

To the General Meeting of  
Bauwerk Boen AG, Wallisellen

Zurich, 7 April 2020

## Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Bauwerk Boen AG, which comprise the consolidated balance sheet, the consolidated statement of income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, for the year ended 31 December 2019.



### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2019 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.



### **Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

#### **Valuation of inventory**

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**Area of focus** The total balance of net inventories as of 31 December 2019 amounts to 91.734 million representing approximately 37% of the total assets of the consolidated financial statements of Bauwerk Boen AG. We focused on this position because the net inventories are material to the consolidated financial statements, involve judgment and are subject to uncertainty due to market demand changes and exchange rates.

See the "Valuation guidelines/valuation principles" on page 14 and Note 11 "Inventories" in the notes to the consolidated financial statements on page 22.

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**Our audit response** We assessed the process, methods and assumptions used to identify slow moving, excess or obsolete items and to calculate the related allowance. We compared the assumptions used to determine the allowance with historical data from the past. We tested the reliability of the underlying data used by management to calculate the inventory allowance, including re-performing the aging calculation driven by the system. We also tested the accuracy of the calculation. Furthermore, we compared the net realizable value with the carrying value for a sample of products to identify a need for impairment.

Our audit procedures did not lead to any reservations regarding to the valuation of inventories.



### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Licensed audit expert  
(Auditor in charge)

Licensed audit expert

**Enclosures**

- ▶ Consolidated financial statements (consolidated statement of income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and notes)

# **Bauwerk Boen AG, Wallisellen**

Annual Report 2019

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## **Company profile**

Bauwerk Boen AG operates as the parent company of the Bauwerk Boen Group and holds its parent undertaking, Bauwerk Parkett AG, St. Margrethen, a 100% investment.

The merger of the Swiss Bauwerk Group and the Norwegian Boen Group took place as of 22 May 2013. In the course of this merger, Bauwerk Parkett AG acquired all shares in Boen AS, Tveit (NO) which operates as the parent company of the Boen Group.

In addition to its operating activities, Bauwerk Parkett AG, St. Margrethen thus holds interests in the following companies:

- Bauwerk Parkett Vertriebs GmbH, Salzburg (A)
- Bauwerk Parkett GmbH, Bodelshausen (D)
- Bauwerk France Sarl, Viviers Du Lac (F)
- Bauwerk Boen Logistics GmbH, Bodelshausen (D)
- Bauwerk Boen Group Asia Ltd, Hong Kong (HK)
- Bauwerk Boen d.o.o., Durdevac (HR)
- Boen AS, Tveit (NO)
- Bauwerk Parquet Aftersales S.r.l., Milano (IT)
- Boen Sverige AB, Vellinge (SE)

In turn, Boen AS, Tveit holds investments in:

- Boen Bruk AS, Tveit (NO)
- UAB Bauwerk Boen, Vilnius (LT)
- Boen Deutschland GmbH, Mölln (D)
- Boen Parkett Deutschland GmbH & Co, Mölln (D)
- Boen UK Ltd, Hartlebury (UK)
- Boen Hardwood Flooring Inc., Daytona Beach (US)
- AO Dominga Nik, Jasenskoe (RU)

The parent Bauwerk Parkett AG – based in St. Margrethen (Switzerland) – was founded in 1944. The company has been developing and producing massive parquet and two-layer parquet for full-area bonding for more than 70 years.

Boen AS based in Tveit (NO) was founded in 1641 and has been producing parquet since 1966. The main segment these days is three-layer-parquet which is sold all over the world.

The Bauwerk Boen Group consists of two mostly independent trademark organisations – Bauwerk and Boen – and a shared and uniform supply chain and shared service organisation.

The BAUWERK trademark organisation focuses on the target group of floor layers, the two-layer parquet to be bonded over the entire surface and the classic mosaic parquet, while the BOEN trademark organisation focuses on the wholesale target group and the worldwide three-layer parquet business. Another mainstay of the BOEN trademark organisation is sports flooring made of wood. Both trademark organisations complement their line of merchandise by massive parquet and commercial products such as baseboards and other items for the installation of side products relevant for parquet flooring.

## **Bauwerk Boen AG, Wallisellen**

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The Bauwerk Boen Group focuses its production activities in three locations in Europe. Thus, it produces high-quality country style floorboards made of two-layer parquet in St. Margrethen/Switzerland and all other parquet flooring in Kietavsikes/Lithuania and in the factory in Durdevac/Croatia.

Together, the two trademark organisations sell approx. 8.8 million m<sup>2</sup> of parquet flooring per year. The markets - Switzerland, Norway, Germany, Austria, the United Kingdom, France, Sweden, Italy, USA and Asia are served by local subsidiaries. Some key group functions, such as Group Management, Controlling, Human Resources, IT, Research & Development, and Procurement & Logistics, are located at the group's administrative headquarters in Switzerland.

