 1990 – 1993 KPMG Deutsche Treuhand Gesellschaft, Munich (D); 1993 – 1995 Head of Central Finance / Controlling JENOPTIK AG, Jena (D); 1996 – 2003 Member of the Board of Directors, CFO, JENOPTIK AG, Jena (D); 2003 – 2007 Chairman of the Board of Directors, CEO, JENOPTIK AG, Jena (D); 2007 – 2008 member of the Board of Directors of Franz Haniel & Cie. GmbH, Duisburg (D); since 2009 Chairman of the Board of Directors of Feintool International Holding AG, Lyss and interim CEO in 2009. Since 15 June 2015, Alexander von Witzleben has been a member of the Board of Directors of Artemis Holding AG, Hergiswil. This company has a shareholding of 22.56 % in Arbonia and a shareholding of 50.1 % in Feintool International Holding AG, Lyss. Alexander von Witzleben was a member of the management board of Arbonia on an interim basis until 22 April 2022. Aside from this, he has no material business relationships with Arbonia or its Group companies.

Other activities and vested interests: member of the Board of Directors of KAEFER SE & Co. KG, Bremen (D); Chairman of the supervisory board of PVA TePla AG, Wettenberg (D); Chairman of the supervisory board of VERBIO SE, Leipzig (D); member of the supervisory board of Siegwerk Druckfarben AG & Co. KGaA, Siegburg (D); member of the Board of Directors of Artemis Holding AG, Hergiswil NW; Chairman of the Board of Directors of Feintool International Holding AG, Lyss BE; member of the Board of Directors of Innoviz Technologies Ltd, Nitzba (IL).

Peter Barandun

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

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

Peter E. Bodmer

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

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

Markus Oppliger

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

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

Heinz Haller

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

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

Michael Pieper

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

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

Thomas Lozser

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

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

Dr. Carsten Voigtländer

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

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

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

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

3.2. Number of permitted mandates

Members of the Board of Directors may have a maximum of 16 mandates outside the Group, of which no more than five may be with listed companies and no more than eight with companies subject to regular auditing (including the five listed companies). Additionally, members of Board of Directors may exercise a maximum of five mandates for charitable organisations. When calculating the maximum number of mandates, the mandate as Chairperson of the Board of Directors at a company subject to regular auditing counts as two mandates.[1] Mandates at different companies belonging to the same corporate group count as one mandate. More details on the rules for the number of permitted mandates can be found in Article 29 of the Articles of Association (www.arbonia.com/en/corporate-governance).

3.3. Election and term of office

The Chairperson of the Board of Directors and the other members of the Board of Directors are individually elected by the Annual General Meeting for a term of office of one year. The members of the Board of Directors may be re-elected. The terms of office of the current members of the Board of Directors are as follows:

Board of Directors	Year of birth	First election	End of the term of office
Alexander von Witzleben, Chairman	1963	2015	2024
Peter Barandun, Vice Chairman	1964	2014	2024
Peter E. Bodmer	1964	2013	2024
Markus Oppliger	1959	2013	2024
Heinz Haller	1955	2014	2024
Michael Pieper	1946	2015	2024
Thomas Lozser	1961	13 December 2016*	2024
Dr. Carsten Voigtländer	1963	2019	2024

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

[1] However, the mandate as Chairperson of the supervisory board only counts as one mandate.

3.4. Internal organisation

3.4.1. Allocation of tasks within the Board of Directors

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

3.4.2. Committees of the Board of Directors

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

3.4.2.1. Audit Committee

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

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

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

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

The Audit Committee met a total of four times during the reporting year; three of these meetings were ordinary and one was extraordinary. The extraordinary meeting was held as a video conference. The Group CFO attended all four meetings and the external and internal auditors attended the three ordinary meetings. At each following meeting of all members of the Board of Directors, the Chairman reports on the findings and resolutions of the Audit Committee. The three ordinary meetings of the Audit Committee lasted two and a quarter hours on average and the extraordinary meeting lasted 50 minutes. The attendance rate was 100 % for all four meetings. The Chairman of the Audit Committee and the Head of Internal Audit regularly held additional meetings to discuss in detail the findings of Internal Audit and its tasks. In the reporting year, the Audit Committee, in addition to its annually recurring topics, focused on subjects including the new Swiss Code of Best Practice for Corporate Governance, the Corporate Sustainability Reporting Directive (CSRD) and the impact of artificial intelligence.

3.4.2.2. Nomination and Compensation Committee

The members of the Compensation Committee were elected by the General Meeting, which took place on 21 April 2023. The members of the Compensation Committee also take care of the duties of the Nomination Committee. Two members of the Nomination and Compensation Committee are non-executive and independent. Alexander von Witzleben is simultaneously Executive Chairman of the Board of Directors.

The Nomination and Compensation Committee is convened by the Chairperson of the Committee as often as business requires, but normally two to three times a year. The Nomination and Compensation Committee gives the Board of Directors recommendations regarding the Group's salary policy and compensation system, among other things. The Nomination and Compensation Committee determines the salaries of the individual members of Group Management. It approves, in principle, bonus programmes and profit-sharing schemes for employees as well as pension fund solutions and benefit plans. The Nomination and Compensation Committee is also responsible for the preparation of the Compensation Report and the request to all members of the Board of Directors for approval of the compensation of the members of the Board of Directors and Group Management for the attention of the General Meeting. Furthermore, the Nomination and Compensation Committee determines the principles for the selection of candidates for election to the Board of Directors and Group Management. It identifies suitable candidates for the Board of Directors and Group Management and conducts the requisite selection procedures. The Nomination and Compensation Committee also determines the principles for the management and development of the members of the Board of Directors and Group Management. It evaluates the performance of the members of Group Management. In the reporting year, the Nomination and Compensation Committee, in addition to the annually recurring topics in connection with compensation, focused heavily on the legal gender quotas and, related to this, the proportion of women in the Arbonia Group, as well as reporting on non-financial matters.

Essentially, the Nomination and Compensation Committee performs a supporting and preparatory role to the benefit of all members of the Board of Directors.

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

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

The Nomination and Compensation Committee met twice during the reporting year. The meetings lasted for 50 minutes on average. The attendance rate was 100 % for both meetings. The Group CFO attended both meetings. At each following meeting of all members of the Board of Directors, the Chairman reports on the findings and resolutions of the Nomination and Compensation Committee. The meeting minutes of the Nomination and Compensation Committee are provided to all members of the Board of Directors for inspection.

3.4.3. Working procedures of the Board of Directors
The Executive Chairman convenes the Board of Directors as often as business requires, but at least four times a year. During the reporting year, the Board of Directors met for five ordinary meetings and one extraordinary meeting. At two of the five ordinary meetings, one member of the Board of Directors joined via video conference. The extraordinary meeting was held entirely as a video conference. In the reporting year, the Board of Directors also passed one resolution by circular letter. Ordinary meetings of the Board of Directors usually last half a day. The extraordinary meeting lasted one hour. All six meetings in the reporting year were attended by all members of the Board of Directors.

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

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

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

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

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

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

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

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

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

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

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

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

The external statutory auditor provides the Audit Committee with information on the main findings of the audit. Regular contact also takes place between the Chairperson of the Audit Committee, the Group CFO and the Head of Internal Audit (see 3.4.2.1). Where required, the Chairperson of the Audit Committee also informs the other members of the Board of Directors regarding his or her findings.

The principal role of Internal Audit is to monitor processes and structures throughout the Group. Internal Audit is also responsible for the risk management process. Internal Audit summarises the audits it is to carry out in an annual audit plan. This audit plan also incorporates the risks identified in the framework of the risk management process that is performed every year in the two divisions and in Corporate Functions. Each audit plan is approved by the Audit Committee. The Audit Committee also assigns special audit mandates to Internal Audit as and when required. The respective audit findings are discussed with the Audit Committee and communicated to the Board of Directors in writing. The Internal Audit provided the members of the Board of Directors with 15 audit reports during the reporting year. If material risks are identified, measures are defined to reduce them. Internal Audit adopts a systematic approach to monitoring risks and measures, and carries out its work in accordance with the international standards governing internal auditors' professional duties. It regularly reports to the Audit Committee and Board of Directors on the scale of risks and any changes to the risk situation as well as the status of measures implemented. The Board of Directors received a total of four written reports on the implementation of measures during the reporting year. The external auditors also have access to all audit reports and the reports from the ongoing monitoring of risks and measures. Additionally, Internal Audit issued three Internal Audit status reports informing the Audit Committee and the Board of Directors about the key findings from the audits and the current status of the internal control system (ICS).

Furthermore, the Audit Committee and Board of Directors are informed about the results of the risk management process.

The Audit Committee is also informed about incoming whistleblowing reports. Reports of this nature are handled by three internal reporting offices at Group level and, in line with the EU Whistleblowing Directive and its implementation in the respective national law of the affected EU member states, by reporting offices within the individual Group companies. All Arbonia employees are requested to report any violations of the Code of Conduct of which they become aware (www.arbonia.com/en/corporate-governance).

4. Group Management

4.1. Members of Group Management

As of 31 December 2023, Group Management consisted of the following members:

Daniel Wüest

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

Other activities and vested interests: board member of SwissHoldings, the federation of Swiss-based multinational enterprises, Bern BE; board member of the federation of Swiss financial directors, Zurich ZH; member of the advisory board of KIWI.KI GmbH, Berlin (D).

Alexander Kaiss

1969, German citizen, graduate in mechanical engineering, Chief Executive Officer of the Climate Division since 1 July 2021, 2018 – 2020 Chief Operating Officer of the Heating, Ventilation and Air Conditioning Division (now the Climate Division), 2013 – 2017 Technology Director of the Heating Technology Business Unit, 2001 – 2012 Plant Manager Kermi s.r.o., 1997 – 2001 Head of Shower Stall Engineering at Kermi GmbH; 1995 –1997 production scheduling engineer for air bag control units (automotive engineering area) at SIEMENS AG.

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

Claudius Moor

1983, Swiss citizen, Master in Information, Media and Technology Management, University of St. Gallen (HSG), Chief Executive Officer of the Doors Division since 2020 and Managing Director Sales & Marketing at Prüm and Garant since 2019 (until 31 December 2023); 2017 – 2020 member of the Doors Division management; 2015 – 2017 Head of Group Strategy and Company Development; 2010 – 2015 business consultant and project manager at The Boston Consulting Group.

Other activities and vested interests: Chairman of the advisory board of KIWI.KI GmbH Berlin (D); member of the advisory board of Griffwerk GmbH, Blaustein (D).

4.2. Number of permitted mandates

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

4.3. Management contracts

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

5. Compensation, shareholdings and loans

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

The basis and elements of compensation and the shareholding programmes as well as the procedure for their determination are presented in the Compensation Report (pages 123 – 141).

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

Members of Group Management and members of the Board of Directors who take on management tasks corresponding to a member of Group Management receive variable compensation, which depends on particular success criteria. The variable compensation can include a cash portion and a portion in temporarily blocked shares pursuant to the share-based payment programme (see Article 22 para. 1 and 2 of the Articles of Association, www.arbonia.com/en/corporate-governance).

The variable compensation depends on the company results. The success criteria must be determined by the Board of Directors taking the position and responsibility of the recipient into account on the motion of the Compensation Committee. They include corporate and/or personal goals. At the beginning of each financial year the Board of Directors determines the corporate and/or personal goals. The target achievement is evaluated by the Compensation Committee after the financial year has ended and is determined by the Board of Directors upon request. A bonus amount is determined in individual agreements. If the goals are achieved in full, 100 % of the bonus amount stipulated in an individual agreement is paid out. If the targets are exceeded, the variable compensation may exceed the bonus amount agreed in individual contracts up to a maximum amount. If the target achievement is below a particular threshold, no variable compensation is paid. The variable compensation is up to 150 % of the fixed compensation (see Article 24 para. 1 of the Articles of Association, www.arbonia.com/en/corporate-governance).

According to Article 23 and Article 24 para. 2 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), the Board of Directors is authorised to award additional compensation to a member of Group Management in special situations. This is based on corporate and/or personal targets related to the special situation. No additional compensation of this kind was paid during the reporting year.

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

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

5.3. Loans, credit and pension benefits

According to Article 26 of the Articles of Association, Arbonia does not grant the members of the Board of Directors and Group Management any loans, credit, or pension benefits outside the occupational pension scheme or securities. Exempt from this are advances of social security and tax charges for persons subject to withholding tax (www.arbonia.com/en/company/corporate-governance).

5.4. Rules concerning voting at the General Meeting on compensation

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

6. Shareholders' participation right

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

According to Article 12 para. 4 of the Articles of Association, the Board of Directors determines the requirements for the power of attorney and instructions for the independent proxy. Under this regulation, the Board of Directors is also entitled to determine the requirements for electronic voting (www.arbonia.com/en/corporate-governance).

According to Article 10 para. 5 of the Articles of Association, the General Meeting may be held in one or multiple locations; the Board of Directors may make provision for shareholders unable to attend the General Meeting in person to exercise their rights using electronic means. According to Article 10 para. 6 of the Articles of Association, the General Meeting may also be held exclusively using electronic means (including phone, video conference, or other audiovisual or electronic means of communication) rather than in a specific location. The Board of Directors regulates the use of these electronic means and ensures that the identities of the participants are known, the votes in the meeting are transferred immediately, each participant is able to submit motions and participate in the discussion and the voting results cannot be falsified (www.arbonia.com/en/corporate-governance).

6.1. Statutory quorums

Under Article 12 para. 6 of the Articles of Association, in the event of elections which do not produce a result in the first round, the relative majority decide in the second round. Apart from this, the Articles of Association do not contain any regulations that deviate from the law (www.arbonia.com/en/corporate-governance).

6.2. Convocation of the General Meeting

The Articles of Association do not contain any regulations that deviate from the law. According to Article 9 para. 3 of the Articles of Association, the Board of Directors must issue invitations to Extraordinary General Meetings if shareholders who alone or collectively represent at least 5 % of the share capital or votes request a convocation in writing, specifying the agenda items and motions (www.arbonia.com/en/corporate-governance).

6.3. Inclusion of items on the agenda

According to Article 9 para. 4 of the Articles of Association, shareholders who alone or collectively represent at least 0.5 % of the share capital or votes may (jointly) request the inclusion of items on the agenda. The inclusion of items on the agenda must be requested in writing at least 40 days before the meeting, with the agenda items and motions specified. Under the same conditions, shareholders may request that motions relating to agenda items are included in the convocation.

6.4. Entries in the share register

When sending invitations to the General Meeting, the Board of Directors will announce the date up to which entries can be made in the share register with regard to participation in the General Meeting. The invitation to the General Meeting, stating this date, will be published on the Arbonia website no later than 20 days before the General Meeting and can be accessed via the following link: www.arbonia.com/annual-general-meeting.

7. Change of control and defence measures

7.1. Duty to make an offer

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

7.2. Change-of-control clauses

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

8. Statutory auditors

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

8.1.1. Date of assumption of the existing mandate

On 28 April 2017, the General Meeting elected KPMG AG, St. Gallen, as the new statutory auditor. They audited the 2023 Financial Statements and the consolidated financial statement of Arbonia.

8.1.2. Assumption of office of the lead auditor

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

8.2. Auditing fees
In 2023, the various statutory auditors billed a total of CHF 1 158 000 (previous year: CHF 1 072 000) for auditing the Financial Statements and consolidated financial statement of Arbonia and the Financial Statements of the Group companies. Of this amount, the statutory auditor KPMG AG accounted for CHF 1 012 000 (previous year: CHF 964 000) in 2023.

8.3. Additional fees
In 2023, the statutory auditor KPMG AG and other auditors of Group companies billed CHF 329 000 (previous year: CHF 351 000) for additional services, CHF 300 000 of which (previous year: CHF 338 000) was attributable to KPMG AG. Of the additional services performed by KPMG AG in 2023, CHF 263 000 was for tax advice and CHF 37 000 was for other services.

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

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

9. Information policy
Arbonia pursues an open information policy towards the public and financial markets, based on the principles set out in the SIX Exchange Regulation listing rules and directives and in the Swiss Code of Best Practice for Corporate Governance. Through the annual report, Arbonia provides information about business performance, organisation and strategy. Integral parts of the annual report are the management report starting on page 3, the sustainability report including the reporting on non-financial matters starting on page 27 and the Compensation Report starting on page 123. Arbonia's First Semester Financial Report contains the consolidated income statement, the statement of comprehensive income, the balance sheet, the cash flow statement and the statement of changes in equity. In the reporting year, Arbonia published seven press releases. In addition to this, Arbonia gives comprehensive reports on its operating activities at its annual financial media and analyst conference. Arbonia also fosters dialogue with investors and the media at special events and roadshows.

Arbonia's contact details are as follows:

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T +41 71 447 41 41
holding@arbonia.com

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

The calendar of events is provided on page 244 of the annual report and on the Arbonia website at www.arbonia.com/en/investors.

10. Blackout periods
Arbonia regulates the ordinary and extraordinary blackout periods in the Guidelines for the Prevention of Insider Trading and Market Manipulation. The ordinary blackout periods are ordered before the publication of the net earnings for the year and the half-year results respectively. The members of the Board of Directors, Group Management and the division heads, including their assistants as well as all other employees who have access to the financial figures of Arbonia, in particular employees in the areas of Group Controlling, Finance, Investor Relations, Corporate Communications and the Company Secretary, are informed via e-mail of 1.) the beginning of a blackout period, 2.) its duration, 3.) the trading ban on Arbonia securities and 4.) the prohibition against providing tips to third parties. A total of approximately 65 persons are affected by the ordinary blackout periods. The blackout period in respect to the publication of the annual results for the year starts on the Friday before Christmas and lasts up to and including the day of publication. The blackout period in respect to the half-year results begins on 30 June and lasts up to and including the day of publication. In the reporting year, no exceptions to these rules were granted.

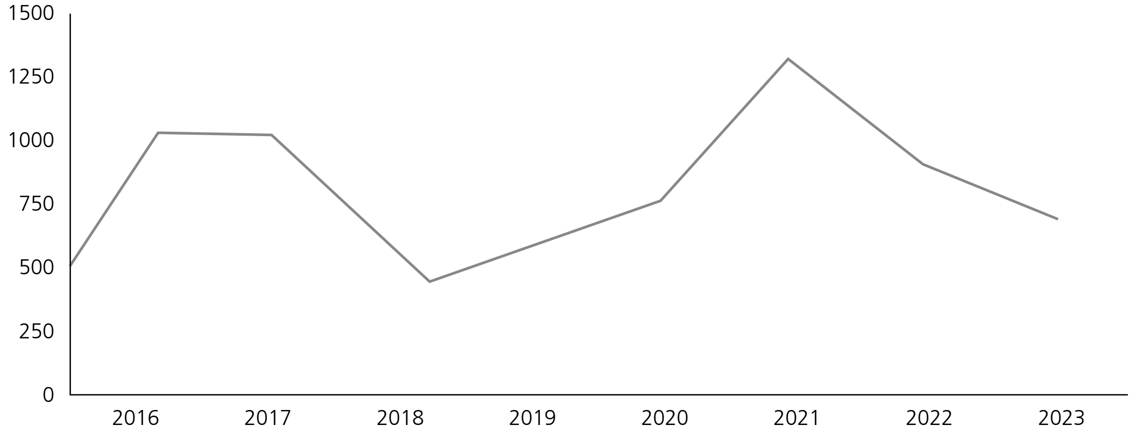
Compensation Report

This Compensation Report presents the compensation governance, the principles of the compensation system, as well as the structure of the compensation of the Board of Directors and Group Management of Arbonia AG (in the following "Arbonia"). In addition, this report contains information 1.) on the compensation of the Board of Directors and Group Management in the 2023 financial year, 2.) on the roles that the members of the Board of Directors and Group Management exercise at other companie with economic purpose, and 3.) on the shareholding rights held by the members of the Board of Directors and Group Management.

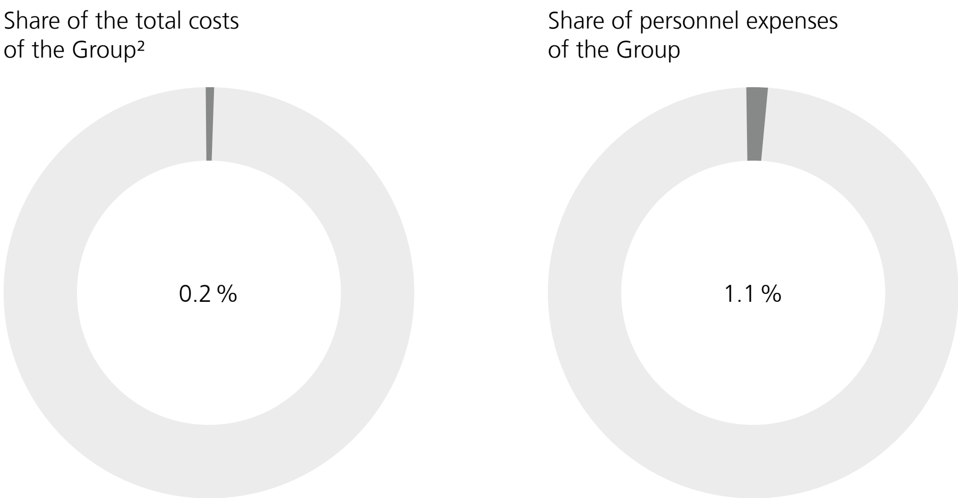
The Compensation Report has been compiled in accordance with the regulations on compensation at companies whose shares are listed at a stock exchange in the Swiss law that supplements the Swiss Civil Code (Part Five: Code of Obligations) in the fourth section on corporate law (in the following "Code of Obligations") and the Directive on Information relating to Corporate Governance (DCG) of 29 June 2022 of the SIX Exchange Regulation. The information relates to the reporting year 2023 unless otherwise indicated.

The statutory auditor has audited the 2023 Compensation Report for compliance with legal provisions and the Articles of Association. The audit report is found on pages 142–143.

Stock market capitalisation
In CHF million as of 31 December



Total compensation for the financial year 2023[1]



[1] Members of the Board of Directors and of Group Management
In relation to the costs from continuing and discontinued operations
[2] Personnel costs, material costs, other expenses

Motions to the 2024 General Meeting
in 1 000 CHF

Total compensation year of office 2023 / 2024 Board of Directors **2 368**	**Total compensation financial year 2023** Group Management **1 822**

1. Governance

1.1. Composition of the Nomination and Compensation Committee

According to Article 19 of the Articles of Association of Arbonia (www.arbonia.com/en/corporate-governance; in the following "Articles of Association") and the by-laws (www.arbonia.com/en/company), the Nomination and Compensation Committee is comprised of two or more members.

The members of the Nomination and Compensation Committee are elected by the General Meeting for one year of office.

The Chairperson of the Nomination and Compensation Committee is appointed by the Board of Directors at the request of the committee members.

At the ordinary General Meeting of 21 April 2023, Peter Barandun, Alexander von Witzleben and Heinz Haller were re-elected as members of the Nomination and Compensation Committee. At the constituent meeting of the Board of Directors on the same day, Peter Barandun was again appointed Chairman of the Nomination and Compensation Committee.

In the year of office 2023/2024, the Nomination and Compensation Committee was composed as follows:

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

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

1.2. Responsibilities

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

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

- Periodic review of the salary policy and the compensation system
- Annual review of the compensation of the Board of Directors and Group Management
- Assessment of the performance of the members of Group Management
- Identification of candidates for the Board of Directors and Group Management
- Determining the principles for the management and development of the members of the Board of Directors and Group Management
- Determining measures to ensure compliance with legal gender quotas

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

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

1.3. Meetings, information policy and abstention regulations

The Nomination and Compensation Committee convenes as often as necessary; however, at least twice a year. In the reporting year, the members of the Nomination and Compensation Committee met for two meetings. The meetings lasted for 50 minutes on average. The attendance rate was 100 % for both meetings.

In the reporting year, the Nomination and Compensation Committee, in addition to the annually recurring topics in connection with compensation, focused on subjects including the proportion of women in the Arbonia Group and potential measures intended to help achieve the legal gender quotas. This topic was added as a permanent item to the agenda of the Nomination and Compensation Committee in the previous year.

