

Financial Statements

Arbonia AG

Income Statement

	Note	2019		2018	
		in 1 000 CHF	in %	in 1 000 CHF	in %
Dividend income		30 000		20 000	
Financial income	2.7	12 687		29 122	
Other operating income		8		15	
Total income		42 695	100.0	49 137	100.0
Financial expenses	2.8	-13 131	-30.8	-25 531	-52.0
Personnel expenses		-960	-2.2	-890	-1.8
Other operating expenses	2.9	-4 803	-11.2	-5 372	-10.9
Total expenses		-18 894	-44.3	-31 793	-64.7
Net profit		23 801	55.7	17 344	35.3

The notes on pages 164 to 167 are an integral part of these financial statements.

Balance sheet

	Note	31/12/2019		31/12/2018	
		in 1 000 CHF	in %	in 1 000 CHF	in %
Assets					
Cash and cash equivalents		35 628		43 625	
Other receivables					
Third parties		129		105	
Shareholdings		273 379		223 147	
Deferred expenses		27		28	
Financial assets				10 000	
Current assets		309 163	22.9	276 905	20.9
Loans to shareholdings		250 171		257 048	
Investments	2.1	788 812		788 812	
Non-current assets		1 038 984	77.1	1 045 860	79.1
Total assets		1 348 146	100.0	1 322 765	100.0

	Note	31/12/2019		31/12/2018	
		in 1 000 CHF	in %	in 1 000 CHF	in %
Liabilities and shareholders' equity					
Accounts payable					
Third parties		58		13	
Shareholdings		17		493	
Interest bearing liabilities -	2.2				
Bank loans		30 000		20 000	
Shareholdings		157 115		154 898	
Other liabilities					
Third parties		214		232	
Shareholdings		20		48	
Accruals and deferred income		2 320		2 373	
Current liabilities		189 745	14.1	178 058	13.5
Interest bearing liabilities	2.3				
Promissory note loan		146 975		146 975	
Non-current liabilities		146 975	10.9	146 975	11.1
Total liabilities		336 720	25.0	325 033	24.6
Share capital	2.4	291 788		291 788	
Legal capital reserves					
Capital contribution reserve	2.5	469 402		483 138	
Other capital reserves		42 812		42 812	
Voluntary reserves -					
Free reserves		17 266		19 137	
Retained earnings		175 458		158 114	
Net profit		23 801		17 344	
Treasury shares	2.6	-9 102		-14 601	
Shareholders' equity		1 011 426	75.0	997 732	75.4
Total liabilities and shareholders' equity		1 348 146	100.0	1 322 765	100.0

The notes on pages 164 to 167 are an integral part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

1.1. General information

These financial statements 2019 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

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	31/12/2019		31/12/2018	
	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

	31/12/2019	31/12/2018
	in 1 000 CHF	in 1 000 CHF
Bank loans – syndicated loan	30 000	20 000
Loans to shareholdings	157 115	154 898
Total	187 115	174 898

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 CHF 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.

2.3. Non-current interest bearing liabilities

	31/12/2019	31/12/2018
	in 1 000 CHF	in 1 000 CHF
Promissory note loan	146 975	146 975
Total	146 975	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

	31/12/2019	31/12/2018
	in 1 000 CHF	in 1 000 CHF
Within 5 years	70 548	70 548
Over 5 years	76 427	76 427
Total	146 975	146 975

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 2018) as capital contribution within the meaning of article 5 para. 1bis VStG.

2.6. Treasury shares

	2019			2018		
	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	17	854 054	14 601	16	994 148	15 765
Transfer for share based payments	11	-321 674	-3 629	17	-140 094	-2 384
Gain (+)/loss (-)			-1 870			1 220
Balance at 31/12	17	532 380	9 102	17	854 054	14 601

2.7. Financial income

Financial income totals CHF 12.7 million (2018: CHF 29.1 million) and consists mainly of interest income on loans to shareholdings and foreign currency exchange gains.

2.8. Financial expenses

Financial expenses totals CHF 13.1 million (2018: CHF 25.5 million) and consists mainly of bank interest and foreign currency exchange losses.

2.9. Other operating expenses

	2019	2018
	in 1 000 CHF	in 1 000 CHF
Administrative costs	4 584	4 925
Consultancy and audit fees	184	287
Other operating expenses	35	159
Total	4 803	5 372

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:

		31/12/2019	31/12/2018
UBS AG			
in favour of AFG Immobilien AG	in 1 000 CHF	3 455	3 465
in favour of Prolux Solutions AG	in 1 000 CHF	25	
St. Galler Kantonalbank			
in favour of EgoKiefer AG	in 1 000 CHF	340	340
UniCredit Bank			
in favour of Kermi GmbH	in 1 000 EUR	659	648
in favour of Wertbau GmbH	in 1 000 EUR	1 755	2 163
in favour of Dobroplast Fabryka Okien sp. z o.o.	in 1 000 EUR	15	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

	31/12/2019	31/12/2018
	Voting and capital interest	Voting and capital interest
Artemis Beteiligungen I AG	22.07 %	22.07 %

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:

	31/12/2019	31/12/2018
	Number of registered shares	Number of registered shares
Alexander von Witzleben (Chairman of the BoD and Group Management)	359 864	275 651
Peter Barandun (Member of the BoD)	36 888	27 412
Peter E. Bodmer (Member of the BoD)	21 974	15 341
Markus Oppliger (Member of the BoD)	25 184	20 446
Heinz Haller (Member of the BoD)	106 633	100 000
Michael Pieper (Member of the BoD)	15 335 202	15 329 516
Thomas Lozser (Member of the BoD)	366 074	366 074
Daniel Wüest (Group Management from 01/04/2019)	10 000	
Knut Bartsch (Group Management)	54 713	45 127
Harald Pichler (Group Management)	35 224	22 195
Peter Spirig (Group Management)	15 301	8 194
Ulrich Bornkessel (Group Management)	20 659	9 724
Felix Bodmer (Group Management until 30/06/2019)		74 187
Total	16 387 716	16 293 867

Proposal of the Board of Directors

The Board of Directors will propose at the Annual General Meeting of the shareholders on 24 April 2020 the following:

Appropriation of Retained Earnings

	2019	2018
	in 1 000 CHF	in 1 000 CHF
Retained earnings carried forward from previous year	175 458	158 114
Net profit for the year	23 801	17 344
Retained earnings	199 259	175 458
Distribution of a dividend ¹	-7 642	
Retained earnings carried forward	191 617	175 458

Appropriation of capital contribution reserve

	2019	2018
	in 1 000 CHF	in 1 000 CHF
Carry forward from previous year	469 402	483 138
Withholding tax free distribution ¹	-7 642	-13 895
Plus non distribution for treasury shares		159
Capital contribution reserve carried forward	461 760	469 402

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 2019, 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 162 to 167) for the year ended 31 December 2019 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 2019 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 523.6 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 164
- Note 1.3 „Financial assets/non-current loans“, page 164
- Note 2.1 „Investments“, page 165

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 light blue horizontal line.

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

A handwritten signature in black ink, appearing to read 'O. Eggenberger', written over a light blue horizontal line.

Oliver Eggenberger
Licensed Audit Expert

St. Gallen, 19 February 2020