The Bauwerk Boen Group has about 1,600 employees at the end of 2019.

These consolidated financial statements are a translation. The legally binding consolidated financial statements approved by the Board of Directors is the German version of this report.

## **Report to shareholders**

Dear shareholders

In a challenging market environment, Bauwerk Boen Group increased its profitability in the 2019 financial year despite declining sales volumes. This was due on the one hand to price increases and a better customer and product mix, and on the other hand to the efficiency measures in production that have been successfully implemented in recent years, particularly at the plant in Croatia.

The Bauwerk Boen Group succeeded in expanding and maintaining its market share in a sideways moving and in some cases declining market environment. The 3.2% decline in total volumes is largely due to the termination of cooperation with customers in Sweden and Norway whose projects had become unprofitable. Thus, the situation proved to be challenging particularly in the Scandinavian markets of Norway and Sweden, although market shares in Norway could be increased in a declining market. The important German market remained stable, and the Bauwerk Boen Group was also able to increase its market shares there. In the slightly declining domestic market of Switzerland, the Group was able to maintain its share. Overall, Bauwerk Boen is in a good position to benefit in future when market developments normalize.

Despite continuing overcapacities in the European parquet industry, the Bauwerk Boen Group was able to implement price increases on selected products in the current year. Together with the focusing on a more profitable customer and product mix as well as a normalization in the cost of materials, the Group was able to increase its gross margin. Furthermore, the extensive efficiency measures implemented over the last few years at the Durdevac plant in Croatia are beginning to pay off. As a result, the Group was able to increase the operating EBIT margin by 50 basis points to a gratifying 6.3%.

The consolidated net turnover of the Bauwerk Boen Group amounted to CHF 281.4 million, 3.6% below the previous year (CHF 292.0 million). Adjusted for currency differences when applying the prior-year exchange rates, the decline in turnover amounted to 0.9%.

As a result of the positive operating effects mentioned above, the operating result EBITDA of CHF 29.6 million was 3.3% higher than in the previous year (CHF 28.6 million). The resulting EBITDA margin amounted to 10.5% (9.8% in the previous year). Adjusted for one-off effects, mainly costs related to the efficiency improvement programs in Lithuania and Croatia in 2018, and currency effects, the adjusted gross profit amounted to CHF 31.2 million, corresponding to an EBITDA margin of 10.8%. In the previous year, the adjusted EBITDA margin had been 10.2%. Net income amounted to CHF 12.9 million and was, encouragingly, 33.2% above the previous year's level (CHF 9.7 million), thanks in particular to a much improved financial result from lower interest charges, significantly reduced negative exchange rate effects as well as lower extraordinary expenses. In the current year the effective tax rate was impacted positively by the tax rate reduction of the Canton of St. Gallen from 17.4% to 14.5%, effective 1 January 2020, resulting in a positive effect on deferred taxes as at 31 December 2019, as well as by offsetting current years' taxable profits with losses carry forwards of previous years not capitalized, particularly in Croatia.

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In terms of regional distribution, sales in the important DACH (Germany, Austria, Switzerland) region remained stable overall, while the revenue in Scandinavia declined by 11%. In the export markets outside Europe, particularly Asia and the USA, which again contributed around 8% to Group turnover, sales also declined by 11%.

In the current year, Bauwerk Boen Group was able to increase its free operating cash flow to CHF 18.1 million (previous year CHF -11.1 million) as a result of improved earnings and lower investments in tangible and intangible assets as the investment programs in the production infrastructure was completed in the previous year. Considering the repayment of net liabilities including subordinated shareholder loans in the amount of CHF 11.7 million, cash and cash equivalents increased by CHF 6.4 million to CHF 13.8 million (previous year CHF 7.7 million). The equity ratio including the subordinated shareholder loans improved to 45.0% (previous year 43.8%).

As the trade and economic developments are currently difficult to predict, particularly related to the outbreak of the corona virus, the Bauwerk Boen Group is presently refraining from providing an outlook for the current year. However, thanks to its comprehensive product portfolio, its good market presence and the efficiency measures introduced and already implemented in the production, the Group believes it is in a good position to maintain turnover and further expand profitability in the medium term, provided the situation normalizes.

We thank our employees for their great commitment, dedication and professionalism. Our thanks also go to our business partners, whose great trust enabled the Bauwerk Boen Group to successfully sell our Group's parquet products in a market environment that continues to be challenging.