Members of the Board of Directors not on the committee are informed by the Chairperson of the Nomination and Compensation Committee about the current topics as well as important resolutions and measures at the subsequent meeting of all members of the Board of Directors. The minutes of the meetings of the Nomination and Compensation Committee can be viewed by the entire Board of Directors.

The Group CFO is normally invited to the meetings of the Nomination and Compensation Committee, where he or she takes on an advisory role. The Group CFO attended all meetings in the reporting year. The Chairperson of the Nomination and Compensation Committee can invite further managers to the meetings if necessary.

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

1.4. Involvement of the shareholders

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

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

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

Year of office 21 April 2023 to 19 April 2024	Retrospective vote on the total compensation of the members of the Board of Directors for the year of office 2023/2024 ←	Compensation vote at the General Meeting 2024

Vote on the total compensation of the members of Group Management

Financial year from 1 January 2023 to 31 December 2023	Retrospective vote on the total compensation of the members of Group Management for the 2023 financial year ←	Compensation vote at the ordinary General Meeting 2024

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

The ordinary General Meeting on 21 April 2023 approved the 2022 Compensation Report with 67.31 % of the votes, the total compensation of the members of the Board of Directors for the 2022/2023 year of office with 87.35 % of the votes, and the total compensation of the members of Group Management for the 2022 financial year with 70.54 % of the votes.

2. Principles of the compensation system

2.1. Principles and statuary anchoring

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

According to the requirements of the Code of Obligations, the Articles of Association (www.arbonia.com/en/corporate-governance) contain important principles of the compensation system in regard to the compensation of the Board of Directors as well as of Group Management:

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

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

2.2. Benchmarking and external consultants

Arbonia regularly reviews the compensation of its managers, including that of the members of Group Management.

At the end of 2020, Arbonia commissioned HCM International AG with two analyses. One analysis concerned the compensation of the members of Group Management, with the exception of the compensation of the CEO and the other analysis concerned the compensation of the CEO. The two analyses were respectively carried out on the basis of a comparison group with industrial companies domiciled in Switzerland with a similar stock market capitalisation and a comparison group with industrial companies domiciled in Switzerland with a similar revenue. The comparison group with a similar stock market capitalisation included the following industrial companies: Interroll, Schweiter, Kardex, Bobst, Komax, Burckhardt, Implenia, Rieter, Phoenix, Burkhalter, Zehnder, Von Roll and Feintool. The comparison group with a similar revenue included the following industrial companies: Stadler Rail, Bucher, Geberit, Dormakaba, OC Oerlikon, SFS Group, Bobst, Conzzeta, Schweiter, Daetwyler, Rieter, Phoenix, Zehnder, Belimo and Feintool. Together with other publicly available data, these analyses served as the basis for determining compensation, with the respective employee's individual role, qualification for and experience in this role, and contribution to corporate success also taken into account. Arbonia constantly endeavours to determine compensation in the range of the market median. With the exception of these two mandates, HCM International AG did not receive any other mandate from Arbonia.

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

3. Compensation structure of the Board of Directors

3.1. Fee of the Board of Directors

3.1.1. Fixed compensation and lump-sum allowances

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

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

Specified fee payment	Optional increase in the share portion up to a maximum of 80 %
Min. 50 % of the fee in blocked shares	Max. 80 % of the fee in blocked shares
Max. 50 % of the fee in cash	Min. 20 % of the fee in cash

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

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

The legal contributions to social security are deducted from the cash portion of the fee.

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

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

In the 2023 financial year, the structure and amount of the fee of the Board of Directors as well as the amount of the lump-sum allowances (both without the office of Executive Chairman of the Board of Directors, cf. 3.2) were as follows:

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

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

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

The members of the Board of Directors – with the exception of Alexander von Witzleben in his role as Executive Chairman of the Board of Directors (cf. 4.6) – are not insured in the benefit plan of Arbonia.

3.1.2. Variable compensation

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

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

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

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

3.1.4. Board Member Share Plan

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

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

According to the Board Member Share Plan approved by the Board of Directors, the number of shares is determined based on their fair market value. The calculation of the fair market value starts two trading days after the publication of the annual results achieved by Arbonia in the reporting year. The VWAP is calculated daily for 20 trading days based on the volume-weighted average share price. The fair market value results from the average of the VWAPs of these 20 trading days. The gross amount of the ordinary dividend is then deducted from the fair market value, provided that this is approved by the General Meeting, and a discount of 20 % is deducted for the four-year restriction period of the shares.

The assignment of the shares takes place after the record date for the dividend payment but must take place by 20 days after the General Meeting at the latest. The shares assigned in this way carry all associated rights. However, they are subject to a restriction period of four years, during which they may not be sold.

In the event that a member departs the Board of Directors, the restriction period remains in effect, although it is at the discretion of the Board of Directors to lift the restriction period. In the event that a member departs the Board of Directors due to invalidity or death, the restriction period is automatically lifted.

In the event of a change in control, it is at the discretion of the Board of Directors to decide whether to maintain the restriction period or lift it.

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

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

3.2.1. Office of Executive Chairman of the Board of Directors

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

3.2.2. Fixed compensation

The annual fixed compensation of Alexander von Witzleben is CHF 600 000 and is paid in cash.

3.2.3. Variable compensation

The contractually agreed nominal bonus received by Alexander von Witzleben is CHF 400 000 (assuming 100 % target achievement). The variable compensation is based on Article 24 para. 1 of the Articles of Association and is subject to the regulations applicable to Group Management (cf. 4.3). Accordingly, 50 % of the variable compensation is a cash portion and 50 % is a portion in shares blocked for four years.

3.2.4. Lump-sum allowances

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

3.2.5. Terms and conditions of employment

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

3.3. Compensation for restraint of competition

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

4. Compensation structure of Group Management

4.1. Overview

Compensation paid to members of Group Management consists of the following components:

Articles of Association	Form of compensation
Article 22 para. 2	Fixed compensation
Article 24 para. 1	Variable compensation based on the nominal bonus agreed in individual contracts
Where appropriate, compensation according to Article 23 and Article 24 para. 2 of the Articles of Association	In special situations

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

4.2. Fixed compensation

The members of Group Management receive fixed compensation.

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

4.3. Variable compensation

The members of Group Management receive variable compensation based on the nominal bonus agreed in individual contracts. 50 % of this is a cash portion and 50 % is a portion in shares blocked for four years.

The nominal bonus agreed in individual contracts that is paid upon 100 % target achievement is a maximum of 70 % of the fixed compensation.

The amount of the variable compensation depends on the achievement of financial targets and a sustainability target.

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

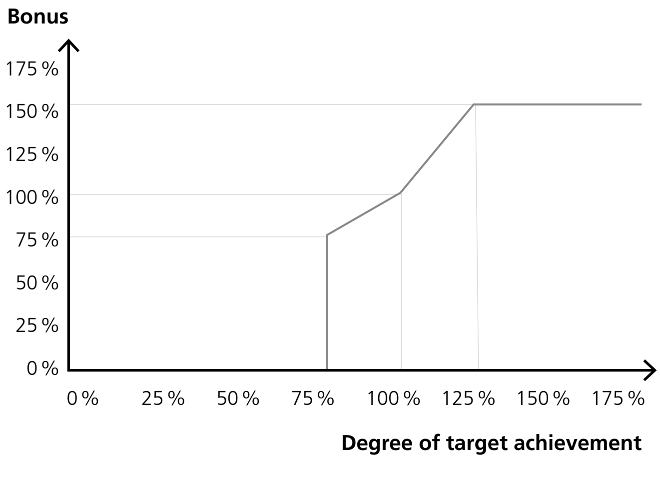
Targets		**Weighting in percentages of the nominal bonus**	
		CEOs of divisions[1]	**Executive Chairman of the Board of Directors / Group CFO[2]**
Group level	EBITDA margin	10 %	25 %
	Free cash flow (without divestments)	10 %	20 %
	Group result	–	15 %
	Costs Holding / Corporate Services	–	15 %
	Return on capital employed (ROCE)	–	15 %
	ESG (sustainability target)[3]	10 %	10 %
Division level	EBITDA margin	25 %	–
	Operating cash flow (without investments / divestments)	15 %	–
	Organic growth (NU / net revenue)	15 %	–
	Return on capital employed (ROCE)	15 %	–

[1] The CEO of the Doors Division and the CEO of the Climate Division receive targets on the Group level as well as on the division level. The target values defined on the division level are based on the budget of the respective division and are consequently defined separately for the CEOs of the two divisions.
[2] The Executive Chairman of the Board of Directors (cf. 3.2.3) and the Group CFO only receive targets on the Group level.
[3] The sustainability target includes a specified target for the reduction of greenhouse gas emissions in $kgCO_{2e}$ relative to net revenue in CHF.

Each financial target and sustainability target is assigned a particular percentage of the nominal bonus (100 %). The weighting of the individual targets as a percentage of the nominal bonus varies and is given in the above table.

At the request of the Nomination and Compensation Committee, the Board of Directors determines an expected target value for each financial target and for the sustainability target at the beginning of each financial year. With respect to the financial targets, the value is based on the budget approved by the Board of Directors for the corresponding financial year.

Upon conclusion of the financial year or upon presentation of the reviewed annual results, the financial targets are assessed according to their effective degree of target achievement. The degree to which the sustainability target has been achieved is also determined. When 100 % of all targets have been achieved, a member of Group Management receives the nominal bonus agreed in the individual contract. In the best case, 125 % of the expected target value of a target can be achieved. In the case of a 125% target achievement, 150% of the nominal bonus is paid out pro rata for the corresponding target value – in accordance with its percentage share of the nominal bonus and its weighting. As a general rule, failure to meet at least 75 % of a target will mean that the degree of target achievement of the corresponding target is weighted with 0 %.



100 % corresponds to the nominal bonus agreed in individual contracts

The highest variable compensation that is achieved in the reporting year is in ratio of 44.38% to the fixed compensation of the corresponding member of Group Management.

4.4. Special compensation

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

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

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

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

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

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

4.6. Pension

Group Management members with Swiss employment contracts are insured under the basic scheme and the senior management scheme within Arbonia's pension provision. The Arbonia senior management pension scheme covers the fixed salary not covered under the basic scheme and 80 % of the contractual nominal bonus against old age, death and invalidity risks. According to the Swiss Occupational Pensions Act (OPA), the maximum salary including bonus to be considered is limited to CHF 882 000 (as of 1 January 2023, corresponds to ten times the upper limit amount specified by the OPA) and the insured salary including bonus element is limited to CHF 665 600 (as of 1 January 2023). The employer contribution is the same for all three available schemes and amounts to 25 % of the insured salary (according to the regulations, in force since 1 January 2023). Alexander von Witzleben is also insured in the Arbonia senior management pension scheme in his role as Executive Chairman of the Board of Directors. The member of Group Management with a German employment contract has a pension solution with a German insurance company.

4.7. Arbonia Group Share Plan

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

According to the Arbonia Group Share Plan approved by the Board of Directors, the number of shares is determined based on their fair market value. The calculation of the fair market value starts two trading days after the publication of the annual results achieved by Arbonia the reporting year. The VWAP is calculated daily for 20 trading days based on the volume-weighted average share price. The fair market value results from the average of the VWAPs of these 20 trading days. The gross amount of the ordinary dividend is then deducted from the fair market value, provided that this is approved by the General Meeting, and a discount of 20 % is deducted for the four-year restriction period of the shares.

The assignment of the shares takes place after the record date for the dividend payment but must take place by 20 days after the General Meeting at the latest. The shares assigned in this way carry all associated rights. However, they are subject to a restriction period of four years, during which they may not be sold.

In the event that the employment contract is terminated, the restriction period remains in effect; it is at the discretion of the Board of Directors to lift the restriction period where appropriate. If the employment relationship ends due to the attainment of retirement age, the restriction period is automatically cancelled. The restriction period is also automatically cancelled in the event that the employment relationship is terminated due to invalidity or death.

In the event of a change in control, it is at the discretion of the Board of Directors to decide whether to maintain the restriction period or lift it.

There is no option programme for members of Group Management.

4.8. Terms and conditions of employment

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

4.9. Compensation for restraint of competition

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

5. Compensation of the Board of Directors for the year 2023 (audited)

5.1. Changes in the Board of Directors

The personnel composition of the Board of Directors, which consists of eight members, did not change compared to the previous year. Alexander von Witzleben also continues to hold the office of Executive Chairman of the Board of Directors in addition to the office of Chairman. Peter Barandun continues to be the Vice Chairman of the Board of Directors.

The total compensation of the Board of Directors has increased compared to the previous year. This increase is due to the fact that Alexander von Witzleben's compensation for his function as Executive Chairman of the Board of Directors is included in the total compensation of the Board of Directors for the full year for the first time in the 2023 reporting year. By contrast, in the 2022 reporting year, Alexander von Witzleben's compensation in this regard was only included in the total compensation of the Board of Directors from the time he took office as Executive Chairman of the Board of Directors or from 1 May 2022.

5.2. Table

in 1000 CHF										**2023**
	Roles exercised in 2023	**Fee – in cash**	**Fee – in shares**	**Annual salary – in cash**	**Variable compensation – in cash[1]**	**Variable compensation – in shares[1]**	**Pension expenses[2]**	**Other compensation[3]**	**Total**
Alexander von Witzleben[4]	Exec. CBD[5] Member of AC[6] Member of NCC[7]	120	150	600	138	173	248	31	1 459
Peter Barandun[8]	Vice Chairman Chairman of NCC	20	100				0	6	126
Peter E. Bodmer[9]	Member Member of AC	14	70				0	6	90
Markus Oppliger	Member Chairman of AC	40	50				6	6	102
Heinz Haller	Member Chairman of NCC	14	70				3	6	93
Michael Pieper	Member	12	60				3	6	81
Thomas Lozser	Member	60	0				5	12	77
Carsten Voigtländer	Member	21	49				0	12	82
Total compensation to members of the Board of Directors		**301**	**549**	**600**	**138**	**173**	**265**	**85**	**2 110**

[1] The amount of the variable compensation – in respect of both the cash portion and the share portion – depends on the degree of achievement of the financial targets set for the 2023 financial year.
[2] Employer contributions to social insurance policies
[3] Comprises lump-sum allowances, private use of the company car/car allowance, and other services and in-kind benefits
[4] The compensation paid to Alexander von Witzleben in 2023 as Executive Chairman of the Board of Directors is included in this table.
[5] Exec. CBD = Executive Chairman of the Board of Directors
[6] AC = Audit Committee
[7] NCC = Nomination and Compensation Committee
[8] The compensation paid to Peter Barandun for the term of office 2023/2024 is paid to Peter Barandun AG, which is responsible for the deduction and payment of social contributions.
[9] The compensation paid to Peter E. Bodmer for the term of office 2023/2024 is paid to Beka-Küsnacht AG, which is responsible for the deduction and payment of social contributions.

in 1000 CHF	Roles exercised in 2022	Fee – in cash	Fee – in shares	Annual salary – in cash	Variable compensation – in cash[1]	Variable compensation – in shares[1]	Pension espenses[2]	Other compensation[3]	2022 Total
Alexander von Witzleben[4]	Chairman until 30 April 2022 Interim CEO until 30 April 2022 Exec. CBD[5] from 1 May 2022 Member of AC[6] Member of NCC[7]	120	150	400	58	72	168	25	993
Peter Barandun[8]	Vice Chairman Chairman of NCC	20	100				0	6	126
Peter E. Bodmer[9]	Member Member of AC	14	70				0	6	90
Markus Oppliger	Member Chairman of AC	40	50				6	6	102
Heinz Haller	Member Chairman of NCC	14	70				3	6	93
Michael Pieper	Member	12	60				2	6	80
Thomas Lozser	Member	60	0				5	12	77
Carsten Voigtländer	Member	21	49				0	12	82
Total compensation to members of the Board of Directors		**301**	**549**	**400**	**58**	**72**	**184**	**79**	**1 643**

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

Compensation paid to former members of the Board of Directors
In 2023 as well as in 2022, no direct or indirect compensation was paid to former members of the Board of Directors in connection with their previous governing body activity.

Compensation paid to persons close to members of the Board of Directors
In 2023 as well as in 2022, no direct or indirect compensation was paid to persons close to current or previous members of the Board of Directors.

6. Compensation of Group Management for the year 2023 (audited)

6.1. Changes in Group Management

The personnel composition of Group Management did not change compared to the previous year. Group Management continues to consist of Daniel Wüest, Group CFO; Claudius Moor, CEO of the Doors Division; and Alexander Kaiss, CEO of the Climate Division.

The total compensation of the Group Management decreased compared to the previous year. This reduction is due to the fact that Alexander von Witzleben was no longer a member of Group Management in the 2023 reporting year and therefore the total compensation of Group Management for 2023 does not include any related compensation for Alexander von Witzleben. By contrast, Alexander von Witzleben was still a member of Group Management in the 2022 reporting year until the Annual General Meeting on 22 April 2022 and his compensation in this regard was included in the total compensation of Group Management until 30 April 2022.

6.2. Table

in 1000 CHF	**2023**		**2022**	
	Group Management[1]	**of this paid to Daniel Wüest, Group CFO**	**Group Management[1]**	**of this paid to Alexander von Witzleben, interim CEO**
Annual salary (cash)	1 040	400	1 145	93
Annual salary (shares)			1 270	1 270
Variable compensation (cash portion)	172	69	109	
Variable compensation (shares)	215	86	136	
Pension expenses[2]	314	156	410	109
Other compensation[3]	81	31	76	5
Total	**1 822**	**742**	**3 147**	**1 478**
Number of members	3		4[4]	

[1] The compensation of Alexander Kaiss is paid in euros. The exchange rate used is 0.97 for 2023 and 1.01 for 2022.
[2] Employer contributions to social insurance policies, occupational pension schemes, and accident and health insurance policies
[3] Comprises lump-sum allowances, private use of the company car / car allowance, and other services and in-kind benefits
[4] Contains the former interim CEO until 30 April 2022.

Compensation paid to former members of Group Management
In 2023 as well as in 2022, no direct or indirect compensation was paid to former members of Group Management in connection with their previous governing body activity.

Compensation paid to persons close to members of Group Management
In 2023 as well as in 2022, no direct or indirect compensation was paid to persons close to current or former members of Group Management.

7. Loans and credit (audited)

According to Article 26 of the Articles of Association (www.arbonia.com/en/corporate-governance), no loans, credit, or pension benefits outside the occupational pension scheme or collateral are granted to the members of the Board of Directors and Group Management. Exempt from this are advances of social security and tax charges for persons subject to withholding tax. No member of the Board of Directors or Group Executive Management made use of this exception in the reporting year.

As of 31 December 2023 and as of 31 December 2022, there were no loans or credit to current or former members of the Board of Directors and Group Management or to persons close to current or former members of the Board of Directors and Group Management.

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

According to Article 29 of the Articles of Association (www.arbonia.com/en/corporate-governance), members of the Board of Directors may have a maximum of 16 mandates outside the Group, of which no more than five may be with listed companies and no more than eight with companies subject to regular auditing (including the five listed companies). When calculating the maximum number of mandates, the mandate as Chairperson of the Board of Directors at a company subject to regular auditing counts as two mandates.[1] Mandates at different companies belonging to the same corporate group count as one mandate.

As of 31 December 2023, the members of the Board of Directors exercised the following roles at other companies with economic purpose:

Alexander von Witzleben
Member of the Board of Directors of KAEFER SE & Co. KG; Chairman of the supervisory board of PVA TePla AG; Chairman of the supervisory board of VERBIO SE; member of the supervisory board of Siegwerk Druckfarben AG & Co. KGaA; member of the Board of Directors of Artemis Holding AG; Chairman of the Board of Directors, member of the compensation committee and member of the Audit Committee of Feintool International Holding AG, in which Artemis Holding AG holds a shareholding of 50.1%; member of the advisory board of C. Illies & Co. GmbH & Co. KG; member of the Board of Directors of Innoviz Technologies Ltd.

Peter Barandun
Chairman of the Board of Directors of the subsidiary Electrolux AG of Electrolux Holding AG, at which he is also Chairman of the Board of Directors[2]; Vice Chairman of the Swiss Association of the Domestic and Industrial Electrical Appliances (FEA); member of the Board of Directors of Fundamenta Group Holding AG; member of the Board of Directors of Peter Barandun AG; Managing Director of Sulegl Immobiglias Scrl.

[1] However, the mandate as Chairperson of the supervisory board only counts as one mandate.
[2] Count as one mandate (same corporate group) according to Article 29 para. 5 of the Articles of Association.

Peter E. Bodmer
Member of the Board of Directors, Chairman of the ARC, member of the IC and member of the NCC of Peach Property Group AG; member of the Board of Directors of Kuratle Group AG; member of the Board of Directors of Brütsch/Rüegger Holding AG and member of the Board of Directors of the associated Novus Holding AG[1]; Vice Chairman of Helvetica Property Investors AG and Chairman of the Board of Directors of the associated Helvetica Property Group AG[2]; member of the Board of Directors of INOVETICA Holding AG; Chairman of the foundation board of the Innovation Park Zurich; member of the Board of Directors of Klinik Schloss Mammern AG; member of the Board of Directors of Nüssli (Schweiz) AG; Chairman of the foundation board, member of the investment committee and Chairman of the management committee of Profond Pension Fund and Chairman of the foundation board and member of the real estate committee of the associated Profond Investment Foundation[3]; Managing Director of BB's Pure GmbH (dormant); Chairman of the Board of Directors and Managing Director of Beka-Küsnacht AG; vice president and member of the working committee of the Wilhelm Schulthess-Stiftung, Chairman of the steering committee of University Hospital Zurich; Vice President and Chairman of the audit and real estate committee of the Board of the University of Zurich.[6]

Markus Oppliger
Chairman of the Board of Directors of the subsidiaries Pizol Gastro und Sport AG and Berggasthaus Pardiel AG of Pizolbahnen AG, at which he is also Chairman of the Board of Directors[4]; member of the Board of Directors and Chairman of the finance and Audit Committee of St. Gallisch-Appenzellische Kraftwerke AG; owner of Oppliger Management Consulting.

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

Michael Pieper
Chairman of the Board of Directors of the subsidiary Centinox B AG as well as CEO of the subsidiary Artemis Holding AG as well as member of the Boards of Directors of the subsidiaries Franke Holding AG, Artemis Real Estate Holding AG, Artemis Beteiligungen I AG, Artemis Beteiligungen III AG, Artemis Beteiligungen V AG and Franke Technology and Trademark Ltd. of Centinox Holding AG, at which he is also Chairman of the Board of Directors[5]; Vice Chairman of the Board of Directors and member of the compensation committee of Forbo Holding AG; member of the Board of Directors of Autoneum AG; member of the Board of Directors of BERGOS AG; member of the Board of Directors of Reppisch-Werke AG; member of the supervisory board of Duravit AG; Deputy Chairman of the supervisory board of Ettlin Aktiengesellschaft; member of the advisory board south of Deutsche Bank AG.[6]

Thomas Lozser
Member of the Board of Directors of Mopec Inc.; board observer of Helvetica Capital AG; member of the Board of Directors of Palatine Hill Wealth Management; member of the Board of Directors of Aventine Hill Risk Management; member of the Board of Directors of Ann Arbor Angels LLC; member of the investment committee of Michigan Angel Funds LLC; member of the valuation committee of Tappan Hill Ventures Fund 2.

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

[1–5] Count as one mandate each (same corporate group) according to Article 29 para. 5 of the Articles of Association.
[6] The number of mandates pursuant to Article 29 of the Articles of Association is exceeded.

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

According to Article 29 of the Articles of Association (www.arbonia.com/en/corporate-governance), members of Group Management may have a maximum of five mandates outside the Group, of which no more than one may be with a listed company and no more than two with companies subject to regular auditing (including the listed company). When calculating the maximum number of mandates, the mandate as Chairperson of the Board of Directors at a company subject to regular auditing counts as two mandates. Mandates at different companies belonging to the same corporate group count as one mandate.

