

**FINANCIAL
STATEMENTS
ARBONIA AG**

Income statement

	Note	2018		2017	
		in 1 000 CHF	in %	in 1 000 CHF	in %
Dividend income		20 000		2 000	
Financial income	2.7	29 122		11 487	
Other operating income		15		20	
Total income		49 137	100.0	13 507	100.0
Financial expenses	2.8	-25 531	-52.0	-23 273	-172.3
Personnel expenses		-890	-1.8	-961	-7.1
Other operating expenses	2.9	-5 372	-10.9	-5 438	-40.3
Total expenses		-31 793	-64.7	-29 672	-219.7
Net profit/loss for the year		17 344	35.3	-16 165	-119.7

The notes on pages 182 to 185 are an integral part of these financial statements.

Balance sheet

	Note	31/12/2018		31/12/2017	
		in 1 000 CHF	in %	in 1 000 CHF	in %
Assets					
Cash and cash equivalents		43 625		17 265	
Other receivables					
Third parties		105		99	
Shareholdings		223 147		136 701	
Deferred expenses		28		30	
Financial assets		10 000			
Current assets		276 905	20.9	154 095	12.9
Loans to shareholdings		257 048		250 068	
Investments	2.1	788 812		788 812	
Non-current assets		1 045 860	79.1	1 038 880	87.1
Total assets		1 322 765	100.0	1 192 975	100.0

	Note	31/12/2018		31/12/2017	
		in 1 000 CHF	in %	in 1 000 CHF	in %
Liabilities and shareholders' equity					
Accounts payable					
Third parties		13		80	
Shareholdings		493		7	
Interest bearing liabilities	2.2				
Bank loans		20 000		103 672	
Shareholdings		154 898		109 396	
Other liabilities					
Third parties		232		47	
Shareholdings		48			
Accruals and deferred income		2 373		1 770	
Current liabilities		178 058	13.5	214 972	18.0
Interest bearing liabilities	2.3				
Promissory note loan		146 975			
Non-current liabilities		146 975	11.1		
Total liabilities		325 033	24.6	214 972	18.0
Share capital	2.4	291 788		291 788	
Legal capital reserves					
Capital contribution reserve	2.5	483 138		483 138	
Other capital reserves		42 812		42 812	
Voluntary reserves					
Free reserves		19 137		17 916	
Retained earnings		158 114		174 279	
Net profit/ loss for the year		17 344		-16 165	
Treasury shares	2.6	-14 601		-15 765	
Shareholders' equity		997 732	75.4	978 003	82.0
Total liabilities and shareholders' equity		1 322 765	100.0	1 192 975	100.0

The notes on pages 182 to 185 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

1.1 General information

These financial statements 2018 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, have individual specific valuation allowances been booked.

1.3 Financial assets/non-current loans

Financial assets consist of short-term loans to third parties and long-term loans to shareholdings and are valued at cost reduced by required impairments. Loans denominated in foreign currencies are converted at the current closing rate. Unrealised exchange losses are recorded immediately whereas unrealised exchange gains are not recorded (impairity principle).

1.4 Treasury shares

Treasury shares are recognised at acquisition date at cost as a negative item in equity. In a subsequent sale or delivery in the context of the share based payments, profit or loss arising from the sale of treasury shares is recognised directly in equity under voluntary reserves.

1.5 Share based payments

A share based payment plan exists for members of the Board of Directors. Under this plan, members receive a minimum of 50% of their compensation in shares. The determination of the number of shares is based on the volume weighted average share price of 20 trading days, less a 20% discount for the restriction period. These shares granted have a restriction period of four years. The fair value of the equity compensation instruments is determined at the grant date and recorded to the income statement as personnel expenses with a corresponding offsetting entry to equity.

1.6 Interest bearing liabilities

Interest bearing liabilities are accounted for at nominal value. Long-term loans denominated in foreign currencies are converted at the current closing rate. Unrealised exchange losses are recorded immediately whereas unrealised exchange gains are not recorded (impairity principle).

2 Information and notes to the financial statements

2.1 Investments

Company	31/12/2018		31/12/2017	
	Share capital in 1 000 CHF	Capital and voting interest in %	Share capital in 1 000 CHF	Capital and voting interest in %
AFG Schweiz AG, Arbon	1 000	100.00 %	1 000	100.00 %
AFG International AG, Arbon	1 000	100.00 %	1 000	100.00 %
Arbonia Management AG, Arbon	250	100.00 %	250	100.00 %
Arbonia Services AG, Arbon	250	100.00 %	250	100.00 %
Looser Holding AG, Arbon			32 047	100.00 %

All subsidiaries directly or indirectly held by Arbonia AG are disclosed in note 60 in the notes to the consolidated financial statements of Arbonia Group.

2.2 Current interest bearing liabilities

	31/12/2018	31/12/2017
	in 1 000 CHF	in 1 000 CHF
Bank loans – syndicated loan	20 000	103 672
Loans to shareholdings	154 898	109 396
Total	174 898	213 068

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

2.3 Non-current interest bearing liabilities

	31/12/2018	31/12/2017
	in 1 000 CHF	in 1 000 CHF
Promissory note loan	146 975	
Total	146 975	

On 20 April 2018, Arbonia has taken up a promissory note loan in the amount of EUR 125 million with maturities of five, seven and ten years.