St. Margrethen, April 2020

Alexander Zschokke, President of the Board of Directors

Klaus Brammertz, CEO



## **Income statement 2019**

(In CHF 1,000)

|   | Note | 2019           | 2018           |
|---|------|----------------|----------------|
| Gross turnover  | 1    | 298,783        | 310,393        |
| Sales reductions  | 1    | -17,400        | -18,395        |
| <b>Net turnover</b>   | 1    | <b>281,383</b> | <b>291,998</b> |
| Other operating income  | 2    | 1,706          | 875            |
| Inventory changes in finished and unfinished goods                    |      | 4,127          | -4,684         |
| Cost of goods sold  |      | -136,193       | -137,264       |
| Personnel expenses  |      | -64,063        | -63,019        |
| Other operating expenses  | 3    | -57,371        | -59,267        |
| <b>Operating result before depreciation and amortisation (EBITDA)</b> |      | <b>29,589</b>  | <b>28,639</b>  |
| Depreciation of tangible fixed assets                                 | 13   | -10,910        | -10,663        |
| Amortisation of intangible assets                                     | 14   | -1,051         | -1,015         |
| <b>Operating result (EBIT)</b>  |      | <b>17,628</b>  | <b>16,961</b>  |
| Financial income  | 4    | 106            | 22             |
| Financial expenses  | 5    | -4,365         | -6,542         |
| <b>Financial result</b>   |      | <b>4,259</b>   | <b>6,520</b>   |
| <b>Ordinary result</b>  |      | <b>13,369</b>  | <b>10,441</b>  |
| Extraordinary income  | 6    | 13             | 95             |
| Extraordinary expenses  | 6    | -765           | -1,534         |
| <b>Earnings before taxes</b>  |      | <b>12,617</b>  | <b>9,002</b>   |
| Taxes   | 7    | 296            | 714            |
| <b>Profit/loss</b>  |      | <b>12,913</b>  | <b>9,716</b>   |
| Result per share in CHF<br>(undiluted and diluted)                    | 23   | 0.17           | 0.13           |

## **Balance sheet as of 31 December 2019**

(In CHF 1,000)

|                                | Note | <u>31/12/2019</u>            | <u>31/12/2018</u>            |
|--------------------------------|------|------------------------------|------------------------------|
| <b>Assets</b>                  |      |                              |                              |
| Cash and cash equivalents      | 8    | 13,784                       | 7,667                        |
| Accounts receivable            | 9    | 28,841                       | 33,872                       |
| Provision for bad debts        |      | -2,299                       | -1,915                       |
| Other receivables              | 10   | 3,515                        | 4,787                        |
| Inventories                    | 11   | 91,734                       | 93,327                       |
| Prepayments and accrued income | 12   | 1,367                        | 2,006                        |
| <b>Current assets</b>          |      | <b><u>136,942</u></b>        | <b><u>139,744</u></b>        |
| Tangible fixed assets          | 13   | 106,547                      | 112,561                      |
| Intangible assets              | 14   | 4,502                        | 4,605                        |
| Financial assets               | 15   | 2,273                        | 2,698                        |
| <b>Non-current assets</b>      |      | <b><u>113,322</u></b>        | <b><u>119,865</u></b>        |
| <b>Total assets</b>            |      | <b><u><u>250,264</u></u></b> | <b><u><u>259,609</u></u></b> |

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(In CHF 1,000)

|  | Note | <u>31/12/2019</u>     | <u>31/12/2018</u>     |
|--|------|-----------------------|-----------------------|
| <b>Equity and liabilities</b>                            |      |                       |                       |
| Current financial liabilities                            | 16   | 17,409                | 9,811                 |
| Accounts payable   | 17   | 11,134                | 14,609                |
| Other short-term liabilities                             | 18   | 6,323                 | 6,895                 |
| Short-term provisions                                    | 21   | 483                   | 526                   |
| Accrued liabilities and deferred income                  | 20   | 10,494                | 9,756                 |
| <b>Current liabilities</b>                               |      | <b><u>45,843</u></b>  | <b><u>41,597</u></b>  |
| Long-term financial liabilities                          | 16   | 110,348               | 129,550               |
| Other long-term liabilities                              | 19   | 421                   | 497                   |
| Long-term provisions                                     | 21   | 11,098                | 11,498                |
| <b>Non-current liabilities</b>                           |      | <b><u>121,867</u></b> | <b><u>141,545</u></b> |
| <b>Total liabilities</b>                                 |      | <b><u>167,710</u></b> | <b><u>183,142</u></b> |
| Share capital  |      | 76,394                | 76,394                |
| Capital reserves   |      | 15,056                | 15,056                |
| Own shares   | 22   | -994                  | -994                  |
| Retained earnings incl. currency translation differences |      | -20,815               | -23,705               |
| Profit/loss  |      | 12,913                | 9,716                 |
| <b>Total equity</b>                                      |      | <b><u>82,554</u></b>  | <b><u>76,467</u></b>  |
| <b>Total equity and liabilities</b>                      |      | <b><u>250,264</u></b> | <b><u>259,609</u></b> |