As of 31 December 2023, the members of the Group Management exercised the following roles at other companies with economic purpose:

Daniel Wüest
Member of the Board of Directors of SwissHoldings, the federation of Swiss-based multinational enterprises; member of the advisory board of KIWI.KI GmbH; Chairman of the foundation board of the Arbonia pension scheme.

Alexander Kaiss
Member of the Board of Directors of the Federation of German Heating Industry (BDH); Chairman of the Board of Directors of the Quality Association Steel Radiators.

Claudius Moor
Chairman of the advisory board of KIWI.KI GmbH; member of the advisory board of Griffwerk GmbH.

10. Shareholdings as of 31 December 2023 (audited)

The current members of the Board of Directors and Group Management (including persons close to them) held the following number of shares as of 31 December 2023:

	31 December 2023 **Number of registered shares**	**31 December 2022** **Number of registered shares**
Alexander von Witzleben (Executive CBD)	1 189 324	718 784
Peter Barandun (BD member)	79 418	70 169
Peter E. Bodmer (BD member)	46 145	39 671
Markus Oppliger (BD member)	42 451	37 826
Heinz Haller (BD member)	140 000	130 000
Michael Pieper (BD member)	15 673 795	15 350 370
Thomas Lozser (BD member)	526 074	366 074
Carsten Voigtländer (BD member)	20 633	16 124
Daniel Wüest (Group Management)	63 979	58 979
Claudius Moor (Group Management)	27 587	24 047
Alexander Kaiss (Group Management)	35 175	31 189
Total	**17 844 581**	**16 843 233**

Report of the statutory auditor

To the General Meeting of Arbonia AG, Arbon

Report on the Audit of the Compensation Report

Opinion
We have audited the Compensation Report of Arbonia AG (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the sections 5 to 10 on pages 136 to 141 of the Compensation Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the Compensation Report complies with Swiss law and the Company’s articles of incorporation.

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

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

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the sections 5 to 10 in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

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

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

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

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

Auditor's Responsibilities for the Audit of the Compensation Report
Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Compensation Report.

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

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

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

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

Report on Other Legal and Regulatory Requirements

We draw attention to the fact that individual members of the Board of Directors have not complied as at balance sheet date with Art. 29 of the Company's articles of incorporation regarding the maximum number of mandates outside the Group. In this context, we refer to the disclosure in footnote 6 on page 140 of the Compensation Report.

KPMG AG

Kurt Stocker Licensed Audit Expert Auditor in Charge	David Grass Licensed Audit Expert

St. Gallen, 20 February 2024

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

Financial Report

Consolidated Financial Statements

Financial Statements

Financial commentary of Daniel Wüest (CFO)

Dear Readers

When you read the consolidated financial statement of the Arbonia Group, you will notice that it is presented differently to the previous year. The reason for this is that the Climate Division (formerly HVAC) is presented as a discontinued operation. In precise terms, this means that, in the Consolidated Income Statement, the result of the Climate Division is included in the group result of the Arbonia Group as a single line item on account of it being a discontinued operation. In addition, the assets and liabilities of the Climate Division are reported in the balance sheet as "A held for sale" and "Liabilities associated with assets held for sale" respectively.

General
Following a very challenging financial year in 2022, Arbonia began the new 2023 financial year with optimism, and this got off to a good start. However, it soon became apparent that 2023 could turn out to be at least as challenging as the previous year. Most material prices underwent positive development, with price levels falling during the year. In addition, pressures on delivery chains eased, as all raw materials were once again available promptly and no more delivery delays occurred. By contrast, the continuing huge decline in new construction and renovation activity in residential construction in Arbonia's markets had a severe negative impact on sales volumes in both divisions. The reduction in volumes was attributable, on the one hand, to high interest rates, construction costs, and energy costs, which meant that building new homes or renovating existing ones was not an attractive financial proposition. Another reason was the continued destocking seen among wholesalers, who continued to reduce their stocks to an absolute minimum on account of declining construction activity and high interest rates. An additional factor was the strength of the Swiss franc, which over the year appreciated over 6 % against the euro and to an even greater extent against most Eastern European currencies relevant to Arbonia.

In the 2023 financial year, Arbonia made a small acquisition in relation to the Doors Division. In October, it acquired 100 % of Interwand GmbH at a purchase price of CHF 5.3 million. The acquisition is set to expand the product range with glass office partition walls and industrial walls. In the 2023 financial year, Interwand contributed CHF 1.8 million to the revenue and CHF 0.3 million to the group result. In April 2023, the Doors Division also acquired a 17.2 % share in the leading German door handle manufacturer Griffwerk GmbH for a purchase price of CHF 12.2 million, which was paid almost exclusively in the form of Arbonia shares repurchased in the market. A cooperation agreement was concluded with Griffwerk in the course of the transaction. In addition, the shareholding in KIWI was increased from 34.0 % to 49.9 % for a purchase price of CHF 1.8 million.

In the 2023 financial year, substantial one-time effects were incurred which impacted continuing and discontinued operations at the EBITDA level with net figure of CHF –15.6 million and CHF –16.0 million with respect to the result after income tax. Most of these one-time effects related to the Climate Division and the closure and relocation of the Belgian special radiator production plant in Dilsen, which was announced in July 2023 and incurred one-time effects of CHF –11.4 million at the EBITDA level. In relation to the Doors Division, one-time effects of around CHF –2.2 million were incurred on account of the personnel measures that were implemented.

The subsequent explanatory notes to the income statement and balance sheet focus on the continuing operating activities, i.e. primarily on the Doors Division. Where mentioned, the continuing operations are discussed without one-time effects for the purposes of illustration and comparison. It is important to note that the full holding costs are allocated to the continuing operating activities and this is reflected in increased expense items and, accordingly, lower profitability figures.

Revenue development
In the 2023 reporting year, Arbonia achieved a net revenue of CHF 504.6 million, which represents a decrease in Swiss francs of 9.2 % compared to the previous year (CHF 555.9 million). This was due to substantially lower volumes for interior doors and shower stalls caused by the slump in new construction and renovation activity in residential construction combined with negative exchange rate effects. When adjusted for currency and acquisition effects (organic), the decrease amounted to 8.2 % compared to the previous year, with slightly positive price effects seen alongside strongly negative volume effects.

As discontinued operations, the Climate Division achieved a net revenue in the same period of CHF 576.6 million, which represents a decrease of 10.8 % compared to the previous year (CHF 646.2 million). Organic growth was also negative for the Climate Division and amounted to –9.8 % in the financial year; here too, a slightly positive price effect was seen alongside a high negative volume effect.

Declining volumes, high energy and interest costs, and negative currency effects impact profitability
The group result was negative in the financial year at CHF –17.2 million compared to CHF 19.1 million in the previous year, resulting in a loss of CHF –0.25 per share (previous year: CHF 0.28 profit).

On the cost side, pressure regarding costs for raw materials and semi-finished goods eased moderately in the 2023 financial year, which was due to improvements in delivery chains and falling material prices. As a result, the materials cost ratio fell by 3.4 percentage points from 43.0 % to 39.6 %. Despite the fact that personnel costs decreased from CHF 12.6 million due to the changes to staffing levels that were introduced and implemented, the corresponding personnel expenses ratio increased by 1.2 percentage points from 35.7 % to 36.9 %, as volumes and, accordingly, revenue declined more significantly and faster than the introduced personnel measures could demonstrate their effectiveness. Other expenses increased by CHF 7.1 million from CHF 89.2 million to CHF 96.3 million, which is why the corresponding expense ratio increased by 3.1 percentage points from 16.0 % to 19.1 %. Other expenses were negatively influenced above all by higher one-off electricity costs of around CHF 8 million as well as generally higher logistics costs.

Despite an improved product mix and moderately lower material costs, EBITDA decreased in the reporting year by CHF 18.0 million from CHF 49.7 million to CHF 31.7 million, which represents a decrease of 36.2 %. The EBITDA margin decreased as a result from 8.9 % to 6.3 %. The huge decline in volumes for interior doors and shower enclosures, salary increases, energy costs and losses in productivity due to reduced volumes had a negative impact.

Without one-time effects of CHF –2.2 million, which were incurred primarily in relation to personnel expenses resulting from changes made to production capacity, EBITDA amounted to CHF 34.0 million (previous year: CHF 53.3 million), which corresponds to a margin of 6.7 % (previous year: 9.6 %).

The strong appreciation of the Swiss franc against nearly all European currencies relevant to Arbonia had a negative effect of around CHF 1 million on EBITDA.

The Doors Division suffered from the huge decline in renovation and new construction activity and the resulting lower demand from wholesalers, who relentlessly continued to reduce their stocks. Despite having a good product mix, this meant that the division was unable to offset the substantial volume decreases for interior doors and shower enclosures, primarily due to only slight reductions in material costs, exceptional one-off energy costs of over CHF 8 million, and productivity losses arising from lower production volumes.

Due to the lower EBITDA and the increase in depreciation and amortisation of around CHF 3.1 million compared to the previous year, EBIT fell by CHF 21.3 million from CHF 12.4 million to CHF –8.9 million. As a result, the EBIT margin decreased by 4.0 percentage points to –1.8 % (previous year: 2.2 %). Taking into account one-time effects, the reported EBIT decreased by CHF 22.8 million compared to the previous year – from CHF 16.2 million to CHF –6.6 million. The group result from continuing operations amounted to CHF –14.2 million (previous year: CHF 0.5 million). The group result from continuing operations without one-time effects amounted to CHF –12.5 million, compared with CHF 3.2 million in the previous year. The group result from discontinued operations after taxes amounted to CHF –3.0 million, resulting in a total group result of CHF –17.2 million.

Compared to the previous year, the net financial expense figure increased significantly by CHF 8.0 million from CHF 7.2 million to CHF 15.2 million. The reasons for this were considerably higher interest expenses due to increased drawing on the revolving credit facility combined with higher interest rates and margins. In addition, largely non-cash currency losses affected aspects such as inter-Group loans to the value of around CHF 6 million. As of 31 December 2023, CHF 120 million and EUR 15 million of CHF 250 million was drawn on the syndicated loan.

Due to the negative earnings before tax, the tax charge was positive at CHF 9.8 million, compared with CHF –4.7 million in the previous year.

During the reporting year, the Climate Division generated a net revenue of CHF 576.6 million (previous year: CHF 646.2 million), representing a decline of 10.8 % (when adjusted for currency and acquisition effects –9.8 %). EBITDA amounted to CHF 42.8 million (previous year: CHF 58.6 million), which corresponds to a margin of 7.4 % (previous year: 9.1 %). In the 2023 financial year, one-time effects of CHF 12.0 million were incurred at the EBITDA level for the Climate Division. The division achieved EBIT of CHF 5.5 million (previous year: 24.6 million), which corresponds to a margin of 1.0 % (previous year: 3.8 %). The result after income tax amounted to CHF –16.8 million (previous year: CHF 11.6 million).

Reduction in net working capital and strategic reduction of the investment rate lead to a positive cash flow from operating activities and free cash flow

The huge improvement in cash flow from operating activities compared to the previous year (CHF 101.0 million vs CHF –25.8 million the previous year), which was achieved through a targeted focus on working capital management and by decreasing investments of CHF 93 million (investment rate for 2023 of 8.6 % of the net revenue of continuing and discontinued operations vs 12.4 % in the previous year) as well through the acquisition of Interwand (CHF 3.0 million), by increasing the shareholding in KIWI (CHF 1.8 million), and by making deferred purchase price payments of CHF 1.4 million from earlier acquisitions, led to a positive free cash flow of CHF 2.4 million (previous year: CHF –245.5 million). The free cash flow would have been substantially higher if not for the fact that heat pump sales virtually came to a halt in the second half of the year due to the political and regulatory reasons outlined previously, meaning that, at the end of the year, semi-finished and finished heat pump products negatively impacted the net working capital by around CHF 20 million.

Both divisions achieved a positive cash flow from operating activities, with the Climate Division achieving CHF 48 million (previous year: CHF –17 million) and the Doors Division CHF 35 million (previous year: CHF –5 million).

A slight decline in total assets and shareholders' equity, increase in net debt – dividend distribution following potential sale of the Climate Division
As of 31 December 2023, Arbonia's total assets decreased compared to the previous year by around CHF 37 million to CHF 1 482.6 million (previous year: CHF 1 519.5 million). The reduction occurred due to currency-related devaluations of balance sheet items as a result of the strong Swiss franc and the dividend payment of CHF 20 million. In absolute terms, shareholders' equity decreased by around CHF 67 million to CHF 921.0 million, and in relative terms the equity ratio decreased from 65.0 % to 62.1 % by the end of 2023, which means that Arbonia still has an exceptionally strong equity ratio.

The net debt of CHF 184 million at the end of the 2022 financial year increased by CHF 25 million to CHF 209 million as a result of the dividend payment (CHF 20 million) and the purchase of treasury shares (CHF 3 million) as well as a slight increase in leasing liabilities with a slightly positive free cash flow. The leverage ratio without one-time effects is therefore around 2.3x at the end of 2023 (with one-time effects 2.9x). In addition, a mortgage amounting to CHF 15 million was taken out as announced in order to independently finance the investment property in Arbon. This financing activity is also included in the reported net debt.

The strong balance sheet and the positive development of the cash flow also enables a dividend to be distributed for the 2023 financial year. In view of the fact that negotiations are ongoing regarding the potential sale of the Climate Division, the Board of Directors has decided to include the ordinary dividend for the 2023 financial year, the amount of which has yet to be determined, on the agenda at an Extraordinary General Meeting following the closing of a potential sale of the Climate Division. This agenda would also include further capital repayment instruments for shareholders (such as nominal value repayment, share repurchase and special dividend).

Consolidated Financial Statements Arbonia Group

Consolidated Income Statement

in 1 000 CHF	Note	2023	in %	2022 restated[1]	in %
Continuing operations					
Net revenues	**31**	**504 605**	**100.0**	**555 906**	**100.0**
Other operating income		8 191	1.6	9 269	1.7
Capitalised own services		5 755	1.1	5 240	0.9
Changes in inventories of semi-finished and finished goods		– 4 777	– 0.9	6 361	1.1
Cost of material and goods		– 199 691	– 39.6	– 239 138	– 43.0
Personnel expenses		– 186 083	– 36.9	– 198 681	– 35.7
Other operating expenses		– 96 281	– 19.1	– 89 222	– 16.0
EBITDA	**31**	**31 719**	**6.3**	**49 735**	**8.9**
Depreciation, amortisation and impairments	36-40	– 28 978	– 5.7	– 25 893	– 4.7
Amortisation of intangible assets from acquisitions	36, 40	– 11 600	– 2.3	– 11 419	– 2.1
EBIT	**31**	**– 8 858**	**– 1.8**	**12 423**	**2.2**
Financial income	51	322	0.1	1 455	0.3
Financial expenses	51	– 15 489	– 3.1	– 8 697	– 1.6
Group result before income tax	**31**	**– 24 025**	**– 4.8**	**5 181**	**0.9**
Income tax expense	52	9 806	1.9	– 4 683	– 0.8
Group result from continuing operations	**31**	**– 14 219**	**– 2.8**	**498**	**0.1**
Group result from discontinued operations after taxes	**36**	**– 2 993**	**– 0.6**	**18 629**	**3.4**
Group result		**– 17 212**	**– 3.4**	**19 127**	**3.4**
Attributable to:					
Shareholders of Arbonia AG		– 17 212		19 127	
Earnings per share from continuing operations in CHF	48	– 0.21		0.01	
Earnings per share from discontinued operations in CHF	48	– 0.04		0.27	
Earnings per share in CHF	48	– 0.25		0.28	
Basic and diluted earnings are identical.					

[1] see note 36

The notes on pages 159 to 218 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

in 1 000 CHF	2023	2022
Group result	**– 17 212**	**19 127**
Other comprehensive income		
Items that will not be reclassified to income statement		
Remeasurements of employee benefit obligations	21 658	– 15 224
Deferred tax effect	– 2 266	– 567
Total items that will not be reclassified to income statement	**19 392**	**– 15 792**
Items that may be reclassified subsequently to income statement		
Currency translation differences	– 58 874	– 28 971
Total items that may be reclassified subsequently to income statement	**– 58 874**	**– 28 971**
Total other comprehensive income after taxes	**– 39 482**	**– 44 763**
Total comprehensive income	**– 56 694**	**– 25 636**
Attributable to:		
Shareholders of Arbonia AG	– 56 694	– 25 636
Total comprehensive income from continuing operations	– 19 093	– 30 812
Total comprehensive income from discontinued operations	– 37 601	5 176

The notes on pages 159 to 218 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

in 1 000 CHF	Note	31/ 12/ 2023	in %	31/ 12/ 2022	in %
Assets					
Cash and cash equivalents	32	17 160		29 196	
Accounts receivable	33	50 041		109 559	
Other current assets		8 209		29 335	
Inventories	34	55 415		226 921	
Contract assets	33	7 068		18 822	
Deferred expenses		4 137		6 509	
Current income tax receivables		8 401		2 394	
Financial assets	35			12	
Assets held for sale	36	619 812			
Current assets		**770 243**	**52.0**	**422 748**	**27.8**
Property, plant and equipment	37	393 140		675 021	
Right-of-use assets	38	8 202		24 006	
Investment property	39	5 300		8 864	
Intangible assets	40	106 491		186 304	
Goodwill	40	146 123		182 395	
Deferred income tax assets	46	6 051		4 386	
Capitalised pension surplus	47	24 513		4 879	
Financial assets	35	22 515		10 909	
Non-current assets		**712 335**	**48.0**	**1 096 764**	**72.2**
Total assets		**1 482 578**	**100.0**	**1 519 512**	**100.0**

in 1 000 CHF	Note	31/ 12/ 2023	in %	31/ 12/ 2022	in %
Liabilities and shareholders' equity					
Accounts payable		33 139		92 970	
Contract liabilities	33	7 935		9 799	
Other liabilities		12 060		20 700	
Financial debts	42	134 346		121 586	
Lease liabilities	55	1 994		6 990	
Accruals and deferred income		31 281		61 980	
Current income tax liabilities		12 412		10 993	
Provisions	45	3 626		12 230	
Liabilities associated with assets held for sale	36	195 193			
Current liabilities		**431 986**	**29.1**	**337 248**	**22.2**
Financial debts	42	74 926		69 851	
Lease liabilities	55	6 317		15 129	
Other liabilities		519		1 803	
Provisions	45	4 633		10 618	
Deferred income tax liabilities	46	31 526		54 985	
Employee benefit obligations	47	11 700		42 336	
Non-current liabilities		**129 621**	**8.7**	**194 722**	**12.8**
Total liabilities		**561 607**	**37.9**	**531 970**	**35.0**
Share capital	48	291 787		291 787	
Share premium		475 751		485 968	
Treasury shares	49	– 1 389		– 15 514	
Other reserves	50	– 186 304		– 127 430	
Retained earnings		341 126		352 731	
Shareholders' equity		**920 971**	**62.1**	**987 542**	**65.0**
Total liabilities and shareholders' equity		**1 482 578**	**100.0**	**1 519 512**	**100.0**

The notes on pages 159 to 218 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

in 1 000 CHF	Note	2023	2022
Group result		**– 17 212**	**19 127**
Depreciation, amortisation and impairments	37 - 40	77 813	71 290
Profit/loss on disposal of non-current assets	37 - 38	– 310	– 395
Changes in non-cash transactions	55	19 272	11 802
Net interest expense		9 680	3 760
Income tax expense		– 6 262	9 146
Changes in working capital	55	37 468	– 55 940
Changes in current liabilities	55	– 3 142	– 61 481
Interest paid		– 8 999	– 3 055
Interest received		448	255
Income tax paid		– 7 762	– 20 268
Cash flows from operating activities - net		**100 994**	**– 25 759**
To investment activities			
Purchases of property, plant and equipment	37	– 77 578	– 158 015
Purchases of investment properties	39	– 1 086	– 3 296
Purchases of intangible assets	40	– 14 320	– 13 161
Acquisition of subsidiaries (net of cash acquired)	41	– 4 374	– 44 207
Issuance of financial assets	35	– 1 799	– 2 346
From divestment activities			
Proceeds from sale of property, plant and equipment	37	512	1 220
Repayment of financial assets		22	16
Cash flows from investing activities - net		**– 98 623**	**– 219 789**

in 1 000 CHF	Note	2023	2022
From financing activities			
Proceeds from financial debts	42, 55	233 496	64 202
To financing activities			
Repayments of financial debts	42, 55	– 200 337	– 1 078
Lease liability payments	55	– 8 598	– 8 218
Dividend and distribution from capital contribution reserves		– 20 434	– 20 743
Purchase of treasury shares	49	– 2 722	– 12 698
Cash flows from financing activities - net		**1 405**	**21 465**
Effects of translation differences on cash and cash equivalents		– 2 056	– 591
Change in cash and cash equivalents		**1 720**	**– 224 674**
Reconciliation of change in cash and cash equivalents			
Cash and cash equivalents as of 01/01 continuing operations	32	29 196	253 870
Cash and cash equivalents as of 31/12 continuing operations	32	17 160	29 196
Cash and cash equivalents as of 31/12 discontinued operations	36	13 756	
Change in cash and cash equivalents		**1 720**	**– 224 674**

The notes on pages 159 to 218 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

in 1 000 CHF	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total share-holders' equity
Balance at 01/ 01/ 2022		**291 787**	**496 340**	**– 5 382**	**– 98 459**	**360 056**	**1 044 342**
Group result						19 127	19 127
Total other comprehensive income after taxes	50				– 28 971	– 15 792	– 44 763
Total comprehensive income					**– 28 971**	**3 335**	**– 25 636**
Distribution from capital contribution reserves and dividend			– 10 372			– 10 372	– 20 744
Changes in treasury shares	49			– 12 698			– 12 698
Share based payments	56			2 566		– 288	2 278
Total transactions with owners			**– 10 372**	**– 10 132**		**– 10 660**	**– 31 164**
Balance at 31/ 12/ 2022		**291 787**	**485 968**	**– 15 514**	**– 127 430**	**352 731**	**987 542**
Group result						– 17 212	– 17 212
Total other comprehensive income after taxes	50				– 58 874	19 392	– 39 482
Total comprehensive income					**– 58 874**	**2 180**	**– 56 694**
Distribution from capital contribution reserves and dividend			– 10 217			– 10 217	– 20 434
Changes in treasury shares	49			12 924		– 3 400	9 524
Share based payments	56			1 201		– 168	1 033
Total transactions with owners			**– 10 217**	**14 125**		**– 13 785**	**– 9 877**
Balance at 31/ 12/ 2023		**291 787**	**475 751**	**– 1 389**	**– 186 304**	**341 126**	**920 971**

The notes on pages 159 to 218 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 Climate and Doors. Manufacturing plants are located in Switzerland, Germany, the Czech Republic, Italy, Poland, Belgium, Russia and Serbia. Arbonia owns major brands such as Kermi, Arbonia, Prolux, Koralle, Sabiana, Vasco, Brugman, Superia, RWD Schlatter, Prüm, Garant and Invado and possesses a strong position in its home markets in Switzerland and Germany. The Group focuses on the development of existing markets in Central and Eastern Europe. Arbonia is represented in over 70 countries worldwide.

The Board of Directors of Arbonia is examining several expressions of interest but also offers for the purchase of the Climate Division (formerly HVAC). As at the balance sheet date 31 December 2023, a sale of the Climate Division is considered highly probable and consequently, in accordance with IFRS 5, Arbonia reports the Climate Division as discontinued operations (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 20 February 2024 and require approval from the Annual General Meeting on 19 April 2024. The publication of the consolidated financial statements occurred on 27 February 2024 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 IFRS Accounting Standards.

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 2022, except for the adoption of the following amended standard.

Amendments to IAS 1
Arbonia adopted Disclosures of Accounting Policies (Amendments to IAS 1 and Practice Statement 2) for the first time in 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.
The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand the other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed.

The other 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 2023
– As of 24 October 2023, Arbonia acquired 100% of Interwand GmbH, DE-Dörzbach (see note 41).

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

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.

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.

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 material accounting policy information

6. Material accounting policy information

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.