Maturity structure

	31/12/2018	31/12/2017
	in 1 000 CHF	in 1 000 CHF
Within 5 years	70 548	
Over 5 years	76 427	
Total	146 975	

2.4 Share capital

Refer to note 47 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 2017) as capital contribution within the meaning of article 5 para. 1^{bis} VStG.

2.6 Treasury shares

	2018			2017		
	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	16	994 148	15 765	13	664 351	8 576
Purchase				17	718 391	12 074
Transfer for share based payments	17	-140 094	-2 384	17	-143 953	-2 454
Sale				17	-244 641	-4 280
Gain (+) / loss (-)			1 220			1 849
Balance at 31/12	17	854 054	14 601	16	994 148	15 765

2.7 Financial income

Financial income totals CHF 29.1 million (2017: CHF 11.5 million) and consists mainly of interest income on loans to shareholdings and foreign currency exchange gains.

2.8 Financial expenses

Financial expenses totals CHF 25.5 million (2017: CHF 23.3 million) and consists mainly of bank interest and foreign currency exchange losses.

2.9 Other operating expenses

	2018	2017
	in 1 000 CHF	in 1 000 CHF
Administrative costs	4 925	4 799
Consultancy and audit fees	287	384
Other operating expenses	159	255
Total	5 372	5 438

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:

	31/12/2018	31/12/2017
UBS AG		
in favour of AFG Immobilien AG in 1 000 CHF	3 465	3 465
St. Galler Kantonalbank		
in favour of EgoKiefer AG in 1 000 CHF	340	1 000
UniCredit Bank		
in favour of Kermi GmbH in 1 000 EUR	648	1 500
in favour of Wertbau GmbH in 1 000 EUR	2 163	2 500
in favour of Dobroplast Fabryka Okien sp. z o.o. in 1 000 EUR	963	

3.2 Contingent liabilities

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

3.3 Major shareholders

	31/12/2018	31/12/2017
	Voting and capital interest	Voting and capital interest
Artemis Beteiligungen I AG	22.07 %	21.53 %

3.4 Headcount in full-time equivalents

Arbonia AG does not employ any staff.

3.5 Disclosure of shareholding

The following members of the Board of Directors and the Group Management (including related parties) held the following number of shares of Arbonia AG:

	31/12/2018	31/12/2017
	Number of registered shares	Number of registered shares
Alexander von Witzleben (Chairman of the BoD and Group Management)	275 651	171 984
Peter Barandun (Member of the BoD)	27 412	23 801
Peter E. Bodmer (Member of the BoD)	15 341	12 813
Markus Oppliger (Member of the BoD)	20 446	17 557
Heinz Haller (Member of the BoD)	100 000	51 260
Michael Pieper (Member of the BoD)	15 329 516	14 954 493
Thomas Lozser (Member of the BoD)	366 074	397 294
Rudolf Huber (Member of the BoD until 20/04/2018)		129 873
Felix Bodmer (Group Management)	74 187	68 168
Knut Bartsch (Group Management)	45 127	39 252
Harald Pichler (Group Management)	22 195	9 556
Peter Spirig (Group Management)	8 194	2 733
Ulrich Bornkessel (Group Ma- nagement from 01/01/2018)	9 724	
Total	16 293 867	15 878 784

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors will propose at the Annual General Meeting of the shareholders on 12 April 2019 the following:

Appropriation of retained earnings

	2018	2017
	in 1 000 CHF	in 1 000 CHF
Retained earnings carried forward from previous year	158 114	174 279
Net profit/loss for the year	17 344	- 16 165
Retained earnings	175 458	158 114
Retained earnings carried forward	175 458	158 114
Total	175 458	158 114

Appropriation of capital contribution reserve

	2018	2017
	in 1 000 CHF	in 1 000 CHF
Carry forward from previous year	483 138	483 138
Withholding tax free distribution ¹	- 13 895	
Capital contribution reserve	469 243	483 138

¹ No distribution for treasury shares at the time of payment.



Statutory Auditor's Report

To the General Meeting of Arbonia AG, Arbon

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arbonia AG, which comprise the balance sheet as at 31 December 2018, 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 179 to 185) for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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



Valuation of investments and loans due from shareholdings

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



Valuation of investments and loans due from shareholdings

Key Audit Matter

The financial statements of Arbonia AG as at 31 December 2018 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 480.2 million. The company reviews the individual investments and loans due from shareholdings for impairment annually.

The impairment assessment of investments and loans due from shareholdings requires significant management judgment, and is therefore a key area of audit focus.

Our response

During our audit, we assessed management's impairment review of the investments and the loans due from shareholdings.

Amongst others, we performed the following audit procedures:

- Comparing the carrying amounts of the investments with the equity of the relevant companies, in some cases considering the pro-rata net assets of indirect investments or relying on management's impairment reviews that had already been assessed during the group audit;
- Assessing the recoverability of loans due from shareholdings by analyzing the equity position of the borrower.

For further information on Valuation of investments and loans due from shareholdings refer to the following:

- Note 1.2 „Other current receivables“, page 182
- Note 1.3 „Financial assets/non-current loans“, page 182
- Note 2.1 „Investments“, page 183

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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

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

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

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

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

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

Oliver Eggenberger
Licensed Audit Expert

St. Gallen, 19 February 2019