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	2023		2022	
		Year-end rate	Average rate	Year-end rate	Average rate
EUR	1	0.9284	0.9717	0.9897	1.0053
CZK	100	3.7549	4.0507	4.1041	4.0939
PLN	100	21.3523	21.4040	21.1028	21.4807
CNY	100	11.8129	12.7689	13.3331	14.2048
RUB	100	0.9367	1.0652	1.2829	1.4206
RSD	100	0.7966	0.8286	0.8385	0.8559

8. Maturities

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

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

9. Financial instruments

A financial instrument is a transaction that results in the creation of a financial asset for one party and simultaneously in the creation of a financial liability or equity instrument for the other party.

Financial assets are divided into the following categories: (1) Financial assets measured at amortised cost (FA AC) and (2) Financial assets measured at fair value through profit or loss (FA FVTPL).

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.

Financial liabilities are divided into the following two categories: (1) Financial liabilities measured at fair value through profit or loss (FL FVTPL) and (2) financial liabilities measured at amortised cost (FL AC).

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

10. Derivative financial instruments

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

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

11. Fair value estimation of financial instruments

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

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

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

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

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

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

12. Cash and cash equivalents

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

13. Receivables and contract assets

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

14. Inventories

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

15. Assets held for sale and associated liabilities

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

16. Discontinued operations

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

17. Property, plant and equipment

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

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

18. Investment property

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

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

19. Intangible assets

Intangible assets include goodwill, which represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary including contingent liabilities at the date of acquisition. Goodwill is seen as an intangible asset with an indefinite useful life. Impairment on goodwill (see note 20) is separately disclosed under accumulated impairment losses.

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

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

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

20. Impairment of assets

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

21. Estimated useful lives

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

Land is not systematically depreciated.

22. Provisions

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

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

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

23. Employee benefit obligations

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

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

The liability recognised in the balance sheet to pay future retirement benefits is determined using the projected unit credit method, which is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. If the fair value of plan assets exceeds the present value of the defined benefit obligation, a pension surplus will only be recognised taking the asset ceiling into account. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds. Actuarial valuations are carried out on a regular basis by independent actuaries. Components of defined benefit costs are service cost, net interest result and remeasurement of pension obligations. Service cost includes the increase in current service cost, past service cost (plan amendments or curtailments) and settlements and is reported under personnel expenses. The net interest result is calculated on the net amount of the defined benefit obligation and plan assets using the discount rate and is reported in the financial result. The remeasurement of pension benefit obligations include actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and is recognised immediately in the statement of comprehensive income in other comprehensive income. Likewise, this position includes the return on plan assets (without interest income) 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.

The other reserves include currency effects due to the translation of the financial statements of foreign Group companies and on intercompany loans of an equity nature.

29. Income statement

Net revenue

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

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

If significant costs are incurred in the course of initiating or fulfilling a contract with a customer, these are capitalised.

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

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

Other operating income
Other operating income is recognised when the service has been rendered and comprises amongst others proceeds from the sale of scrap metal, service income, rental income, insurance benefits and gains on the sale of 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 minority share from associated companies. Interest income is recognised on a time-proportion basis using the effective interest method.

Financial expenses
Financial expenses primarily include interest expenses, minority share from associated companies, bank charges and foreign exchange losses. 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 2023, the carrying amount of inventory was at CHF 55.4 million. Therein a provision for inventories of CHF 6.1 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 2023, the carrying amount of property, plant and equipment totalled CHF 393.1 million. At the time of the purchase useful lives for such assets are based on estimates, as technical obsolescence or competition could lead to shorter useful lives than initially anticipated. Therefore the determination of useful lives is based on stringent standards and thereafter continuously reviewed and if necessary adjusted. A change in estimate could impact the level of future depreciation charges. For further information on property, plant and equipment, see note 37.

Estimated impairment of goodwill
As of 31 December 2023, the carrying amount of goodwill was at CHF 146.1 million. Arbonia tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 20. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates such as expected future cash flows, margins, discount rates and growth rates. These estimates could change or differ from the actual outcome and therefore lead to additional impairments. For further information on goodwill, see note 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 2023, the carrying amount of intangible assets acquired in a business combination amounted to CHF 73.3 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 2023, the carrying amount of the provisions totalled CHF 8.3 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 2023, the overfunding amounted to CHF 12.8 million, thereof CHF 24.5 million recorded in the balance sheet as capitalised pension surplus and CHF 11.7 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 2023, the carrying amount of deferred tax assets before offsetting totalled CHF 23.0 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

Arbonia is organised into the divisions or segments Climate (formerly HVAC) and Doors. Corporate Services which mainly include service, finance, real estate and investment companies, provides their services almost entirely to Group companies. They have not been allocated to an operating segment and are therefore shown separately.

For the monitoring and assessment of the financial performance, EBITDA, EBITA and EBIT are pivotal key measures. However, Group Management and the Board of Directors also are provided with financial data down to the line item "result after income tax" by operating segment. The segments apply the same accounting policies as the Group. Purchases, sales and services between segments are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. Income and expenses between segments are eliminated on consolidation and disclosed in "Eliminations".

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

Climate Division (formerly HVAC)
Climate Division is a leading and highly integrated provider to the industry. Under the main brands – Kermi, Arbonia, Prolux, Sabiana, Vasco, Superia and Brugman – it sells its wide product range across Europe. Production takes place in Germany, the Czech Republic, Italy, Belgium, Poland, Russia and Serbia. In addition a large number of sales locations in Europe and a world-wide network of exclusive distribution partners ensure customer proximity.

The Board of Directors of Arbonia is examining several expressions of interest but also offers for the purchase of the Climate Division (formerly HVAC). As at the balance sheet date 31 December 2023, a sale of the Climate Division is considered highly probable and consequently, in accordance with IFRS 5, Arbonia reports the Climate Division as discontinued operations (see note 36).

Doors Division
With its Wood Solutions Business Unit and the associated companies Prüm, Garant, Invado and RWD Schlatter, the Doors Division is one of Europe's leading suppliers of interior doors and wood frames. In its domestic markets, the business unit offers its customers a comprehensive product range from standard doors to complex functional doors. With the Glass Solutions Business Unit and the well-known brands Kermi, Koralle and Baduscho, the Doors Division is also the European market leader with shower solutions for all generations and lifestyles. The Doors Division has eight production sites: five are located in Germany, two in Switzerland and one in Poland.

Corporate Services
Corporate Services mainly consists of service, finance, real estate and investment companies. These companies provide their services across divisions and almost entirely to Group companies.

in 1 000 CHF						2023
	Climate	Doors	Total reportable segments	Corporate Services	Elimina-tions	Total Group
Sales with third parties at point in time	567 131	439 489	1 006 620	3 065		1 009 685
Sales with third parties over time	9 476	62 051	71 527			71 527
Sales with other segments		23	23		– 23	
Net revenues	**576 607**	**501 563**	**1 078 170**	**3 065**	**– 23**	**1 081 212**
Segment results I (EBITDA)	**42 771**	**39 138**	**81 909**	**– 8 858**	**34**	**73 085**
in % of net revenues	*7.4*	*7.8*	*7.6*			*6.8*
Depreciation and amortisation	– 30 761	– 26 528	– 57 289	– 2 449		– 59 738
Reversal of impairment on property, plant and equipment	167		167			167
Impairment property, plant and equipment	– 1 232		– 1 232			– 1 232
Segment results II (EBITA)	**10 945**	**12 610**	**23 555**	**– 11 306**	**34**	**12 283**
in % of net revenues	*1.9*	*2.5*	*2.2*			*1.1*
Amortisation of intangible assets from acquisitions	– 5 411	– 11 600	– 17 011			– 17 011
Segment results III (EBIT)	**5 534**	**1 010**	**6 544**	**– 11 306**	**34**	**– 4 728**
in % of net revenues	*1.0*	*0.2*	*0.6*			*– 0.4*
Interest income	1 337	272	1 609	29 869	– 30 936	542
Interest expenses	– 15 364	– 17 302	– 32 666	– 8 540	30 983	– 10 223
Minority share from associated companies		– 674	– 674			– 674
Other financial result	– 4 805	– 2 806	– 7 611	9 888	– 10 669	– 8 392
Result before income tax	**– 13 298**	**– 19 500**	**– 32 798**	**19 912**	**– 10 588**	**– 23 475**
Income tax expense	– 3 544	4 714	1 170	5 092		6 263
Result after income tax	**– 16 842**	**– 14 786**	**– 31 628**	**25 004**	**– 10 588**	**– 17 212**
Average number of employees	**3 054**	**3 025**	**6 079**	**95**		**6 174**
Total assets	**657 381**	**795 442**	**1 452 823**	**1 138 000**	**– 1 108 245**	**1 482 578**
thereof associated companies		22 497	22 497			22 497
Total liabilities	**427 960**	**471 998**	**899 958**	**282 785**	**– 621 136**	**561 607**
Purchases of property, plant and equipment, right-of-use assets, investment properties and intangible assets	**42 502**	**58 993**	**101 495**	**1 816**		**103 311**

The impairment in the Climate Division relates to machinery in connection with the relocation of the production of design radiators from a production site in Belgium.

in 1 000 CHF						2022
	Climate	Doors	Total reportable segments	Corporate Services	Elimina-tions	Total Group
Sales with third parties at point in time	636 650	483 442	1 120 092	3 219		1 123 311
Sales with third parties over time	9 541	69 245	78 786			78 786
Sales with other segments		51	51		– 51	
Net revenues	**646 191**	**552 738**	**1 198 929**	**3 219**	**– 51**	**1 202 097**
Segment results I (EBITDA)	**58 569**	**59 217**	**117 786**	**– 9 488**	**5**	**108 303**
in % of net revenues	*9.1*	*10.7*	*9.8*			*9.0*
Depreciation and amortisation	– 29 439	– 23 551	– 52 990	– 2 079		– 55 069
Impairment right-of-use assets		– 262	– 262			– 262
Segment results II (EBITA)	**29 130**	**35 404**	**64 534**	**– 11 567**	**5**	**52 972**
in % of net revenues	*4.5*	*6.4*	*5.4*			*4.4*
Amortisation of intangible assets from acquisitions	– 4 538	– 11 420	– 15 958			– 15 958
Segment results III (EBIT)	**24 592**	**23 984**	**48 576**	**– 11 567**	**5**	**37 014**
in % of net revenues	*3.8*	*4.3*	*4.1*			*3.1*
Interest income	675	134	809	9 667	– 10 075	401
Interest expenses	– 6 751	– 4 521	– 11 272	– 2 978	10 089	– 4 161
Minority share from associated companies		1 263	1 263			1 263
Other financial result	– 2 467	– 3 235	– 5 703	15 250	– 14 246	– 4 699
Result before income tax	**16 048**	**17 625**	**33 674**	**10 372**	**– 14 227**	**29 818**
Income tax expense	– 4 463	– 3 757	– 8 220	– 926		– 9 146
Result after income tax	**11 585**	**13 868**	**25 454**	**9 446**	**– 14 227**	**20 672**
Average number of employees	**3 239**	**3 176**	**6 415**	**117**		**6 532**
Total assets	**704 699**	**795 510**	**1 500 209**	**1 116 381**	**– 1 097 078**	**1 519 512**
thereof associated companies		10 457	10 457			10 457
Total liabilities	**441 430**	**455 184**	**896 614**	**253 775**	**– 618 419**	**531 970**
Purchases of property, plant and equipment, right-of-use assets, investment properties and intangible assets	**52 774**	**104 073**	**156 847**	**30 115**		**186 962**

The consolidated financial statements were prepared in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" and the related disclosures and adjustments of certain prior-year figures. The above-mentioned segment information however follows internal management reporting, which is why the discontinued operations per note 36 consisting of the Climate Division are also included.

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

in 1 000 CHF			2023
	Continuing operations	Discontinued operations Climate	Total segments
Net revenues	**504 605**	**576 607**	**1 081 212**
Segment results I (EBITDA)	**31 719**	**41 367**	**73 085**
in % of net revenues	*6.3*	*7.2*	*6.8*
Segment results II (EBITA)	**2 741**	**9 542**	**12 283**
in % of net revenues	*0.5*	*1.7*	*1.1*
Segment results III (EBIT)	**– 8 858**	**4 130**	**– 4 728**
in % of net revenues	*– 1.8*	*0.7*	*– 0.4*
Interest result	– 7 976	– 1 705	– 9 681
Other financial result	– 7 191	– 1 875	– 9 066
Result before income tax	**– 24 025**	**551**	**– 23 475**
Income tax expense	9 806	– 3 543	6 263
Result after income tax	**– 14 219**	**– 2 992**	**– 17 212**
Total assets	**862 766**	**619 812**	**1 482 578**
Total liabilities	**366 414**	**195 193**	**561 607**

in 1 000 CHF			2022
	Continuing operations	Discontinued operations Climate	Total segments
Net revenues	**555 906**	**646 191**	**1 202 097**
Segment results I (EBITDA)	**49 735**	**58 568**	**108 303**
in % of net revenues	*8.9*	*9.1*	*9.0*
Segment results II (EBITA)	**23 842**	**29 130**	**52 972**
in % of net revenues	*4.3*	*4.5*	*4.4*
Segment results III (EBIT)	**12 423**	**24 591**	**37 014**
in % of net revenues	*2.2*	*3.8*	*3.1*
Interest result	– 2 906	– 854	– 3 760
Other financial result	– 4 336	900	– 3 436
Result before income tax	**5 181**	**24 636**	**29 818**
Income tax expense	– 4 683	– 4 463	– 9 146
Result after income tax	**498**	**20 174**	**20 672**
Total assets	**852 521**	**666 991**	**1 519 512**
Total liabilities	**339 813**	**192 157**	**531 970**

Information about geographical areas

in 1 000 CHF				2023
	Switzerland	Germany	Other Countries	Total
Net revenues	118 780	309 043	76 782	504 605
Property, plant and equipment, right-of-use assets, investment properties, intangible assets and goodwill	115 367	483 608	60 281	659 256

in 1 000 CHF				2022 restated [1]
	Switzerland	Germany	Other Countries	Total
Net revenues	125 126	346 620	84 160	555 906
Property, plant and equipment, right-of-use assets, investment properties, intangible assets and goodwill	114 909	619 635	342 046	1 076 590

[1] see note 36

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/ 2023	31/ 12/ 2022
CHF	4 793	1 382
EUR	9 496	18 638
PLN	1 530	751
CZK	1 200	1 971
RUB		3 502
Other currencies	141	2 952
Total	**17 160**	**29 196**

33. Accounts receivable / contract balances

Accounts receivable

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
Accounts receivable	53 554	117 773
Allowance for accounts receivable	– 3 513	– 8 214
Total	**50 041**	**109 559**
thereof accounts receivable project business	18 316	9 920

The allowance for accounts receivable includes expected credit losses and cash discounts.

The ageing analysis is as follows:

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
Not yet due	43 601	96 423
Overdue up to 30 days	4 513	7 246
Overdue more than 30, less than 60 days	1 096	2 811
Overdue more than 60, less than 90 days	363	1 797
Overdue more than 90, less than 180 days	351	1 003
Overdue more than 180, less than 360 days	139	306
Overdue more than 360 days	– 22	– 27
Total accounts receivable, net	**50 041**	**109 559**

Outstanding accounts receivable amounting to CHF 12.7 million (2022: CHF 74.5 million) were secured and mainly consist of credit insurances. No allowances are made on the secured receivables.

The expected credit losses on accounts receivable developed as follows:

in 1 000 CHF	2023	2022
Balance at 01/ 01	**– 3 892**	**– 4 206**
Foreign exchange differences	106	84
Changes in scope of consolidation	– 82	– 175
Additional allowances	– 1 049	– 323
Used during year	540	474
Unused amounts reversed	319	253
Reclassification to assets held for sale	2 172	
Balance at 31/ 12	**– 1 886**	**– 3 892**

Contract balance

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
Contract assets project business	7 068	18 822
Total contract assets	**7 068**	**18 822**
Contract liabilities project business	6 413	6 592
Other advance payments by customers	1 522	3 207
Total contract liabilities	**7 935**	**9 799**

The contract balances project business result from Arbonia's longer-term contracts. Revenues recognised over the term of a contract are shown as contract assets. Contract assets are presented on a net contract-by-contract basis, e.g. less the received partial payments. As soon as the acceptance protocol is signed, the final invoice is issued and the items are transferred to accounts receivable. The movement in the contract assets is as follows:

in 1 000 CHF	2023	2022
Balance at 01/ 01	**18 822**	**13 527**
Foreign exchange differences	– 43	– 45
Reclassification of contract assets existing at the beginning of the period to accounts receivable	– 15 776	– 10 424
Revenue recognition on projects in progress as of the balance sheet date based on percentage of completion	5 811	36 757
Offset against contract liabilities due to partial payments received	– 882	– 20 993
Reclassification to assets held for sale	– 864	
Balance at 31/ 12	**7 068**	**18 822**

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	2023	2022
Balance at 01/ 01	**6 592**	**5 317**
Foreign exchange differences	– 288	– 143
Revenue recognised from amounts included in the contract liabilities at the beginning of the period	– 3 516	– 623
Partial payments received for projects in progress at the balance sheet date	10 528	23 034
Offset against contract assets	– 882	– 20 993
Reclassification to assets held for sale	– 6 021	
Balance at 31/ 12	**6 413**	**6 592**

In 2023, 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/ 2023	21 331	1 419	
Revenues expected to be recognised on uncompleted order backlog as at 31/ 12/ 2022	62 799	16 401	576

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/ 2023	31/ 12/ 2022
Raw material and supplies	29 264	119 601
Semi-finished and finished goods	24 156	96 132
Goods purchased for resale	1 872	10 787
Prepayments	123	401
Total	**55 415**	**226 921**

A provision of CHF 6.1 million (2022: CHF 19.7 million) has been provided for obsolete and slow-moving items and is deducted from inventories. 2023 and 2022, 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/ 2023	31/ 12/ 2022
Investments in associated companies > 20 % < 50 %	22 497	10 457
Other financial assets	18	424
Loans		40
Total	**22 515**	**10 921**
thereof disclosed as current assets		12

In November 2023, Arbonia further increased its shares in the German KIWI-KI GmbH, DE-Berlin, and now holds 49.9% of the company. The purchase price amounted to CHF 1.8 million. In the cash flow statement, the cash outflow is included in the position issuance of financial assets.

In October 2022, Arbonia had increased its shares in the KIWI-KI GmbH and held 34.0% of the company as at 31 December 2022.

In April 2023, Arbonia acquired 17.2% of the German Griffwerk GmbH, DE-Blaustein. The purchase price was CHF 12.2 million and was paid almost exclusively in Arbonia shares.

Although Arbonia holds less than 20% of the ownership interest and voting control of Griffwerk, Arbonia has the ability to exercise significant influence. This influence results, among other things, from the shareholding, the active participation of the representatives provided by Arbonia in the shareholders' meeting and in the advisory board of Griffwerk as well as from the cooperation agreement concluded with Griffwerk. The investment in Griffwerk is consequently valued using the equity method.

Associated companies

in 1 000 CHF	2023	2022
Balance at 01/ 01	**10 457**	**7 276**
Foreign exchange differences	– 1 320	– 374
Increase of investment	14 034	2 292
Minority share from associated companies	– 674	1 263
Balance at 31/ 12	**22 497**	**10 457**

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

Associated companies – Balance sheet

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
Current assets	40 007	8 348
Non-current assets	3 378	1 454
Total assets	**43 384**	**9 802**
Current liabilities	7 480	952
Shareholders' equity	35 904	8 850
Total liabilities and shareholders' equity	**43 384**	**9 802**

Associated companies - Income statement

in 1 000 CHF	2023	2022
Net revenues	25 122	9 205
Results after taxes	2 358	3 730

Business transactions with associated companies

in 1 000 CHF	2023	2022
Sale of goods and services	299	
Purchase of goods and services	33	1

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

The Board of Directors of Arbonia is examining several expressions of interest but also offers for the purchase of the Climate Division (formerly HVAC). As at the balance sheet date 31 December 2023, a sale of the Climate Division is considered highly probable and consequently, in accordance with IFRS 5, Arbonia reports the Climate Division as discontinued operations. All prior-year figures in the income statement and the accompanying notes have been adjusted accordingly. In the consolidated balance sheet as of 31 December 2023, assets and liabilities of the discontinued operations Climate are disclosed in the respective held for sale asset and liability positions. Previous year's figures in the balance sheet, however, were not adjusted.

Assets held for sale and discontinued operations

in 1 000 CHF	31/ 12/ 2023
Cash and cash equivalents	13 756
Receivables and other assets	79 927
Inventories and contract assets	129 055
Deferred expenses	1 276
Financial assets	407
Property, plant and equipment and right-of-use assets	288 064
Investment property	4 095
Intangible assets and goodwill	92 215
Deferred income tax assets	3 812
Capitalised pension surplus	7 205
Total	**619 812**

Liabilities associated with assets held for sale and discontinued operations

in 1 000 CHF	31/ 12/ 2023
Liabilities	78 108
Financial debts and lease liabilities	22 174
Accruals and deferred income	24 842
Provisions	17 485
Deferred income tax liabilities	19 572
Employee benefit obligations	33 012
Total	**195 193**

Result from discontinued operations

in 1 000 CHF	2023	2022
Net revenues	**576 607**	**646 191**
Other operating income and capitalised own services	11 835	12 436
Changes in inventories of semi-finished and finished goods	– 7 547	4 781
Cost of material and goods	– 286 261	– 354 522
Personnel expenses	– 163 724	– 156 815
Other operating expenses	– 89 543	– 93 503
EBITDA	**41 367**	**58 568**
Depreciation, amortisation and impairments	– 31 827	– 29 438
Amortisation of intangible assets from acquisitions	– 5 410	– 4 539
EBIT	**4 130**	**24 591**
Financial result	– 3 579	45
Result from discontinued operations before income tax	**551**	**24 636**
Income tax expense	– 3 544	– 4 463
Result from discontinued operations	**– 2 993**	**20 174**
Loss on disposal of discontinued operations		– 1 545
Net result from discontinued operations	**– 2 993**	**18 629**

The results for the reporting period 2023 includes currently incurred sales costs for the disposal of the Climate Division of CHF 1.4 million.

In 2022, costs of CHF 2.5 million were incurred for the sale of the windows business and provisions of CHF 1.0 million built for the sale were not used and could be released over the income statement.

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

Cash flow from discontinued operations

in 1 000 CHF	2023	2022
Cash flows from operating activities	**48 259**	**– 16 652**
Cash flows from investing activities	**– 33 674**	**– 44 471**
Cash flows from financing activities	**– 6 570**	**– 5 859**

As per 31 December 2023, other comprehensive income includes cumulative expenses in connection with discontinued operations totalling around CHF 82 million.

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/ 2022	**247 336**	**198 502**	**14 106**	**130 409**	**590 353**
Cost					
Balance at 01/ 01/ 2022	**361 672**	**408 959**	**46 192**	**136 769**	**953 591**
Foreign exchange differences	– 12 461	– 14 709	– 1 487	– 5 094	– 33 751
Change in scope of consolidation	2 593	1 982	255		4 830
Additions	38 442	15 338	6 477	97 728	157 985
Disposals	– 1 617	– 15 282	– 3 015	– 22	– 19 936
Reclassifications	4 125	45 187	1 281	– 62 734	– 12 141
Balance at 31/ 12/ 2022	**392 754**	**441 475**	**49 703**	**166 647**	**1 050 578**
Foreign exchange differences	– 25 105	– 34 584	– 2 880	– 8 879	– 71 448
Change in scope of consolidation	2 984	361	71		3 416
Additions	10 413	10 318	4 340	52 507	77 578
Disposals	– 84	– 11 217	– 2 238	– 105	– 13 644
Reclassification to assets held for sale	– 230 828	– 278 499	– 27 678	– 14 822	– 551 827
Reclassifications	32 615	41 423	– 1 347	– 75 185	– 2 494
Balance at 31/ 12/ 2023	**182 749**	**169 277**	**19 971**	**120 163**	**492 159**

in 1 000 CHF	Land and buildings	Plant and machinery	Other equipment	Prepayments and assets under construction	Total
Accumulated depreciation					
Balance at 01/ 01/ 2022	**114 335**	**210 457**	**32 086**	**6 360**	**363 238**
Foreign exchange differences	– 4 098	– 7 527	– 990	949	– 11 666
Depreciation	10 386	28 131	4 500		43 017
Disposals	– 1 223	– 15 162	– 2 877		– 19 262
Reclassifications	– 63	7 356	70	– 7 133	230
Balance at 31/ 12/ 2022	**119 337**	**223 255**	**32 789**	**176**	**375 557**
Foreign exchange differences	– 7 768	– 18 487	– 1 982		– 28 237
Depreciation	10 853	29 894	4 706		45 453
Impairment		1 232			1 232
Reversal of impairment		– 167			– 167
Disposals	– 38	– 11 053	– 2 065		– 13 156
Reclassification to assets held for sale	– 96 497	– 167 007	– 18 285	– 227	– 282 016
Reclassifications		1 497	– 1 195	51	353
Balance at 31/ 12/ 2023	**25 887**	**59 164**	**13 968**		**99 019**
Net book value at 31/ 12/ 2022	**273 416**	**218 220**	**16 914**	**166 471**	**675 021**
Net book value at 31/ 12/ 2023	**156 861**	**110 113**	**6 003**	**120 163**	**393 140**

No borrowing costs were capitalised in 2023 and 2022.

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/ 2023	31/ 12/ 2022
Property, plant and equipment	22 443	51 976
Intangible assets		124
Total	**22 443**	**52 100**

Land and buildings amounting to CHF 37.1 million (2022: CHF 39.6 million) are pledged to secure mortgages, which are fully attributable to discontinued operations.

38. Leasing

Arbonia leases various assets, including buildings, machinery, vehicles, tools and IT equipment. The lease conditions are negotiated individually and contain a variety of different conditions. The rights-of-use assets in connection with these leases are as follows:

in 1 000 CHF	Right-of-use buildings	Right-of-use plant and machinery	Right-of-use other equipment	Total
Net book value at 01/ 01/ 2022	**33 867**	**4 090**	**6 589**	**44 546**
Cost				
Balance at 01/ 01/ 2022	**45 781**	**6 509**	**14 685**	**66 975**
Foreign exchange differences	– 909	– 247	– 561	– 1 717
Change in scope of consolidation	1 922		12	1 934
Additions	9 307	409	2 803	12 519
Disposals and remeasurements	– 31 927	– 503	– 2 909	– 35 339
Reclassifications	– 10	– 749	– 149	– 908
Balance at 31/ 12/ 2022	**24 164**	**5 419**	**13 881**	**43 464**
Foreign exchange differences	– 1 541	– 454	– 702	– 2 697
Change in scope of consolidation	33		133	166
Additions	5 031	1 086	4 254	10 371
Disposals and remeasurements	735	– 279	– 3 815	– 3 359
Reclassification to assets held for sale	– 19 358	– 4 617	– 8 728	– 32 703
Reclassifications			– 680	– 680
Balance at 31/ 12/ 2023	**9 064**	**1 155**	**4 343**	**14 562**

in 1 000 CHF	Right-of-use buildings	Right-of-use plant and machinery	Right-of-use other equipment	Total
Accumulated depreciation				
Balance at 01/ 01/ 2022	**11 914**	**2 419**	**8 096**	**22 429**
Foreign exchange differences	– 299	– 98	– 299	– 696
Depreciation	3 889	737	3 335	7 961
Impairment	262			262
Disposals	– 6 899	– 485	– 2 836	– 10 220
Reclassifications		– 208	– 70	– 278
Balance at 31/ 12/ 2022	**8 867**	**2 365**	**8 226**	**19 458**
Foreign exchange differences	– 494	– 245	– 366	– 1 105
Depreciation	4 251	821	3 252	8 324
Disposals	– 1 294	– 119	– 4 079	– 5 492
Reclassification to assets held for sale	– 7 914	– 2 225	– 4 311	– 14 450
Reclassifications		– 167	– 208	– 375
Balance at 31/ 12/ 2023	**3 416**	**430**	**2 514**	**6 360**
Net book value at 31/ 12/ 2022	**15 297**	**3 054**	**5 655**	**24 006**
Net book value at 31/ 12/ 2023	**5 648**	**725**	**1 829**	**8 202**

The disposals in the right-of-use buildings in 2022 included the Corporate Center in CH-Arbon for CHF 21.5 million. In the 2nd quarter of 2022, Arbonia had repurchased the Corporate Center prematurely for CHF 25.1 million and thus also early terminated the lease agreement. The lease agreement had an original term until 31 August 2027. The lease liability and the purchase price obligation recognised in other non-current liabilities were derecognised against the right-of-use asset.

Other operating expenses include the following expenses in connection with leases:

in 1 000 CHF	2023	2022 restated [1]
Expenses relating to short-term leases	841	989
Expenses relating to leases of low-value assets (excluding short-term leases)	308	430
Expenses for variable lease payments	412	738
Total	**1 561**	**2 157**

[1] see note 36

Total cash outflows for leases amounted to CHF 12.8 million in 2023 (2022: CHF 13.2 million). Of this amount, CHF 4.8 million (2022: CHF 5.6 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 2023, possible future cash outflows of CHF 0.9 million (2022: CHF 0.9 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 1 000 CHF	Investment property - land	Investment property - buildings	Total
Net book value at 01/ 01/ 2022	**1 104**	**148**	**1 252**
Cost			
Balance at 01/ 01/ 2022	**1 603**	**24 728**	**26 331**
Foreign exchange differences	– 66	– 4	– 70
Additions		3 296	3 296
Reclassifications	4 250	236	4 486
Balance at 31/ 12/ 2022	**5 787**	**28 256**	**34 043**
Foreign exchange differences	– 260	– 16	– 276
Additions		1 086	1 086
Disposals		– 2 071	– 2 071
Reclassification to assets held for sale	– 3 925	– 243	– 4 168
Balance at 31/ 12/ 2023	**1 602**	**27 012**	**28 614**
Accumulated depreciation			
Balance at 01/ 01/ 2022	**499**	**24 580**	**25 079**
Foreign exchange differences	– 1		– 1
Depreciation		38	38
Reclassifications	38	25	63
Balance at 31/ 12/ 2022	**536**	**24 643**	**25 179**
Foreign exchange differences	– 2	– 2	– 4
Depreciation		284	284
Disposals		– 2 071	– 2 071
Reclassification to assets held for sale	– 35	– 39	– 74
Balance at 31/ 12/ 2023	**499**	**22 815**	**23 314**
Net book value at 31/ 12/ 2022	**5 251**	**3 613**	**8 864**
Net book value at 31/ 12/ 2023	**1 103**	**4 197**	**5 300**
Fair values of investment properties at 31/ 12/ 2022			**16 994**
Fair values of investment properties at 31/ 12/ 2023			**12 355**

Rental income from investment properties amounted to CHF 1.8 million (2022: CHF 0.7 million) and is included in other operating income. Of this amount, CHF 1.5 million (2022: CHF 0.7 million) was attributable to continuing operations. Related direct operating expenses were CHF 0.2 million (2022: CHF 0.3 million), are included in other operating expenses and relate only to continuing operations. 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 1 000 CHF	Brands	Customer relationships	Tech-nologies	Other intangible assets from business combinations	Other intangible assets	Total	Goodwill
Net book value at 01/ 01/ 2022	**55 527**	**80 270**	**11 782**	**54**	**13 489**	**161 122**	**178 621**
Cost							
Balance at 01/ 01/ 2022	**86 587**	**127 751**	**19 328**	**4 441**	**31 347**	**269 454**	**207 622**
Foreign exchange differences	– 3 733	– 5 155	– 926	– 89	– 1 204	– 11 107	– 7 973
Change in scope of consolidation	5 638	19 426	4 800	653	28	30 545	11 747
Additions					13 161	13 161	
Disposals					– 915	– 915	
Reclassifications					8 607	8 607	
Balance at 31/ 12/ 2022	**88 492**	**142 022**	**23 202**	**5 005**	**51 024**	**309 745**	**211 396**
Foreign exchange differences	– 4 496	– 6 797	– 1 448	– 142	– 2 507	– 15 390	– 9 098
Change in scope of consolidation					8	8	
Additions					14 320	14 320	
Disposals					– 713	– 713	
Reclassification to assets held for sale	– 26 358	– 42 407	– 16 569	– 246	– 15 021	– 100 601	– 48 075
Reclassifications					3 158	3 158	
Balance at 31/ 12/ 2023	**57 638**	**92 818**	**5 185**	**4 617**	**50 269**	**210 527**	**154 223**
Accumulated amortisation							
Balance at 01/ 01/ 2022	**31 060**	**47 481**	**7 546**	**4 387**	**17 858**	**108 332**	**29 001**
Foreign exchange differences	– 1 313	– 1 701	– 352	– 85	– 538	– 3 989	
Amortisation	5 608	8 796	1 200	355	4 054	20 013	
Disposals					– 915	– 915	
Balance at 31/ 12/ 2022	**35 355**	**54 576**	**8 394**	**4 657**	**20 459**	**123 441**	**29 001**
Foreign exchange differences	– 1 882	– 2 304	– 591	– 137	– 866	– 5 780	
Amortisation	5 706	9 605	1 355	343	5 678	22 687	
Disposals					– 713	– 713	
Reclassification to assets held for sale	– 8 257	– 11 503	– 8 088	– 246	– 7 467	– 35 561	– 20 901
Reclassifications					– 38	– 38	
Balance at 31/ 12/ 2023	**30 922**	**50 374**	**1 070**	**4 617**	**17 053**	**104 036**	**8 100**
Net book value at 31/ 12/ 2022	**53 137**	**87 446**	**14 808**	**348**	**30 565**	**186 304**	**182 395**
Net book value at 31/ 12/ 2023	**26 716**	**42 444**	**4 115**		**33 216**	**106 491**	**146 123**

Expenses for research and development in the amount of CHF 12.8 million (2022: CHF 12.7 million) have been charged to the income statement, since they did not fulfil the capitalisation criteria. Of this amount, CHF 4.3 million (2022: CHF 4.1 million) was attributable to continuing operations. Out of other intangible assets as of 31 December 2023, CHF 31.1 million (2022: CHF 27.5 million) relate to software and software licenses. The additions to intangible assets consist of CHF 3.1 million (2022: CHF 3.3 million) of own development costs and CHF 11.2 million (2022: CHF 9.9 million) of purchased or acquired items. Of the additions to other intangible assets, CHF 6.7 million (2022: CHF 6.2 million) relate to implementation costs in connection with the introduction of SAP S/4HANA in the Doors Division.

Goodwill

As of 31 December 2023 goodwill from business combinations is allocated to the Group's five cash-generating units (CGUs) Termovent, Sabiana, Joro Doors, Wood Solutions and Glass Solutions. The movements of the carrying amounts of goodwill during the reporting period were as follows:

in 1 000 CHF	Termovent	Sabiana	Joro Doors	Wood Solutions	Glass Solutions	Total
Balance at 31/ 12/ 2022	**7 271**	**21 604**	**11 615**	**127 258**	**14 647**	**182 395**
Foreign exchange differences	– 363	– 1 338	– 719	– 6 678		– 9 098
Reclassification to assets held for sale	– 6 908	– 20 266				– 27 174
Balance at 31/ 12/ 2023			**10 896**	**120 580**	**14 647**	**146 123**

Goodwill impairment tests 2023

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 which, with the exception of the CGU Wood Solutions, cover 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 2023 and were used for the impairment tests.

For the first time this year a planning horizon of ten years was applied to the CGU Wood Solutions. This consists of one budget year and four plan years with subsequent reconciliation of a further five years to the residual values. The slump in the construction industry, particularly in Germany, led to a drop in demand for doors in the reporting period. Due to this decreased demand, the highly automated "Werk der Zukunft" in Germany, which is currently being completed, will only reach full value creation and corresponding capacity utilisation after the first five planning years, meaning that five additional planning years have been used.

The value in use calculation for the annual 2023 impairment tests assumed the following key assumptions:

in %	Termovent	Sabiana	Joro Doors	Wood Solutions	Glass Solutions
Budgeted gross margin	49.3	42.5	69.7	58.0	71.6
Eternal growth rate	2.3	1.5	1.5	2.0	1.5
Discount rate	13.1	12.5	11.5	10.6	10.6

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 2023 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.

Due to the longer planning horizon for the CGU Wood Solutions and the associated greater uncertainties, higher changes were applied to the sensitivities compared to the previous year.

Other key assumptions for the impairment test of the CGU Wood Solutions included an annual average growth rate of 5.5% until 2028 and 5.0% until 2033 as well as an EBITDA margin development to 14.9% until 2028 and to 16.9% until 2033.

A reduction in the budgeted gross margin from 58.0% to 51.0% would have been sufficient for the CGU Wood Solutions to prevent an impairment. A 20% reduction in EBITDA would lead to an impairment of CHF 7 million. At a reduction of 19.1% in EBITDA, the calculated value would be equal to its carrying amount. A 20% reduction in EBITDA and a simultaneous reduction of eternal growth from 2.0% to 1.5% would lead to an impairment of CHF 31 million. At a reduction of 17.4% in EBITDA and an eternal growth of 1.75%, the recoverable amount was equal to its carrying amount.

Goodwill impairment tests 2022
The value in use calculation for the annual 2022 impairment tests assumed the following key assumptions:

in %	Termovent	Sabiana	Joro Doors	Wood Solutions	Glass Solutions
Budgeted gross margin	40.4	40.6	72.0	54.5	67.7
Eternal growth rate	2.5	1.8	2.5	2.1	2.0
Discount rate	11.4	12.0	11.2	10.8	10.3

Budgeted gross margins 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 2022 on higher discount rates, lower than actually expected EBITDAs, lower gross margins and lower eternal growth rates which only led to a possible impairment at the CGU Wood Solutions.

A reduction in the budgeted gross margin from 54.5% to 52.5% would have resulted in an impairment of the CGU Wood Solutions amounting to CHF 64.8 million. At a budgeted gross margin of 53.6%, the calculated value would have been equal to its carrying amount. A 10% reduction in EBITDA and a simultaneous reduction of eternal growth from 2.1% to 1.6% would have led to an impairment of CHF 51.8 million. At a reduction of 5.1% in EBITDA and a simultaneous reduction of eternal growth to 1.9%, the calculated value would have been equal to its carrying amount.

41. Acquisitions

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

Acquisitions 2023

Interwand GmbH

in 1 000 CHF	Fair Value
Assets	
Cash and cash equivalents	1 249
Accounts receivable	738
Other current assets	193
Inventories	1 954
Deferred expenses	31
Current income tax receivables	196
Property, plant and equipment	3 581
Intangible assets	8
Total assets	**7 950**
Liabilities	
Accounts payable	195
Contract liabilites	1 107
Other liabilities	96
Lease liabilities	166
Accruals and deferred income	369
Provisions	77
Deferred income tax liabilities	602
Total liabilities	**2 612**
Net assets acquired	**5 338**
Cost of acquisition	
Purchase price	4 262
Deferred purchase price	1 076
Total cost of acquisition	**5 338**
Net cash outflow was as follows:	
Purchase price	4 262
Cash and cash equivalents acquired	– 1 249
Net cash outflow on acquisition	**3 014**

As of 24 October 2023, Arbonia acquired 100% of Interwand GmbH, DE-Dörzbach. The company is specialised in the manufacture and installation of office partition walls and industrial walls. The purchase price amounted to CHF 5.3 million which includs a deferred purchase price payment of CHF 1.1 million. From the date of acquisition, Interwand contributed CHF 1.8 million in net revenues and CHF 0.3 million in profit to the Group. Had the acquisition taken place on 1 January 2023, net revenues would have been CHF 9.2 million and profit would have been CHF 0.3 million. The gross carrying amount of accounts receivable amounted to CHF 0.8 million, of which CHF 0.1 million were considered uncollectable. The acquisition-related costs amounted to CHF 0.2 million and are included in other operating expenses in 2023.

In 2023, deferred purchase price payments for Joro, Tecna and CICSA of CHF 1.4 million were due and paid.

Acquisitions 2022

Joro Türen GmbH

in 1 000 CHF	Fair Value
Assets	
Cash and cash equivalents	767
Accounts receivable	845
Other current assets	572
Inventories	1 920
Deferred expenses	29
Property, plant and equipment	1 709
Right-of-use assets	1 617
Intangible assets	10 635
Financial assets	11
Total assets	**18 106**
Liabilities	
Accounts payable	160
Other liabilities	246
Lease liabilities	1 617
Accruals and deferred income	403
Current income tax liabilities	200
Provisions	25
Deferred income tax liabilities	2 919

Employee benefit obligations	1 159
Total liabilities	**6 730**

Net assets acquired	**11 376**
Goodwill	11 747
Acquisition price	**23 123**

Cost of acquisition	
Purchase price	20 811
Deferred purchase price	2 312
Total cost of acquisition	**23 123**
Net cash outflow was as follows:	
Purchase price	20 811
Cash and cash equivalents acquired	– 767
Net cash outflow on acquisition	**20 044**

As of 16 July 2022, Arbonia had acquired 100% of Joro Türen GmbH, DE-Renchen. This company is a producer of special doors for the project business in the area of fire, smoke, sound and burglary protection. This acquisition gave the Doors Division access to the German project business and access to extensive approvals and certificates for oversized doors that cannot be manufactured on industrial equipment. The purchase price amounted to CHF 23.1 million which included a deferred purchase price payment of CHF 2.3 million. A first tranche of CHF 1.15 million was paid in July 2023 and a second tranche of CHF 1.15 million will be due on July 2024. From the date of acquisition, Joro contributed CHF 4.3 million in net revenues and CHF 1.1 million in profit to the Group result of 2022. Had the acquisition taken place on 1 January 2022, net revenues would have been CHF 8.7 million and profit, including amortisation charges on intangible assets from acquisitions, would have been CHF 1.5 million for 2022. The gross carrying amount of accounts receivable amounted to CHF 1.1 million, of which CHF 0.3 million were considered uncollectable. The acquisition-related costs amounted to CHF 0.1 million and are included in other operating expenses in 2022. The goodwill from this acquisition was due to the fact that certain intangible assets did not meet the criteria of IFRS 3 «business combinations» for the recognition as intangible assets at the date of acquisition. These intangible assets consisted mainly of the know-how of the workforce. Furthermore goodwill included the expected synergy potentials within the Doors Division.

Cirelius S.A.

in 1 000 CHF	Fair Value
Assets	
Cash and cash equivalents	2 899
Accounts receivable	2 054
Other current assets	97
Inventories	4 850
Deferred expenses	38
Property, plant and equipment	3 121
Right-of-use assets	316
Intangible assets	19 909
Financial assets	37
Total assets	**33 321**

Liabilities	
Accounts payable	540
Other liabilities	773
Lease liabilities	323
Accruals and deferred income	266
Current income tax liabilities	621
Deferred income tax liabilities	4 428
Total liabilities	**6 950**

Net assets acquired	**26 371**

Cost of acquisition	
Purchase price	26 371
Total cost of acquisition	**26 371**
Net cash outflow was as follows:	
Purchase price	26 371
Cash and cash equivalents acquired	– 2 899
Net cash outflow on acquisition	**23 471**

As of 5 December 2022, Arbonia had acquired 100% of Cirelius S.A., PT-Avintes. Cirelius specialises in particular in the sale and distribution of HVAC system solutions for residential construction throughout Portugal and distributes, among other things, heat pumps and photovoltaic systems. For the Climate Division, this acquisition means a significant strengthening of its activities in the Portuguese and Spanish markets, making it a leading supplier of HVAC system solutions on the Iberian Peninsular. The purchase price amounted to CHF 26.4 million.

Since the acquisition took place just shortly before year-end, Arbonia has renounced to consolidate the income statement of Cirelius in 2022 based on materiality reasons. Had the acquisition taken place on 1 January 2022, net revenues would have been CHF 23.2 million and profit for 2022, including amortisation charges on intangible assets from acquisitions, would have been CHF 2.9 million. The gross carrying amount of accounts receivable amounted to CHF 2.2 million, of which CHF 0.2 million were considered uncollectable. The acquisition-related costs amounted to CHF 0.2 million and are included in other operating expenses in 2022.

In 2022, deferred purchase price payments for Tecna and CICSA of CHF 0.7 million were due and paid.

42. Financial debts

On 3 November 2020, Arbonia had entered into a syndicated loan for CHF 250 million. This loan, arranged with a consortium of domestic and foreign banks, has a term of five years, with the option to extend the agreement twice for one year each. The first extension option was exercised in 2021 and the second in 2022, so that the term now runs until 2027.

The financial debts are comprised of the following:

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
Promissory note loan	60 346	119 754
Syndicated loan	133 926	54 434
Mortgages	15 000	6 446
Bank loans		10 804
Total	**209 272**	**191 438**

The syndicated loan contains the leverage ratio as covenant. In the event of non-compliance, the banks may at any time at their option, declare the amounts then outstanding to be immediately due and payable. Arbonia was in compliance with the covenant in 2023 and 2022.

The maturities of the financial debts are as follows:

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
within 1 year	134 346	121 586
between 1 and 5 years	74 926	57 708
after 5 years		12 144
Total	**209 272**	**191 438**

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

	31/ 12/ 2023	
	CHF	EUR
Financial debts	2.9%	2.5%

	31/ 12/ 2022	
	CHF	EUR
Financial debts		2.1%

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

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

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
CHF	135 000	
EUR	74 272	191 438
Total	**209 272**	**191 438**

43. Financial instruments

The contractually agreed undiscounted interest payments and repayments of the non-derivative financial liabilities and the derivatives with a cash outflow are as follows:

							31/ 12/ 2023
in 1 000 CHF	**Book value**	**Contractual cash flows**	**up to 6 months**	**7 to 12 months**	**between 1 and 2 years**	**between 2 and 5 years**	**after 5 years**
Non-derivative financial instruments							
Accounts payable	33 139	33 139	33 139				
Other liabilities (without derivatives)	2 668	2 668	549	1 600	519		
Lease liabilities	8 311	9 674	1 229	1 033	1 841	2 920	2 651
Accruals and deferred income	23 605	23 605	23 408	197			
Financial debts	209 272	214 137	135 836	387	52 936	24 978	
Total	**276 995**	**283 223**	**194 161**	**3 217**	**55 296**	**27 898**	**2 651**

							31/ 12/ 2022
in 1 000 CHF	**Book value**	**Contractual cash flows**	**up to 6 months**	**7 to 12 months**	**between 1 and 2 years**	**between 2 and 5 years**	**after 5 years**
Non-derivative financial instruments							
Accounts payable	92 970	92 970	92 941	29			
Other liabilities (without derivatives)	4 927	4 927	1 941	1 184	1 802		
Lease liabilities	22 119	23 305	3 884	3 525	5 502	7 102	3 292
Accruals and deferred income	40 909	40 909	40 138	771			
Financial debts	191 438	198 290	123 705	1 023	2 282	58 763	12 517
Total	**352 363**	**360 401**	**262 609**	**6 532**	**9 586**	**65 865**	**15 809**

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 1 000 CHF	FA AC	FL AC	Book value	31/ 12/ 2023 Fair Value Level 2
Cash and cash equivalents	17 160		17 160	
Accounts receivable	50 041		50 041	
Other current assets (without derivatives)	3 291		3 291	
Deferred expenses	2 410		2 410	
Other financial assets	18		18	
Assets	**72 920**		**72 920**	
Accounts payable		33 139	33 139	
Other liabilities (without derivatives)		2 668	2 668	
Lease liabilities		8 311	8 311	
Accruals and deferred income		23 605	23 605	
Promissory note loan		60 346	60 346	58 383
Syndicated loan		133 926	133 926	
Mortgages		15 000	15 000	
Liabilities		**276 995**	**276 995**	

							31/ 12/ 2022
in 1 000 CHF	FA FVTPL	FA AC	FL FVTPL	FL AC	Book value		Fair Value
						Level 2	Level 3
Cash and cash equivalents		29 196			29 196		
Accounts receivable		109 559			109 559		
Derivative financial instruments	70				70	70	
Other current assets		1 208			1 208		
Deferred expenses		3 198			3 198		
Other financial assets		424			424		
Loans	40				40		40
Assets	**110**	**143 585**			**143 695**		
Accounts payable				92 970	92 970		
Other liabilities (without derivatives)				4 927	4 927		
Lease liabilities				22 119	22 119		
Accruals and deferred income				40 909	40 909		
Promissory note loan				119 754	119 754	115 761	
Syndicated loan				54 434	54 434		
Loans				10 804	10 804		
Mortgages				6 446	6 446	6 376	
Liabilities				**352 363**	**352 363**		

Abbreviations in the header of this table are explained in note 9 "Financial Instruments" on page 162.

The derivative financial instruments measured at fair value through profit or loss relate to interest rate transactions for 2022. The fair value of level 2 corresponds to the present value of the expected payments, which are discounted at market rates. The determination of the fair value of these transactions is made by the banks.

In 2023 and 2022, 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/ 2022	**10 524**	**7 836**	**8 662**	**16**	**5 265**	**32 303**
Foreign exchange differences	– 385	– 352	– 320		– 98	– 1 155
Change in scope of consolidation	25					25
Additional provisions	3 679	2 965	2 686	12	136	9 478
Used during the year	– 6 097	– 1 568	– 6 363	– 4	– 685	– 14 717
Unused amounts reversed	– 457	– 954	– 290		– 1 385	– 3 086
Balance at 31/ 12/ 2022	**7 289**	**7 927**	**4 375**	**24**	**3 233**	**22 848**
Foreign exchange differences	– 402	– 490	– 521		– 109	– 1 522
Change in scope of consolidation	77					77
Additional provisions	4 783	2 346	9 744	13	265	17 151
Used during the year	– 5 045	– 1 534	– 3 842		– 419	– 10 840
Unused amounts reversed	– 209	– 125	– 258	– 37	– 1 341	– 1 970
Reclassification to liabilities associated with assets held for sale	– 3 704	– 3 495	– 8 983		– 1 303	– 17 485
Balance at 31/ 12/ 2023	**2 789**	**4 629**	**515**		**326**	**8 259**
thereof current at 31/ 12/ 2022	4 750	1 700	4 375	23	1 382	12 230
thereof current at 31/ 12/ 2023	2 258	595	515		258	3 626

The current provisions are expected to be fully utilised during 2024. 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	531	2 984			68	3 583
after 5 years		1 050				1 050

Warranty
Warranty provisions are assessed for each order individually. In case of a high volume of orders, such an individual assessment might be impractical and standard rates are applied based on past experience.

Personnel
Personnel provisions comprise mainly provisions for partial retirements.

Restructuring
In July 2023, the Climate Division announced the relocation of the production of design radiators from Vasco's Belgian production site in Dilsen to its plant in Stříbro (CZ). A large part of the restructuring provision recognised in 2023 is attributable to this. A large part of the restructuring provision recognised in 2022 related to the discontinuation of operations in Vlotho (DE) announced by the Doors Division in December 2022. In 2023 costs of CHF 1.9 million were booked against this provision.

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	Deferred tax assets	Deferred tax liabilities 31/ 12/ 2023	Deferred tax assets	Deferred tax liabilities 31/ 12/ 2022
Assets				
Cash and cash equivalents			4	
Accounts receivable	456	51	484	226
Other current assets		67	6	134
Inventories	574	72	1 730	635
Property, plant and equipment and right-of-use assets	97	10 896	254	23 162
Investment property		40	67	320
Intangible assets	96	20 080	204	39 519
Capitalised pension surplus and financial assets	132	12 144	130	3 148
Liabilities				
Current liabilities	809	3 325	5 505	4 997
Non-current liabilities	4 362	1 661	2 874	858
Current and non-current provisions	306	122	938	312
Employee benefit obligations	2 092	13	3 966	4
Deferred taxes from timing differences	**8 924**	**48 471**	**16 162**	**73 315**
Deferred tax assets derived from tax loss carryforwards	22 571		13 658	
Valuation allowance	– 8 499		– 7 104	
Net deferred taxes from timing differences	**22 996**	**48 471**	**22 716**	**73 315**
Offset of deferred tax assets and liabilities	– 16 945	– 16 945	– 18 330	– 18 330
Total deferred taxes	**6 051**	**31 526**	**4 386**	**54 985**

From the capitalised pension surplus and employee benefit obligations, CHF 2.3 million (2022: CHF -1.7 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 15.7 million (2022: CHF 15.7 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 2023 and 2022 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	2023	2022
Balance at 01/01	**50 599**	**45 294**
Change in scope of consolidation	602	7 347
Changes to other comprehensive income	2 308	– 1 658
Changes to other comprehensive income for discontinued operations	– 42	2 225
Changes to the income statement	– 8 811	131
Changes to the income statement for discontinued operations	– 1 433	– 1 093
Reclassification to assets held for sale	3 812	
Reclassification to liabilities associated with assets held for sale	– 19 572	
Foreign exchange differences	– 1 987	– 1 647
Balance at 31/12	**25 475**	**50 599**

Unrecognised tax loss carryforwards in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
Tax loss carryforwards	135 295	70 007
thereof recognised as deferred taxes	– 77 296	– 35 376
Unrecognised tax loss carryforwards	**57 999**	**34 631**
Portion expiring:		
after 5 years	57 999	34 631
Total	**57 999**	**34 631**

Tax effect on unrecognised tax loss carryforwards	**8 499**	**7 104**
thereof pertaining to tax rates below 15.0%	7 560	2 021
thereof pertaining to tax rates between 15.0% and 20.0%	119	59
thereof pertaining to tax rates between 20.1% and 25.0%	148	4 316
thereof pertaining to tax rates between 25.1% and 30.0%	672	708

47. Employee benefit obligations

Pension plans in Switzerland

The Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), aiming to safeguard the employees against the risks of old age, death and disability. There are semi-autonomous pension plans, that is, the foundations fully bear the risk of age itself. The risks of disability and death are reinsured entirely (congruent reinsurance) or partially (stop-loss insurance) with Swiss insurance companies. The plans give plan participants a choice regarding the annual amount of contribution payments. The employees' contributions are determined as a percentage of the insured salary and are deducted monthly. The retirement pension is calculated by multiplying the retirement capital at the retirement age with the then applicable regulatory conversion rate. Plan participants can also draw all or part of the retirement pension as a lump sum. Death and disability benefits are set as a percentage of the insured salary.

The Board of Trustees are by law the supreme governing body of the foundation. The duties of the trustees are set out in the BVG and the regulations of the foundations. The Board of Trustees exercises the overall direction and has overall responsibility. It is composed in accordance with the legal provisions of an equal number of employer and employee representatives, provided the foundation offers BVG-related pension plans.

The actuarial risks of old age, death and disability as well as the investment risks are primarily borne by the foundations. If certain duties are transferred to third parties, they assume the associated risks (insurance companies, external administrator etc.).

An unfavourable development of the semi-autonomous and autonomous foundations can lead to an underfunding of the affected foundation as stipulated by the BVG. The BVG allows a temporary underfunding but the Board of Trustees has to take the necessary remedial measures to remedy the underfunding within a maximum of ten years. Additional employer and employee contributions could be incurred in case the Swiss pension plan has a significant underfunding as per BVG. In such cases, the risk is borne by employers and employees alike and the employer is legally not obliged to accept more than 50% of the additional contributions.

The investment strategy of the Swiss pension plans follows BVG, including the rules and regulations for the diversification of plan assets. The security assessment of the investments takes place in the semi-autonomous foundations in evaluating total assets and liabilities as well as the structure and the expected development of the insured population.

Pension plans in Germany
The occupational pension provision in Germany is subject to the pension law. The method of the direct commitment was elected for the German pension plans. To fund these pension plans for future benefit payments, pension provisions are recorded in accordance with the relevant regulations. The employer has made commitments to the employees under certain benefit arrangements. The pension plans are defined benefit plans and provide current and former employees benefits in the event of reaching the retirement age, in case of disability, or death. The respective benefits become due at maturity and are paid directly by the company to the beneficiaries.

The following amounts are included in the consolidated financial statements:

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
Present value of funded obligations	98 893	113 997
Fair value of plan assets	123 405	154 418
Overfunding	**– 24 513**	**– 40 421**
Present value of unfunded obligations	11 700	42 331
Adjustment to asset ceiling		35 547
Liability (net) recognised in the balance sheet	**– 12 813**	**37 457**
thereof recorded as employee benefit obligations	11 700	42 336
thereof recorded as capitalised pension surplus	– 24 513	– 4 879

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

in 1 000 CHF	2023	2022
Balance at 01/01	**156 327**	**192 505**
Changes in scope of consolidation		1 159
Interest cost	4 351	1 355
Current service cost	3 967	5 413
Contributions by plan participants	2 564	2 494
Benefits paid	– 6 748	– 8 116
Actuarial losses/gains arising from changes in financial assumptions	11 676	– 36 856
Actuarial losses arising from experience adjustements	2 334	827
Other transfers		296
Administration cost	55	62
Reclassification to liabilities associated with assets held for sale	– 60 751	
Foreign exchange differences	– 3 184	– 2 811
Balance at 31/12	**110 592**	**156 327**
thereof for active members	78 721	96 678
thereof for pensioners	30 618	54 307
thereof for deferred members	1 253	5 342

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

in 1 000 CHF	2023	2022
Balance at 01/01	**154 416**	**169 833**
Interest income	3 631	628
Return on plan assets excl. interest income	– 696	– 15 707
Contributions by the employer	5 519	5 228
Contributions by plan participants	2 564	2 494
Benefits paid	– 6 748	– 8 116
Other transfers		296
Reclassification to assets held for sale	– 34 944	
Foreign exchange differences	– 340	– 239
Balance at 31/12	**123 403**	**154 416**

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

in 1 000 CHF	2023	2022
Balance at 01/01	**35 547**	
Interest cost	817	
Change in effect of asset ceiling excl. interest cost	– 36 364	35 547
Balance at 31/12		**35 547**

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

in 1 000 CHF	2023	2022
Actuarial losses/gains	7 795	– 20 304
Actuarial losses/gains from discontinued operations	6 215	– 15 725
Return on plan assets excl. interest income	696	15 707
Change in effect of asset ceiling excl. interest cost	– 36 364	35 547
Remeasurements of employee benefit obligations	**– 21 658**	**15 224**
thereof from discontinued operations	– 1 168	– 3 319

The amounts recognised in the income statement are as follows:

in 1 000 CHF	2023	2022
Current service cost	3 967	5 413
Net interest result	720	727
Interest cost on effect of asset ceiling	817	
Administration cost	55	62
Net charges for defined benefit plans	**5 560**	**6 202**
thereof recorded under personnel expenses from continuing operations	3 006	4 121
thereof recorded under financial results from continuing operations	603	259
thereof recorded under Group result from discontinued operations after taxes	1 950	1 823

The principal actuarial assumptions used were as follows:

Weighted average		**2023**	**2022**
Discount rate at 31/12		1.6%	2.8%
Future salary increases		2.0%	2.1%
Future pension increases		0.2%	0.6%
Mortality tables	Switzerland	BVG 2020 GT	BVG 2020 GT
	Germany	HB 2018 GT	HB 2018 GT

The sensitivity of employee benefit obligations due to changes of principal assumptions are as follows, whereby only the continuing operations have been taken into account for 2023:

Impact on employee benefit obligations	**Change in assumption**	**2023**	**2022**
Discount rate	– 0.25%	3 716	4 757
	+ 0.25%	– 3 484	– 4 491
Salary increases	– 0.25%	– 484	– 509
	+ 0.25%	483	504
Life expectancy	+ 1 year	2 124	3 180
	– 1 year	– 2 159	– 3 250
Service cost 2024 with discount rate	+ 0.25%	– 201	– 217

The weighted average duration of employee benefit obligations is 13.3 years (2022: 12.7 years).

The sensitivity analysis above is based on a change in an assumption while all other assumptions remain unchanged. In reality, this is unlikely to happen, because certain assumptions correlate. In the calculation of sensitivities of pension benefit obligations with the principal actuarial assumptions, the same method was applied (present value of the defined benefit obligation is calculated using the projected unit credit method at year-end) as for the calculation of the pension liability in these consolidated financial statements.

Plan assets at fair value consist of:

in 1 000 CHF	quoted	unquoted	31/ 12/ 2023 Total	quoted	unquoted	31/ 12/ 2022 Total
Cash and cash equivalents		7 687	7 687		7 287	7 287
Equity instruments	40 185		40 185	41 204		41 204
Debt instruments	20 836		20 836	26 241		26 241
Real estate	6 923	40 522	47 445	8 818	56 983	65 801
Others		7 250	7 250	8 557	5 326	13 883
Total plan assets	**67 944**	**55 459**	**123 403**	**84 820**	**69 596**	**154 416**

The category "Others" contains assets from full insurance contracts that have been terminated some years ago and are therefore expiring.

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

in 1 000 CHF	up to 1 year	between 1 and 2 years	between 2 and 5 years	next 5 years
Benefit payments	486	398	1 415	2 785

Expected contributions to pension plans for the year 2024 amount to CHF 5.4 million for the continuing operations (2023: CHF 7.7 million for all operations), of which CHF 3.2 million (2023: CHF 5.2 million for all operations) are attributable to the employer.

48. Share capital

The capital structure is as follows:

			31/ 12/ 2023			31/ 12/ 2022
Category	Outstanding shares	Par value in CHF	Share capital in CHF	Outstanding shares	Par value in CHF	Share capital in CHF
Registered shares	69 473 243	4.20	291 787 621	69 473 243	4.20	291 787 621

The distribution per share for the 2022 financial year amounted to CHF 0.30.

On 21 April 2023, the Annual General Meeting of Arbonia AG had approved amongst others the following: To authorise the Board of Directors, within the scope of the capital band pursuant to the Swiss Corporate Law, to increase the share capital during a period ending on 20 April 2028 1.) by issuing a maximum of 13'800'000 fully paid registered shares with a par value of CHF 4.20 each in one or more steps to a maximum of CHF 349'747'620.60 and 2.) to reduce the share capital in one or more steps to not less than CHF 277'297'620.60 either by cancelling a maximum of 3'450'000 registered shares or by reducing the nominal value of the registered shares to not less than CHF 3.992.

Earnings per share	2023	2022
Group earnings from continuing operations after non-controlling interests (in 1 000 CHF)	– 14 219	498
Group earnings from discontinued operations after non-controlling interests (in 1 000 CHF)	– 2 993	18 629
Group earnings for the year (in 1 000 CHF)	– 17 212	19 127
Outstanding shares (average)	69 473 243	69 473 243
Less treasury shares (average)	– 382 435	– 526 858
Average number of shares outstanding for the calculation	**69 090 808**	**68 946 385**

There were no dilutive effects impacting the calculation.

49. Treasury shares

			2023			2022
	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	**13.96**	**1 111 022**	**15 514**	**15.36**	**350 373**	**5 383**
Transfer for share based payments	13.62	– 88 153	– 1 201	15.64	– 164 084	– 2 566
Delivery for purchase of shares in associated company	13.62	– 1 148 801	– 15 646			
Purchase	10.97	248 073	2 722	13.73	924 733	12 698
Balance at 31/12	**11.37**	**122 141**	**1 389**	**13.96**	**1 111 022**	**15 514**

The delivery of treasury shares for the purchase of shares in associated company relates to the acquisition of shares in Griffwerk GmbH (see note 35). The disposal of treasury shares was recognised at the average price of CHF 13.62 per share, while the increase in investment was valued at the fair value of CHF 10.66 per share at the time of purchase.

50. Other comprehensive income and other reserves

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

			31/ 12/ 2023			31/ 12/ 2022
in 1 000 CHF	Other reserves	Retained earnings	Total other comprehensive income	Other reserves	Retained earnings	Total other comprehensive income
Remeasurements of employee benefit obligations		21 658	21 658		– 15 224	– 15 224
Deferred tax effect		– 2 266	– 2 266		– 567	– 567
Total items that will not be reclassified to income statement		**19 392**	**19 392**		**– 15 792**	**– 15 792**
Currency translation differences	– 58 874		– 58 874	– 28 971		– 28 971
Total items that may be subsequently reclassified to income statement	**– 58 874**		**– 58 874**	**– 28 971**		**– 28 971**
Other comprehensive income after taxes	**– 58 874**	**19 392**	**– 39 482**	**– 28 971**	**– 15 792**	**– 44 763**

Other reserves

in 1 000 CHF	Currency translation	Total
Balance at 31/ 12/ 2021	**– 98 459**	**– 98 459**
Currency translation differences	– 28 971	– 28 971
Balance at 31/ 12/ 2022	**– 127 430**	**– 127 430**
Currency translation differences	– 58 874	– 58 874
Balance at 31/ 12/ 2023	**– 186 304**	**– 186 304**

51. Financial results

in 1 000 CHF	2023	2022 restated [1]
Financial income		
Bank and other interest	227	70
Interest on net pension surplus	74	105
Total interest income	**301**	**175**
Gains derivative financial instruments		4
Minority share from associated companies		1 263
Other financial income	21	13
Total other financial income	**21**	**1 280**
Total financial income	**322**	**1 455**
Financial expenses		
Bank and other interest	316	256
Interest on leases	290	291
Interest on non-current financial debts and syndicated loan	6 925	1 955
Interest on net employee benefit obligations	677	364
Compounding of liabilities	69	215
Total interest expenses	**8 277**	**3 081**
Impact of exchange rate fluctuations	6 005	4 648
Minority share from associated companies	674	
Bank charges and other financial expenses	533	968
Total other financial expenses	**7 212**	**5 616**
Total financial expenses	**15 489**	**8 697**
Total net financial results	**– 15 167**	**– 7 242**

[1] see note 36

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

in 1 000 CHF	2023	2022 restated [1]
Total interest income from financial assets measured at amortised cost (FA AC)	227	70
Total interest expenses from financial liabilities measured at amortised cost (FL AC)	7 600	2 717
Net gain from financial assets/ liabilities measured at fair value through profit or loss (FA/ FL FVTPL)		4
Finance costs recognised in financial expenses from financial assets/ liabilities measured at amortised cost (FA/ FL AC)	464	922

[1] see note 36

52. Income taxes

in 1 000 CHF	2023	2022 restated [1]
Current income taxes	– 995	4 551
Changes in deferred income taxes	– 8 811	131
Total	**– 9 806**	**4 683**

[1] see note 36

The changes in deferred income taxes (CHF -8.8 million) largely relates to the change in deferred taxes from tax loss carryforwards and temporary differences on intangible assets.

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	2023	2022 restated [1]
Earnings before income tax	**– 24 025**	**5 181**
Weighted average tax rate in %	22.9	50.7
Expected tax income/expense	**– 5 503**	**2 629**
Income tax reconciliation		
Effect of utilisation of previously unrecognised tax losses	– 584	– 64
Effect of not capitalised losses for the year	5 612	2 150
Effect of non-tax-deductible expenses and non-taxable income	– 10 222	– 67
Effect of income and expenses taxed at special rates	584	348
Effect of tax charges related to prior years		10
Effect of tax rate changes	249	– 287
Other items	58	– 36
Effective tax income/expense	**– 9 806**	**4 683**
Effective tax rate in %	40.8	90.4

[1] see note 36

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 of the continuing operations decreased significantly compared to previous year, but now reflects the weighted medium-term tax rate expected by Arbonia. Compared to 2022, there were no significant changes in local tax rates.

Global minimum tax
In December 2021, the OECD published model rules to introduce a global minimum tax rate of 15% for large multinational corporations (so-called Pillar Two model rules). The Pillar Two rules are relevant for groups with an annual revenues of over EUR 750 million. The net revenues of the continuing operations of Arbonia are below this limit in 2023 and 2022. Consequently, it can be assumed that Arbonia does not fall within the scope of these regulations.

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 21.1% (2022: 25.9% for all operations) of existing trade receivables. The 10 largest customers of continuing operations generated 25.2% (2022: 23.5% for all operations) of the Group's net revenues in the year under review.

To minimise financial default risks, cash and cash equivalents, fixed-term deposits and derivative financial instruments are only deposited or entered into with banks which are specifically defined in the treasury policy. The three largest banks accounted for 65% / 28% / 6% of total liquid funds as of the balance sheet date (2022: 68% / 8% / 5%).

The maximum credit risk corresponds to the book values or fair values reported in note 44 for the financial asset categories "at fair value through profit and loss" (FA FVTPL) and "at amortised cost" (FA AC) and the book values of the contract assets reported in note 33. If applicable, these include derivative financial instruments having a positive fair value.

Liquidity risk

The liquidity risk arises from the fact that the Group might not be in a position to obtain the funds required to meet the obligations assumed in connection with financial instruments on the relevant due dates.

The cash, investments, financing and redemptions are managed and controlled on an ongoing basis by group treasury. The standard policy involves financial structures with matching maturities and currencies for each individual subsidiary. Scheduled cash requirements for the planning horizon must be secured under facility agreements or internal funding within the Group and/or via banks. By means of rolling monthly cash flow forecasts over a planning horizon of 12 months, the future cash development is forecasted in order to take measures in due time in the event of an excess coverage or shortfall. Arbonia monitors its liquidity risk with the aid of a consolidated liquidity plan, taking into account additional funding sources, e.g. undrawn credit limits. As individual divisions of Arbonia are subject to seasonal fluctuations, cash decreases early in the year but normally rises again in the second half of the year.

The available liquidity as of the balance sheet date (continuing and discontinued operations) is shown below:

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
Cash and cash equivalents	30 916	29 196
+ undrawn credit facilities	130 646	210 404
Total available liquidity	**161 562**	**239 600**

The syndicated loan taken out in 2020 includes the leverage ratio as covenant. If such covenant are not complied with, the banks may demand immediate redemption of their share. In 2023 and 2022, Arbonia complied with the covenant.

The contractually agreed maturities of financial liabilities within the meaning of IFRS 7 are set forth in note 43.

Market risk
(a) Currency risk
Due to the Group's international focus, there are currency risks based on exchange rate fluctuations of various currencies. In the case of Arbonia, these mainly relate to the EUR, PLN, CZK and RUB.

A currency risk arises from transactions that are not settled in the functional currency of the Group companies. Group companies can hedge their net risk position for the period of the risk horizon with hedging transactions at Group Treasury. Arbonia's risk position equals the sum of the subsidiaries' net risk positions and is hedged by the group treasury with external counterparties using currency forward contracts of the relevant foreign currency. The hedging ratio depends on the maturity and currency risk exposure and is determined on a case by case basis.

Translation differences (translation risks) also arise from the consolidation in CHF of the financial statements of foreign subsidiaries prepared in foreign currencies. Translation affects the amount of earnings and comprehensive income. The major risk to the Group in connection with translation differences relates to the EUR. The effects of such exchange rate fluctuations on significant net investments are as much as possible hedged by means of natural hedges with liabilities in this currency.

For the description of market risks, IFRS 7 requires sensitivity analyses showing the effects of realistic currency fluctuations on Group earnings and shareholders' equity. These effects are calculated on the basis of financial instruments existing as of the balance sheet date. In this context, it is assumed that all other variables remain unchanged. Translation risks arising from the translation of foreign subsidiaries are not included in the following table.

A 5% increase (decrease) of the EUR against the CHF (2022: 5%), a 5% increase (decrease) of the CZK against the CHF (2022: 5%), a 5% increase (decrease) of the PLN against the CHF (2022: 5%) or a 5% increase (decrease) of the RUB against the CHF (2022: 5%) would have the following effects on Arbonia's Group result as of the balance sheet date:

in 1 000 CHF				**31/ 12/ 2023**
	EUR/CHF	**CZK/CHF**	**PLN/CHF**	**RUB/CHF**
Assumed change	5.0%	5.0%	5.0%	5.0%
Impact of an increase on group result	2 545	508	681	178
Impact of a decrease on group result	– 2 545	– 508	– 681	– 178

in 1 000 CHF				**31/ 12/ 2022**
	EUR/CHF	**CZK/CHF**	**PLN/CHF**	**RUB/CHF**
Assumed change	5.0%	5.0%	5.0%	5.0%
Impact of an increase on group result	2 480	687	223	244
Impact of a decrease on group result	– 2 480	– 687	– 223	– 244

(b) Interest rate risk
Interest rate risks arise from interest rate fluctuations which may have a negative effect on the Group's asset and earnings position. Interest rate fluctuations result in changes in interest income and expenses relating to interest-bearing assets and liabilities. In addition, they may also affect the fair value of certain financial assets, liabilities and financial instruments, as set forth below under «Market risks».

Group companies are exclusively funded via group treasury on terms in line with the market and on a decentralised basis only in exceptional cases and with the prior approval of the Group CFO. Excess cash is also invested via group treasury (with the exception of Russia). The standard policy for the Group as well as for subsidiaries is that interest-bearing financial transactions in terms of capital commitment and fixed interest rates must always meet the underlying requirements. Derivative financial instruments, such as interest rate swaps or interest rate options, are used on a case-by-case basis by group treasury and only upon consultation with or according to the instruction of Group CFO.

For the description of interest fluctuation risks, IFRS 7 requires sensitivity analyses showing the effects of realistic fluctuations in market interest rates on Group earnings and shareholders' equity. These effects are calculated on the basis of financial instruments existing as of the balance sheet date. In this context, it is assumed that all other variables remain unchanged and that the balance of financial instruments as of the balance sheet date is representative of the entire year. Fixed-rate financial instruments valued at amortised cost are not subject to interest rate fluctuation risks within the meaning of IFRS 7.

An increase (decrease) in the market interest level as of the balance sheet date by 50 basis points for CHF interest rates (2022: 50 basis points) or by 50 basis points for EUR interest rates (2022: 50 basis points) would have the effects set forth below on Group result of Arbonia:

in 1 000 CHF		31/ 12/ 2023
	CHF interest rate	EUR interest rate
Assumed change in basis points	50	50
Variable interest-bearing financial instruments		
Impact of an increase on group result from continuing operations	– 496	– 19
Impact of a decrease on group result from continuing operations	496	19

in 1 000 CHF		31/ 12/ 2022
	CHF interest rate	EUR interest rate
Assumed change in basis points	50	50
Variable interest-bearing financial instruments		
Impact of an increase on group result	6	– 157
Impact of a decrease on group result	– 6	157
Interest rate swaps		
Impact of an increase on group result		82
Impact of a decrease on group result		– 82

(c) Other market risks

Fair value risk

Changes in fair values of financial assets, liabilities or financial instruments may affect the Group's asset and earnings position.

For the description of market risks, IFRS 7 requires sensitivity analyses showing the effects of a reasonable potential change in risk variables, such as market prices, indices, etc., on prices of financial instruments, on the Group's earnings and shareholders' equity.

Equity management

The objective of Arbonia is a strong equity base to secure the Group's future development. A sustainable equity ratio of between 45% and 55% is the goal. The shareholders' equity corresponds to an equity ratio of 62.1% as of the balance sheet date (2022: 65.0%). The decrease in the equity ratio compared to the previous year is in particular due to currency translation effects as a result of the stronger CHF.

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/ 2023	31/ 12/ 2022
Interest rate swaps without hedges		70

Interest rate swaps of 2022 were 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	2023	2022
Changes in non-cash transactions		
Additional/reversed provisions	15 042	6 355
Changes in capitalised pension surplus/employee benefit obligations	– 1 495	260
Share based payments	1 033	2 278
Minority share from associated companies	674	– 1 263
Other non-cash effects	4 018	4 172
Total changes in non-cash transactions	**19 272**	**11 802**
Changes in working capital		
Changes in accounts receivable	– 9 414	– 3 946
Changes in inventories	30 659	– 44 770
Changes in contract assets project business	10 848	– 5 340
Changes in other working capital items	5 375	– 1 884
Total changes in working capital	**37 468**	**– 55 940**
Changes in liabilities		
Changes in accounts payable	– 576	– 36 642
Changes in contract liabilities	7 981	1 087
Used provisions	– 10 841	– 14 718
Changes in other current liabilities	294	– 11 208
Total changes in liabilities	**– 3 142**	**– 61 481**

in 1 000 CHF	Current and non-current financial debts
Balance at 31/ 12/ 2021	**134 110**
Foreign exchange differences	– 383
Proceeds from financial debts	64 202
Repayments of financial debts	– 1 078
Non-cash foreign exchange effects	– 5 413
Balance at 31/ 12/ 2022	**191 438**
Foreign exchange differences	– 465
Proceeds from financial debts	233 496
Repayments of financial debts	– 200 337
Non-cash foreign exchange effects	– 8 833
Reclassification to liabilities associated with assets held for sale	– 6 027
Balance at 31/ 12/ 2023	**209 272**

in 1 000 CHF	Lease liabilities
Balance at 31/ 12/ 2021	**26 542**
Foreign exchange differences	– 984
Change in scope of consolidation	1 940
Lease additions	12 487
Lease liability payments	– 8 218
Lease disposals and remeasurements	– 9 648
Balance at 31/ 12/ 2022	**22 119**
Foreign exchange differences	– 1 446
Change in scope of consolidation	166
Lease additions	10 176
Lease liability payments	– 8 598
Lease disposals and remeasurements	2 042
Reclassification to liabilities associated with assets held for sale	– 16 148
Balance at 31/ 12/ 2023	**8 311**

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% (2022: 50%) and the other employees between 20% and 35% (2022: 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 2023, Group Management and certain other employees received for their work in the year 2022 a total of 37 400 allotted shares (2022: 72 712 shares) at a fair value of CHF 0.4 million (2022: CHF 1.2 million) and CHF 10.66 per share respectively (2022: CHF 16.84). In 2022, the CEO received a larger portion of his base compensation for his employment 2022 in shares. He was allocated 60 000 shares at a fair value of CHF 1.3 million and CHF 21.17 per share respectively. The members of the Board of Directors received for their work from 22 April 2022 up to the Annual General Meeting on 21 April 2023 a total of 50 753 shares (2022: 31 372 shares) at a fair value of CHF 0.5 million (2022: CHF 0.5 million) and CHF 10.66 per share respectively (2022: CHF 16.84).

Personnel expenses in 2023 for share based payments totalled CHF 1.0 million (2022: CHF 2.2 million).

57. Related party transactions

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

in 1 000 CHF	2023	2022
Salaries and other short-term employee benefits	2 417	2 168
Share based payments	937	2 027
Pension and social security contributions	578	595
Total	**3 932**	**4 790**

The detailed disclosures regarding executive remuneration required by Swiss law are included in the compensation report on pages 136 to 138.

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 2023	Balance on receivables	Balance on liabilities 31/ 12/ 2023
Key management personnel	1	17	14		
Other related parties	30	3 728	183	574	1
Total	**31**	**3 745**	**197**	**574**	**1**

in 1 000 CHF	Purchase of services	Sale of goods	Purchase of goods 2022	Balance on receivables	Balance on liabilities 31/ 12/ 2022
Other related parties	216	3 759	175	241	5
Total	**216**	**3 759**	**175**	**241**	**5**

Goods sold in 2023 and 2022 are 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 2023 are disclosed in the notes to the 2023 financial statements of Arbonia AG on page 229.

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 2023 consolidated financial statements.

60. Subsidiaries

Company	Head Office	Share Capital in million		Interest in Capital 2023	Interest in Capital 2022	Room Climate	Shower Stalls/ Divider walls	Doors	Services
Climate Division									
Arbonia Solutions AG	Arbon, CH	4.000	CHF	100%	100%	■	■		
Prolux Solutions AG	Arbon, CH	1.000	CHF	100%	100%	■			
ARBONIA climate AG	Arbon, CH	0.250	CHF	100%	100%				●
Vasco Group NV	Dilsen-Stokkem, BE	32.500	EUR	100%	100%	■			
Vasco BVBA	Dilsen-Stokkem, BE	20.029	EUR	100%	100%	▲			
Kermi s.r.o.	Stribro, CZ	195.000	CZK	100%	100%	▲	■		
PZP Heating a.s.	Dobre, CZ	7.200	CZK	100%	100%	▲			
Arbonia Riesa GmbH	Glaubitz, DE	0.614	EUR	100%	100%	■			
Kermi GmbH	Plattling, DE	15.339	EUR	100%	100%	▲	▲		
Vasco Group GmbH	Dortmund, DE	0.077	EUR	100%	100%	■			
Tecnologia de Aislamientos y climatizacion, S.L.	Algete, ES	0.481	EUR	100%	100%	■			
Cirelius S.A.	Avintes, PT	0.250	EUR	100%	100%	■			
Termovent Komerc d.o.o.	Belgrad, RS	0.064	RSD	100%	100%	▲			
Arbonia France Sàrl	Hagenbach, FR	0.600	EUR	100%	100%	■			
Vasco Group Sarl	Nogent-sur-Marne, FR	2.000	EUR	100%	100%	■			
Sabiana S.p.A.	Corbetta, IT	4.060	EUR	100%	100%	▲			
Brugman Radiatorenfabriek BV	Tubbergen, NL	4.000	EUR	100%	100%	▲			
Vasco Group BV	Tubbergen, NL	9.518	EUR	100%	100%	■			
Brugman Fabryka Grzejnikow Sp.z o.o.	Legnica, PL	20.000	PLN	100%	100%	▲			
Kermi Sp.z o.o.	Wroclaw, PL	0.900	PLN	100%	100%	■	■		
Vasco Group Sp.z o.o.	Legnica, PL	0.500	PLN	100%	100%	■			
AFG RUS	Moskau, RU	454.5	RUB	100%	100%	▲			
AFG (Shanghai) Building Materials Co. Ltd.	Shanghai, CN	2.000	USD	100%	100%				●

▲ Production / Sales
■ Trade
● Services / Finances

Company	Head Office	Share Capital in million		Interest in Capital 2023	Interest in Capital 2022	Room Climate	Shower Stalls/ Divider walls	Doors	Services
Doors Division									
Arbonia Doors AG	Arbon, CH	0.250	CHF	100%	100%			■	●
RWD Schlatter AG	Roggwil, CH	2.000	CHF	100%	100%			▲	
Bekon-Koralle AG	Dagmersellen, CH	1.000	CHF	100%	100%		▲		
Prüm-Türenwerk GmbH	Weinsheim, DE	3.500	EUR	100%	100%			▲	
Garant Türen- und Zargen GmbH	Amt Wachsenburg, DE	0.100	EUR	100%	100%			▲	
TPO Holz-Systeme GmbH	Leutershausen, DE	0.025	EUR	100%	100%			▲	
Joro Türen GmbH	Renchen, DE	0.125	EUR	100%	100%			▲	
Arbonia Doors GmbH	Erfurt, DE	0.025	EUR	100%	100%				●
KIWI-KI GmbH	Berlin, DE	0.096	EUR	49.9%	34.0%			▲	●
Griffwerk GmbH	Blaustein, DE	0.100	EUR	17.2%				▲	
Koralle Sanitärprodukte GmbH	Vlotho, DE	2.070	EUR	100%	100%		■		
Arbonia Glassysteme GmbH	Deggendorf, DE	1.278	EUR	100%	100%		▲		
Interwand GmbH	Dörzbach, DE	0.520	EUR	100%			▲		
Invado Sp.z o.o.	Ciasna, PL	20.000	PLN	100%	100%			▲	
Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft m.b.H	Margarethen am Moos, AT	0.036	EUR	100%	100%		■		
Corporate Services									
Arbonia AG	Arbon, CH	291.787	CHF						●
AFG International AG	Arbon, CH	1.000	CHF	100%	100%				●
Arbonia Schweiz AG	Arbon, CH	1.000	CHF	100%	100%				●
AFG Immobilien AG	Arbon, CH	1.000	CHF	100%	100%				●
Arbonia Management AG	Arbon, CH	0.250	CHF	100%	100%				●
Arbonia Services AG	Arbon, CH	0.250	CHF	100%	100%				●
Arbonia Deutschland GmbH	Plattling, DE	0.511	EUR	100%	100%				●
Skyfens Sp.z o.o.	Lublin, PL	13.005	PLN	100%	100%				▲

▲ Production / Sales
■ Trade
● Services / Finances

KPMG

Statutory Auditor's Report

To the General Meeting of Arbonia AG, Arbon

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arbonia AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 152 to 218) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

VALUATION OF GOODWILL WOOD SOLUTIONS

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

KPMG

VALUATION OF GOODWILL WOOD SOLUTIONS

Key Audit Matter

As at 31 December 2023, the carrying amount of the goodwill Wood Solutions amounts to CHF 120.6 million.

Management assesses the valuation of goodwill based on a value in use calculation for the relevant cash generating unit ("CGU").

The impairment test for this item requires significant management judgment with regards to cash flow forecasts, margin, growth rate as well as the discount rate, and is therefore a key area of audit focus.

Our response

Our procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions used, and the methodology used by management to prepare cash flow forecasts. We used our own valuation specialists to support our procedures.

Amongst others, we performed the following audit procedures:

— assessing the forecasting accuracy by back-testing historical forecasts to actual results;

— comparing projected cash flows with the latest forecasts by management and with the business plan approved by the board of directors;

— challenging the robustness of the key assumptions used to determine the recoverable amount, including forecast cash flows, margin, growth rate and the discount rate by comparing them with publicly available data and our understanding of the commercial prospects of the relevant CGU;

— conducting sensitivity analyses, taking into account the historical forecasting accuracy.

We also considered the appropriateness of disclosures in the consolidated financial statements in relation to sensitivities regarding the impairment testing of goodwill.

For further information on goodwill refer to the following:

— Note 19 „Intangible assets", page 164

— Note 20 „Impairment of assets", page 164

— Note 30 „Significant accounting judgments, estimates and assumptions", paragraphs „Estimated impairment of goodwill", page 169

— Note 40 „Intangible assets", page 187

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the compensation report and our auditor's reports thereon.

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

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

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

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the 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, 20 February 2024

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

Financial Statements Arbonia AG

Income Statement

in 1 000 CHF	Note	2023	in %	2022	in %
Dividend income		11 130		50 680	
Financial income	2.7	34 576		12 241	
Other operating income		1		2	
Total income		**45 707**	**100.0**	**62 923**	**100.0**
Financial expenses	2.8	– 12 359	– 27.0	– 10 170	– 16.2
Personnel expenses		– 946	– 2.1	– 929	– 1.5
Other operating expenses	2.9	– 3 777	– 8.3	– 4 531	– 7.2
Taxes		– 3 149	– 6.9		
Total expenses		**– 20 232**	**– 44.3**	**– 15 630**	**– 24.8**
Net profit		**25 475**	**55.7**	**47 293**	**75.2**

The notes on pages 226 to 229 are an integral part of these financial statements.

Balance sheet

in 1 000 CHF	Note	31/ 12/ 2023	in %	31/ 12/ 2022	in %
Assets					
Cash and cash equivalents		15 739		13 193	
Other receivables					
Third parties		97		3	
Shareholdings		203 585		146 621	
Deferred expenses		29		99	
Current assets		**219 450**	**14.7**	**159 916**	**11.2**
Loans to shareholdings		482 924		484 701	
Investments	2.1	788 812		788 812	
Non-current assets		**1 271 736**	**85.3**	**1 273 514**	**88.8**
Total assets		**1 491 186**	**100.0**	**1 433 429**	**100.0**

in 1 000 CHF	Note	31/ 12/ 2023	in %	31/ 12/ 2022	in %
Liabilities and shareholders' equity					
Accounts payable					
Third parties		4		53	
Shareholdings		984		33	
Interest bearing liabilities	2.2				
Bank loans		133 926		64 331	
Promissory note loan				65 845	
Shareholdings		240 417		205 203	
Other liabilities					
Third parties		8		34	
Accruals and deferred income		4 537		2 126	
Current liabilities		**379 876**	**25.5**	**337 623**	**23.6**
Interest bearing liabilities	2.3				
Promissory note loan		76 427		76 427	
Non-current liabilities		**76 427**	**5.1**	**76 427**	**5.3**
Total liabilities		**456 303**	**30.6**	**414 050**	**28.9**
Share capital	2.4	291 788		291 788	
Legal capital reserves					
Capital contribution reserve	2.5	432 571		442 788	
Other capital reserves		42 812		42 812	
Voluntary reserves					
Free reserves		11 144		14 991	
Treasury shares	2.6	– 1 391		– 15 702	
Balance sheet earnings					
Retained earnings		232 485		195 409	
Net profit		25 475		47 293	
Shareholders' equity		**1 034 884**	**69.4**	**1 019 379**	**71.1**
Total liabilities and shareholders' equity		**1 491 186**	**100.0**	**1 433 429**	**100.0**

The notes on pages 226 to 229 are an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

1.1. General information

These financial statements 2023 were prepared under the provisions of the Swiss accounting law (32nd title of the Swiss Code of Obligations).

Since Arbonia AG prepares consolidated financial statements in accordance with a recognised financial reporting standard (International Financial Reporting Standards), the company is not disclosing in accordance with the statutory provisions the audit fees and is not presenting a cash flow statement and a management report.

1.2. Other current receivables

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

1.3. Financial assets

Financial assets consist of long-term loans to shareholdings and are valued at cost reduced by required impairments. Loans denominated in foreign currencies are converted at the current closing rate. Unrealised exchange losses are recorded immediately whereas unrealised exchange gains are not recorded (imparity principle).

1.4. Treasury shares

Treasury shares are recognised at acquisition date at cost as a negative item in equity. In a subsequent sale or delivery in the context of the share based payments, profit or loss arising from the sale of treasury shares is recognised directly in equity under voluntary reserves.

1.5. Share based payments

A share based payment plan exists for members of the Board of Directors. Under this plan, members receive a minimum of 50% of their compensation in shares. The determination of the number of shares is based on the volume weighted average share price of 20 trading days, less a 20% discount for the restriction period. These shares granted have a restriction period of four years. The fair value of the equity compensation instruments is determined at the grant date and recorded to the income statement as personnel expenses with a corresponding offsetting entry to equity.

1.6. Interest bearing liabilities

Interest bearing liabilities are accounted for at nominal value. Long-term loans denominated in foreign currencies are converted at the current closing rate. Unrealised exchange losses are recorded immediately whereas unrealised exchange gains are not recorded (imparity principle).

2. Information and notes to the financial statements

2.1. Investments

Company	31/ 12/ 2023		31/ 12/ 2022	
	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/ 2023	31/ 12/ 2022
Bank loans – syndicated loan	133 926	54 434
Bank loans		9 897
Promissory note loan		65 845
Loans to shareholdings	240 417	205 203
Total	**374 343**	**335 378**

On 3 November 2020, Arbonia had entered into a syndicated loan for CHF 250 million. This loan, arranged with a consortium of domestic and foreign banks, has a term of five years, with the option to extend the agreement twice for one year each. The first extension option was exercised in 2021 and the second in 2022, so that the term now runs until 2027.

2.3. Non-current interest bearing liabilities

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
Promissory note loan	76 427	76 427
Total	**76 427**	**76 427**

Maturity structure

in 1 000 CHF	31/ 12/ 2023	31/ 12/ 2022
Within 5 years	76 427	64 669
Over 5 years		11 758
Total	**76 427**	**76 427**

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 2022) as capital contribution within the meaning of article 5 para. 1bis VStG.

2.6. Treasury shares

	2023			2022		
	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**	**1 111 022**	**15 702**	**16**	**350 373**	**5 700**
Purchase	11	248 073	2 722	14	924 733	12 698
Transfer for share based payments	11	– 88 153	– 940	19	– 164 084	– 3 037
Sale	11	– 1 148 801	– 12 246			
Gain (+) / loss (–)			– 3 847			340
Balance at 31/ 12	**11**	**122 141**	**1 391**	**14**	**1 111 022**	**15 702**

2.7. Financial income

Financial income totals CHF 34.6 million (2022: CHF 12.2 million) and consists mainly of interest income on loans to shareholdings and foreign currency exchange gains.

2.8. Financial expenses

Financial expenses totals CHF 12.4 million (2022: CHF 10.2 million) and consists mainly of bank interest and foreign currency exchange losses.

2.9. Other operating expenses

in 1 000 CHF	2023	2022
Administrative costs	3 552	4 251
Consultancy and audit fees	217	224
Other operating expenses	9	56
Total	**3 777**	**4 531**

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/ 2023	31/ 12/ 2022
UBS AG			
in favour of Kermi GmbH	in 1 000 CHF	250	
in favour of Joro Türen GmbH	in 1 000 CHF	163	163
UniCredit Bank			
in favor of Termovent Komerc	in 1 000 EUR	14 534	
in favour of Kermi GmbH	in 1 000 EUR	385	683
in favour of Kermi sp. z o.o.	in 1 000 EUR	135	112
in favour of TPO Holz-Systeme GmbH	in 1 000 EUR	125	100
in favour of Arbonia Doors GmbH	in 1 000 EUR	24	
in favour of Arbonia AG	in 1 000 EUR	2	9 279

3.2. Contingent liabilities

A joint and several liability exists towards the affiliated subsidiaries under the cash pooling agreement with UniCredit Bank AG and UBS Switzerland AG.

3.3. Major shareholders

	31/ 12/ 2023	31/ 12/ 2022
	Voting and capital interest	Voting and capital interest
Artemis Beteiligungen I AG	22.56%	22.10%

3.4. Headcount in full-time equivalents

Arbonia AG does not employ any staff.

3.5. Disclosure of participation rights

The Board of Directors, Group Management and employees were granted the following participation rights:

		31/ 12/ 2023		31/ 12/ 2022
	Number of registered shares	Amount in 1 000 CHF	Number of registered shares	Amount in 1 000 CHF
Allocated to the Board of Directors and Group Management	69 946	746	116 500	2 235
Allocated to employees	18 207	194	47 584	801
Total	**88 153**	**940**	**164 084**	**3 037**

Proposal of the Board of Directors

The Board of Directors will propose at the Annual General Meeting of the shareholders on 19 April 2024 the following:

Appropriation of Retained Earnings

in 1 000 CHF	2023
Retained earnings carried forward from previous year	232 485
Net profit for the year	25 475
Retained earnings	**257 960**
Retained earnings carried forward	**257 960**

Statutory Auditor's Report

To the General Meeting of Arbonia AG, Arbon

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arbonia AG (the Company), which comprise the balance sheet as at 31 December 2023, 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 224 to 229) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

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

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

Key Audit Matters

VALUATION OF INVESTMENTS AND LOANS DUE FROM SHAREHOLDINGS

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

KPMG

VALUATION OF INVESTMENTS AND LOANS DUE FROM SHAREHOLDINGS

Key Audit Matter

The financial statements of Arbonia AG as at 31 December 2023 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 686.5 million. The company reviews the individual investments and loans due from shareholdings for impairment annually.

The impairment assessment of investments and loans due from shareholdings partially requires significant management judgment and is therefore a key area of audit focus.

Our response

During our audit, we assessed management's impairment review of the investments and the loans due from shareholdings.

Amongst others, we performed the following audit procedures:

— Comparing the carrying amounts of the investments with the equity of the relevant companies, in some cases considering the pro-rata net assets of indirect investments or relying on management's impairment reviews that had 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 226

— Note 1.3 „Financial assets/non-current loans“, page 226

— Note 2.1 „Investments“, page 227

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

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

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

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

Board of Directors’ Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company’s articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
— Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

David Grass
Licensed Audit Expert

St. Gallen, 20 February 2024

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

Notes

Alternative Performance Measures

Arbonia uses alternative performance measures (APM) as guidance measures for both internal reporting to management and external reporting to stakeholders. The APM used by Arbonia have not been prepared in accordance with IFRS accounting policies and are discussed in detail below. The APM serve as supplementary information components and should therefore always be read and interpreted in conjunction with the consolidated financial statements prepared in accordance with IFRS. The APM used by Arbonia do not necessarily agree with the same or similar titled measures of other or comparable companies.

EBITDA without one-time effects / adjusted
The elimination of one-time effects provides an adjusted and thus better comparable presentation of the operating result over time. Discontinued operations as defined by IFRS 5 are not included. The following one-time effects are eliminated by Arbonia:
- Costs resulting from creation of provisions or income resulting from reversal of provisions for restructurings and reorganisation as well as closure costs
- Ramp-up costs for new production sites
- Consultancy and integration costs from acquisitions
- Consultancy costs with greater cost implications for acquisitions that did not materialise
- Consultancy costs from disposal of subsidiaries
- Gains and losses from sale of properties and associated companies
- Real estate development costs
- Costs in connection with personnel changes / leave of absence in Group and Division management

EBITA without one-time effects / adjusted
- Impairments
- Reversal of impairments

EBIT without one-time effects / adjusted
- Impairments on intangible assets from acquisitions

Group result before income tax without one-time effects / adjusted
- Impairments and reversal of impairments on loans granted

Group result after taxes without one-time effects / adjusted
- Tax effect on one-time effects
- Tax consequences from disposal of subsidiaries

Acquisition and currency adjusted growth (organic growth)
Acquisition and currency adjusted growth excludes effects from acquisitions and disposals of companies and currency effects.

In the acquisition adjusted growth, revenues of the acquired companies are eliminated in the year of acquisition. For companies acquired in the previous year, revenues of the current year are included for the same period as in the previous year. Discontinued operations within the meaning of IFRS 5 are eliminated.

In the currency adjusted growth, revenues of the current year in the functional currency of the respective company are translated at the average exchange rates of the same previous year period.

Net debt
Current and non-current financial debts plus current and non-current lease liabilities minus cash and cash equivalents

Leverage ratio
Net debt divided by EBITDA

Free cash flow
Cash flow from operating and investing activities

Operational free cash flow
Cash flow from operating and investing activities without acquisitions / disposals of subsidiaries / financial assets and expansion capital expenditures

Capital expenditures
Maintenance and expansion capital expenditures

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Alternative Performance Measures

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

in 1 000 CHF									2023
		IFRS	**%**	**Consultancy and integration costs from acquisitions**	**Costs for restructurings and reorganisation**	**Various**	**Tax effects on one-time effects**	**without one-time effects/adjusted**	**%**
Doors	**EBITDA**	**39 138**	**7.8**	**203**	**1 956**	**88**		**41 385**	**8.3**
	EBITA	**12 610**	**2.5**					**14 857**	**3.0**
	EBIT	**1 010**	**0.2**					**3 257**	**0.6**
Corporate Services	**EBITDA**	**– 8 858**						**– 8 858**	
	EBITA	**– 11 306**						**– 11 306**	
	EBIT	**– 11 306**						**– 11 306**	
Group	**Net revenues**	**504 605**	**100.0**					**504 605**	**100.0**
	Other operating income	8 191	1.6					8 191	1.6
	Capitalised own services	5 755	1.1					5 755	1.1
	Changes in inventories of semi-finished and finished goods	– 4 777	– 0.9					– 4 777	– 0.9
	Cost of material and goods	– 199 691	– 39.6					– 199 691	– 39.6
	Personnel expenses	– 186 083	– 36.9		1 956	88		– 184 039	– 36.5
	Other operating expenses	– 96 281	– 19.1	203				– 96 078	– 19.0
	EBITDA	**31 719**	**6.3**					**33 966**	**6.7**
	Depreciation, amortisation and impairments	– 28 978	– 5.7					– 28 978	– 5.7
	EBITA	**2 741**	**0.5**					**4 988**	**1.0**
	Amortisation of intangible assets from acquisitions	– 11 600	– 2.3					– 11 600	– 2.3
	EBIT	**– 8 858**	**– 1.8**					**– 6 611**	**– 1.3**
	Financial income	322	0.1					322	0.1
	Financial expenses	– 15 489	– 3.1					– 15 489	– 3.1
	Group result before income tax	**– 24 025**	**– 4.8**					**– 21 778**	**– 4.3**
	Income tax expense	9 806	1.9				– 566	9 240	1.8
	Group result from continuing operations	**– 14 219**	**– 2.8**					**– 12 538**	**– 2.5**

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

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Alternative Performance Measures

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

in 1 000 CHF — **2022**

		IFRS	%	Consultancy and integration costs from acquisitions	Costs for restructurings and reorganisation	Consultancy costs from acquisitions that did not materialise	Various	Tax effects on one-time effects	without one-time effects/adjusted	%
Doors	**EBITDA**	**59 217**	**10.7**	**226**	**2 865**		**– 100**		**62 208**	**11.3**
	EBITA	**35 404**	**6.4**		**262**				**38 658**	**7.0**
	EBIT	**23 984**	**4.3**						**27 238**	**4.9**
Corporate Services	**EBITDA**	**– 9 488**			**– 75**	**628**			**– 8 935**	
	EBITA	**– 11 567**							**– 11 014**	
	EBIT	**– 11 567**							**– 11 014**	
Group	**Net revenues**	**555 906**	**100.0**						**555 906**	**100.0**
	Other operating income	9 269	1.7						9 269	1.7
	Capitalised own services	5 240	0.9						5 240	0.9
	Changes in inventories of semi-finished and finished goods	6 361	1.1						6 361	1.1
	Cost of material and goods	– 239 138	– 43.0						– 239 138	– 43.0
	Personnel expenses	– 198 681	– 35.7		2 664				– 196 017	– 35.3
	Other operating expenses	– 89 222	– 16.0	226	127	628	– 100		– 88 341	– 15.9
	EBITDA	**49 735**	**8.9**						**53 281**	**9.6**
	Depreciation, amortisation and impairments	– 25 893	– 4.7		262				– 25 630	– 4.6
	EBITA	**23 842**	**4.3**						**27 650**	**5.0**
	Amortisation of intangible assets from acquisitions	– 11 419	– 2.1						– 11 419	– 2.1
	EBIT	**12 423**	**2.2**						**16 231**	**2.9**
	Financial income	1 455	0.3						1 455	0.3
	Financial expenses	– 8 697	– 1.6		16				– 8 681	– 1.6
	Group result before income tax	**5 181**	**0.9**						**9 005**	**1.6**
	Income tax expense	– 4 683	– 0.8					– 1 081	– 5 764	– 1.0
	Group result from continuing operations	**498**	**0.1**						**3 241**	**0.6**

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

Supplementary Information for Investors

	2023	2022	2021	2020	2019
Number of shares					
Registered par value CHF 4.20	69 473 243	69 473 243	69 473 243	69 473 243	69 473 243
Registered par value CHF 4.20 average number	69 090 808	68 946 385	69 163 962	69 159 789	68 834 805
Stock market prices in CHF					
Highest	13.7	22.9	21.5	14.2	13.5
Lowest	7.1	10.5	13.6	5.8	10.0
31/12	9.6	12.9	20.6	14.2	12.6
Stock market capitalisation in CHF million (31/12)	**669.0**	**896.2**	**1 431.1**	**986.5**	**875.4**
Per share data					
Gross dividend in CHF [1]	0.00	0.30	0.30	0.47	0.00
Pay-out ratio (in % of Group earnings)	0.0	108.1	15.0	72.4	0.0
Group earnings in CHF [2]	– 0.3	0.3	2.0	0.7	0.4
Cash flow from operating activities in CHF	1.5	– 0.4	1.3	2.0	1.6
Shareholders' equity in CHF	13.3	14.3	15.1	12.9	12.7
Price/earnings ratio (highest) [2]	– 55.0	82.5	10.7	21.9	35.4
Price/earnings ratio (lowest) [2]	– 28.5	37.8	6.8	8.9	26.3
Price/earnings ratio (31/12) [2]	– 38.7	46.5	10.3	21.9	33.1
Price/cash flow ratio (highest)	9.4	– 61.3	16.0	6.9	8.3
Price/cash flow ratio (lowest)	4.9	– 28.1	10.2	2.8	6.2
Price/cash flow ratio (31/12)	6.6	– 34.5	15.4	6.9	7.8

[1] 2024 proposal to the Annual General Meeting
[2] 2021 includes the disposal gain for the Windows Division

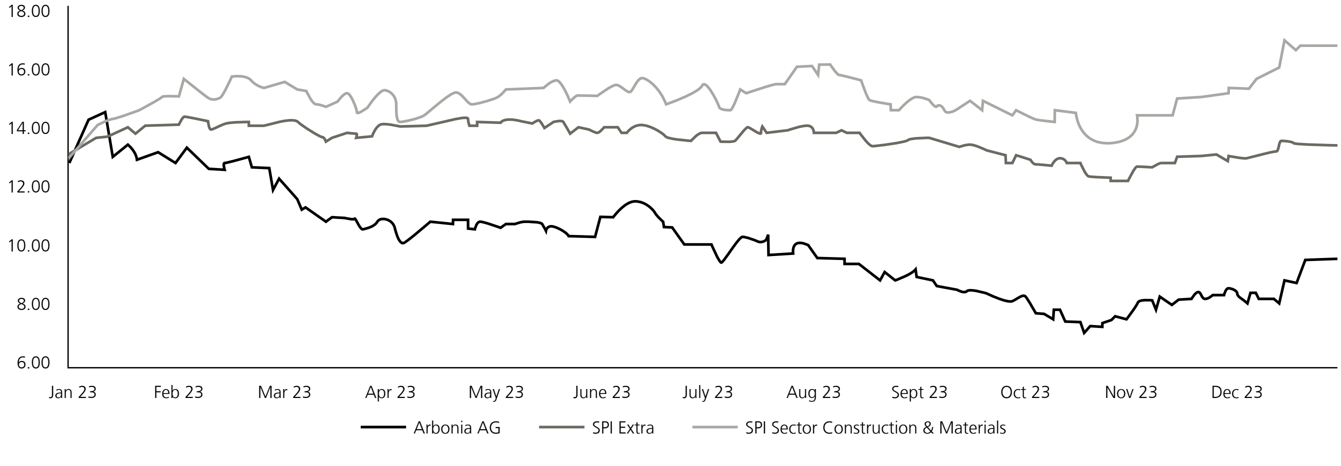
Capital market review

The start of 2023 was characterised by a spirit of optimism when energy prices fell as the result of a mild winter and this had a positive effect on inflation. Relatively quickly, however, the mood again changed to one of disappointment when it became apparent that the economy was in a difficult position and that inflation was a much more stubborn issue than previously thought. This led to a feeling of uncertainty, as a result of which trading volumes on the stock markets decreased significantly and volatility increased. This phase was also marked by runs on several American banks, followed by the collapse of Credit Suisse, spark-ing concerns of a new financial crisis. Subsequently, significant market corrections occurred but share prices were able to recover again once Credit Suisse was taken over by UBS. Throughout the spring, the central banks progressively increased their interest rates in ef-forts to combat stubborn levels of inflation. For example, the base rate of the Swiss National Bank increased to 1.5 % in the spring and ultimately to 1.75 % in the summer. These two factors, coupled with the resulting economic downturn, led overall to share prices falling continually from May on-wards. This trend was accelerated with the Hamas attack on Israel, which resulted in a significant market correction. Once they had recovered from this short-term shock, the markets launched a comeback at the end of the year, spurred on by more positive economic news and the prospect of initial cuts to interest rates. This meant that the SPI Extra increased by 3.7 % for the year as a whole, while the Construction & Materials sec-tor index, underpinned by the index heavyweights of Geberit, Holcim, and Sika, even rec-orded a rise of 29.4 %.

The Arbonia share initially recorded a positive start to the year 2023 and reached its high point for the year in January (CHF 14.52 / +12.4 %). However, this positive start was halted by the profit warning issued due to the lack of demand, particularly in the second half of the year.

Shortly before and at the time the net earnings for 2022 were published in February, the price of the Arbonia share fell further against comparative values and stabilised at around CHF 11.00 (–14.8 %). After a brief recovery phase, the share price fell once again from mid-June onwards, as was the case for many other shares. This primarily happened when it be-came apparent that the (construction) economy, and the German construction industry in particular, was being affected by the economic downturn. On 20 July, Arbonia announced job cuts, as did many companies during this phase. In step with many other companies, Arbonia also suspended its annual targets as a result, meaning that the publications of the half-year results subsequently attracted barely any attention. Also in line with general mar-ket trends, the Arbonia share finally hit its low point for the year in October when it fell to CHF 7.20 (–44.3 %).

By the end of the year, however, the shares were able to recover again, meaning the Arbon-ia share regained some of the ground it had lost in terms of performance. In the previous year (2022), Arbonia performed better than expected in relative terms, despite its poor ab-solute performance. This year, however, it remained below its targets and ended the year with a share price of CHF 9.63 (–25.5 %). This is likely to be related above all to the high revenue share in Germany and the uncertain development of the construction industry in this important market, which has arisen due to political discussions. The shares of other building suppliers such as Meier Tobler (–9.9 %), Forbo (–3.1 %), and Zehnder (–4.1 %) suffered fewer losses despite being exposed to similar effects.



Further information

ISIN	Securities number	Symbol	Bloomberg code	Refinitiv code
CH0110240600	11 024 060	ARBN	ARBN SW	ARBNO.S
Listed shares:	69 473 243		**Nominal value:**	CHF 4.20

Dates

19 April 2024
37. Annual General Meeting

27 August 2024
Publication of first semester results 2024

4 March 2025
Financial media orientation and Analysts' conference
on the 2024 financial year (Annual results incl. revenues)

25 April 2025
38. Annual General Meeting

Glossary

Air handling unit Ventilation system for large-scale use in residential, office and business premises. Outside air is supplied to the rooms and "used" or polluted exhaust air is discharged. It transports, filters, heats, cools and disinfects the air.

Market capitalisation A company's stock market value. It is calculated using the number of shares x the current share price.

Cascade utilisation In a cascade connection for heat pumps, several heat pump circuits are linked together to maximise the efficiency gain and extend the range of applications. The heat recovered in the first stage is used as input for the next stage. This makes it possible to achieve higher temperatures than a single stage alone could.

Cash flow Positive or negative surplus cash arising from commercial activity, measured over a certain period. Cash flow can be used to evaluate how financially strong a company is.

Cash flow from operating activities Describes the liquid funds generated by the business activity in a given period. The operating cash flow includes the net income for the year, changes in depreciation, amortization, provisions and current assets.

Combined heat and power (CHP) The simultaneous generation of mechanical energy and usable heat produced in a joint thermodynamic process. The mechanical energy is usually converted directly into electrical power. The heat is used for heating purposes. The advantage of CHP is the reduced fuel requirement for simultaneous electricity and heat production, which greatly reduces greenhouse gas emissions. CHP can be used with almost any fuel and heat source.

Controlled residential ventilation A mechanical form of ventilation, used for ventilating residences with heat recovery. An integrated heat exchanger is used to transfer heat energy from the exhaust air to the outside air supply. Residential ventilation ensures that air is replaced in the building at a defined rate, creating a hygienic means of air exchange.

EBIT Earnings Before Interests and Taxes A company's operating results before interest and taxes are taken into account.

EBIT margin Indicates EBIT in relation to revenue.

EBITDA Earnings Before Interests and Taxes, Depreciations and Amortisation A company's operating results before interest, taxes, depreciation and amortisation are taken into account. EBITDA is one of the most meaningful figures in evaluating a company's earning power.

EBITDA margin Indicates EBITDA in relation to revenue.

Equity ratio Indicates the shareholders' equity in relation to total capital. It is used to assess a company's financial capacity and stability. If the equity ratio is high, you can assume that the company is less dependent on third-party funds.

Fan coil Depending on the temperature of the flow water for a connected water heater/chiller, fan coils are able to heat, cool and dehumidify a room, and are able to provide ventilation and the option of filtering indoor air. This results in maximum comfort with optimum room air quality. A fan radiator is able to heat (but not cool) a room by means of convection when the fan is switched off.

Free cash flow The operating cash flow minus cash flow from investing activities; illustrates how much cash remains free for shareholder dividends and/or any repayment of debt financing that may be required.

Heat pump Draws its heat energy from the air, groundwater or soil, and uses this extremely efficiently to generate the heat required for heating drinking water and rooms. Compared to heat pumps, no other kind of heat generator is a more environmentally sustainable solution or is more fit for the future.

Net debt The total that remains when cash and cash equivalents are deducted from non-current liabilities. This expresses how much money would be needed to repay loans if the liquid assets were already used up and the company had to liquidate fixed and current assets.

Volume-weighted average price (VWAP) Indicates the volume-weighted average price of a security in a given period.

History

In **1874,** Franz Josef Forster opened a coppersmith's shop producing hot-water bottles, cookware and other receptacles. The company changed its name to Hermann Forster AG in 1922. By this time, it was manufacturing steel tubes.

In **1904,** Karl Schnitzler set up a factory to make heat exchangers under the Arbonia brand.

In **1954,** Arbonia AG was established.

In **1973,** the majority of the shares in Hermann Forster AG were transferred to Arbonia AG, which had been wholly owned by Jakob Züllig since 1959. The Arbonia-Forster Group comprised Hermann Forster AG (steel tubes technology, kitchens and refrigeration equipment), Arbonia AG (radiators and heaters), Asta AG (road transport) and Buhler-Regina AG (embroidery supplies).

In **1987,** AFG Arbonia-Forster-Holding AG was registered with the commercial register with CHF 30 million in share capital. A year later, the company was listed on the stock exchange.

In **1999,** Jakob Züllig, majority shareholder and Chairman of the Board of Directors, died. Prolux Heizkörper AG was bought in the same year.

In **2001,** AFG took over the German company Kermi GmbH, which provided a major boost for its radiator and shower stall business.

In **2003,** the Züllig estate sold its majority interest to Dr Edgar Oehler, the new CEO and Chairman of the Board of Directors.

In **2004,** there were three acquisitions: Bruno Piatti AG, Dietlikon ZH (CH); EgoKiefer AG, Altstätten SG (CH); and Spedition Gächter GmbH, Stachen-Arbon TG (CH).

In **2005,** there followed a further acquisition: in September, AFG acquired Miele Kitchens, based in Warendorf (D), from the German company Miele & Cie. KG, based in Gütersloh (D).

In **2006,** the Group acquired Schmidlin ASCO Swiss AG, Zwingen BL. The company specialises in underfloor convectors which, alongside their conventional heating function, can also be used for cooling.

In **2007,** AFG acquired STI Surface Technologies International Holding AG, Steinach SG (CH) and RWD Schlatter AG, Roggwil SG (CH). In September, AFG acquired the British company Aqualux Products Holdings Ltd.

In **2008,** AFG took over Slovaktual s.r.o., Slovakia's leading windows manufacturer. In October, AFG set up a new Asia Pacific regional branch with headquarters in Shanghai (CN).

In **2009,** AFG presented its new Warendorf brand of kitchens. This represents the successor to the Miele Kitchens (Miele Die Küche) brand.

In **2010,** shareholders at AFG's ordinary General Meeting approved the abolition of the hitherto unequal weighting of registered shares and bearer shares, introducing a single class of registered shares.

In **2011,** Edgar Oehler was succeeded as Chairman of the Board of Directors by Paul Witschi on 29 April and as CEO by Daniel Frutig on 1 June.

In **2012,** AFG sold its transport and logistics business Asta, its British subsidiary Aqualux and the German company Warendorf. With the acquisition of the Polish window manufacturer Dobroplast, it focused on expanding one of its core business areas.

In **2013,** AFG intensified its focus on its core business based on building envelope and interior. It sold off Forster Refrigeration Technology as well as Forster Precision Steel Tubes.

In **2014,** the AFG kitchen business and the STI Group were sold. AFG acquired Sabiana, a market leader in commercial heating, ventilation and air-conditioning. Artemis Beteiligungen I AG, led by Michael Pieper, became AFG's new main shareholder.

In **2015,** the General Meeting elected Alexander von Witzleben as the new Chairman of the Board of Directors. In July, he also assumed the role of interim CEO. In August, the Board of Directors decided to relocate the production plants to other European countries as a result of significant pressure from competition. The Eastern German window manufacturer Wertbau GmbH was also acquired in August. As part of a capital increase carried out with the aim of strengthening the Group's financial standing, Artemis Beteiligungen I AG reaffirmed its commitment to the Group and, by the end of the year, had increased its stake to just under 28 %.

In **2016,** AFG acquired the Koralle Group, a specialist in sanitary facilities. The move marks an expansion of the Building Technology Division's product range and will help it enhance its position in the core markets of Switzerland, Germany and Austria with a lasting effect. In September, AFG announced the takeover of the Looser Group, which is also active in the building supply business and consists of two main arms: doors (Prüm, Garant and Invado) and industrial services (Condecta). This transaction represents an important step in AFG's efforts to achieve its strategic goal of becoming a leading European building supplier. As part of this transaction, AFG Arbonia-Forster-Holding AG was renamed Arbonia AG.

In **2017,** Arbonia's takeover of the Looser Group can come to a successful conclusion. Looser's Coatings business is sold in full in the first half of the year. In November, Arbonia is also selling Looser's Condecta Group. With the sale of the Profile Systems Business Unit in December, Arbonia will continue to focus on its three core areas of building technology, windows and doors. Following the split of the Building Technology Division in January 2018, this will become four core areas: HVAC, sanitary equipment, windows and doors.

In **2018**, Arbonia is taking an active part in the European market consolidation process in the area of design and steel panel radiators by acquiring the Belgian company Vasco Group for its Heating, Ventilation and Air Conditioning Division. The acquisition will expand its geographical footprint and strengthen the division's range of products.

2019 stands for the Arbonia Group's commitment to development and optimization of its business models. The restructuring phase begun in 2015 is completed this year. In January, the company founds ARBONIA DIGITAL. This independently operating subsidiary pursues the goal of working together with the divisions to create digital solutions, services and business models that focus on customers and their needs. Also in January, the Doors Division, together with the Berlin-based PropTech company KIWI GmbH, presents a fully integrated, digital access solution for residential entrance doors for the first time at the BAU trade fair in Munich. In October, Arbonia opens its new production site for panel radiators in Russia, which will enable the HVAC Division to achieve further growth in Eastern European markets, especially in Russia.

2020 is a successful year for Arbonia, although it is challenging due to the COVID 19 pandemic. Arbonia continues to focus on the relevant drivers of energy efficiency, urbanisation, digitalisation and automation. It is continuing to push ahead with the expansion and modernisation of its production capacities in all divisions and at all locations.

In **2021,** Arbonia is focusing on accelerating the further development of its two divisions, Heating, Ventilation and Air Conditioning (HVAC) and Doors, primarily through organic growth but also through acquisitions. The former Sanitary Equipment Division is being integrated into the Doors Division at the beginning of July and the Windows Division is being sold.

2022 is a challenging year due to material price increases, the energy crisis, supply bottlenecks and the strength of the Swiss franc. However, Arbonia continues to focus on the further development of modern products for energy-efficient and self-sufficient buildings, such as heat pumps, ventilation systems, underfloor heating and battery storage. In the doors segment, the new door frame plant in Prüm (D) opened, and the construction of the new logistics centre in Roggwil (CH) will shorten delivery times for customers in Switzerland. In July, Arbonia acquires the German company joro türen GmbH, a manufacturer of special project doors. In December, it signs the purchase agreement for the Portuguese HVAC distribution company Cirelius S.A. in order to increase its activities in Portugal and Spain.

In **2023**, Arbonia's core markets, in particular Germany, Benelux and Eastern Europe, suffered from high construction costs and interest rate increases. As a cost-cutting measure, the Climate Division has announced that it will relocate the production capacity of design radiators from the Belgian Vasco production site in Dilsen (BE) to its highly automated plant in Stříbro (CZ). The new door plant of the future in Prüm (DE) where the new combined heat and power plant is currently being ramped up, demonstrates how productivity and ecological aspects can be harmonised.

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Publisher
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Design / Layout
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Portrait photos
Bodo Rüedi, St.Gallen (CH)

Translation
Transline Deutschland GmbH, Reutlingen (D)

Print
Brüggli Medien, Romanshorn (CH)

Online report
NeidhartSchön AG, Zürich (CH)

Consulting Sustainability Report
Accenture GmbH, Kronberg im Taunus (D)

Editorial deadline
20 February 2024

This Annual Report is published in German and English.
The original language is German.

www.arbonia.com/report2023

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