## Cash flow statement

(In CHF 1,000)

|   | <i>Note</i> | 2019           | 2018           |
|---|-------------|----------------|----------------|
| Profit/loss   |             | 12,913         | 9,716          |
| Depreciation/amortisation and impairment losses                                 | 13/14       | 11,961         | 11,677         |
| Gain/losses from the disposal of non-current assets                             |             | -240           | -69            |
| Other non-cash changes  |             | -2,836         | -2,902         |
| Increase/release of long-term provisions  | 21          | -1,205         | -2,228         |
| <b>Cash flow from operating activities before change in net working capital</b> |             | <b>20,593</b>  | <b>16,194</b>  |
| Changes in accounts receivable  |             | 5,415          | -3,118         |
| Changes in other receivables  | 10          | 1,272          | 1,062          |
| Changes in inventories  | 11          | 1'593          | 3,092          |
| Changes in prepayments and accrued income                                       | 12          | 639            | -1,185         |
| Changes in accounts payable   | 17          | -3,475         | -4,115         |
| Changes in other current liabilities  | 18          | -572           | -591           |
| Changes in accrued liabilities and deferred income and short-term provisions    | 20/21       | 696            | -6,411         |
| <b>Cash flow from operating activities</b>                                      |             | <b>26,161</b>  | <b>4,928</b>   |
| Purchases/proceeds from sale of investments (net)                               | 24          | -747           | 0              |
| Investments in financial assets   | 15          | 0              | -1,330         |
| Disinvestments in financial assets  | 15          | 425            | 150            |
| Investments in tangible fixed assets  | 13          | -8,538         | -12,668        |
| Disinvestments in tangible fixed assets   | 13          | 1,748          | 300            |
| Investments in intangible assets  | 14          | -961           | -2,484         |
| Disinvestments in intangible assets   | 14          | 0              | 3              |
| <b>Cash flow from investing activities</b>                                      |             | <b>8,072</b>   | <b>-16,029</b> |
| Purchase/sale of own shares   | 22          | 0              | -751           |
| Increase in short-term financial liabilities                                    | 16          | 0              | 2,070          |
| Repayment of current financial liabilities                                      | 16          | -4,152         | 0              |
| Increase in non-current financial liabilities                                   | 16          | 0              | 25             |
| Repayment of non-current financial liabilities                                  | 16          | -7,452         | -500           |
| Changes in other non-current liabilities  | 19          | -76            | -139           |
| <b>Cash flow from financing activities</b>                                      |             | <b>-11,680</b> | <b>705</b>     |
| <b>Total cash flow</b>  |             | <b>6,409</b>   | <b>-10,396</b> |

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(In CHF 1,000)

|  | <u>2019</u>          | <u>2018</u>         |
|--|----------------------|---------------------|
| Cash and cash equivalents at the beginning of the year | 7,667                | 18,315              |
| Change in cash and cash equivalents                    | 6,409                | -10,396             |
| Foreign currency effect                                | -292                 | -252                |
| <b>Cash and cash equivalents at year-end *</b>         | <b><u>13,784</u></b> | <b><u>7,667</u></b> |

\*) Consisting of debit cash items, i.e. not containing current bank accounts with credit balances.

## Statement of changes in equity

| In CHF 1,000                          | Share capital | Capital reserves | Own shares  | Goowill recognition | Retained earnings | Currency differences | <b>Total</b>  |
|---------------------------------------|---------------|------------------|-------------|---------------------|-------------------|----------------------|---------------|
| <b>Equity as of 31/12/2018</b>        | <b>76,394</b> | <b>15,056</b>    | <b>-994</b> | <b>-55,228</b>      | <b>59,699</b>     | <b>-18,460</b>       | <b>76,467</b> |
| Offset of goodwill from acquisitions* | 0             | 0                | 0           | -1'483              | 0                 | 0                    | -1'483        |
| Group result                          | 0             | 0                | 0           | 0                   | 12'913            | 0                    | 12'913        |
| Currency translation differences      | 0             | 0                | 0           | 0                   | 0                 | -5'343               | -5'343        |
| <b>As of 31/12/2019</b>               | <b>76,394</b> | <b>15,056</b>    | <b>-994</b> | <b>-56'711</b>      | <b>72'612</b>     | <b>-23'803</b>       | <b>82'554</b> |

| In CHF 1,000                          | Share capital | Capital reserves | Own shares  | Goowill recognition | Retained earnings | Currency differences | <b>Total</b>  |
|---------------------------------------|---------------|------------------|-------------|---------------------|-------------------|----------------------|---------------|
| <b>Equity as of 31/12/2017</b>        | <b>76,394</b> | <b>14,915</b>    | <b>-102</b> | <b>-54,299</b>      | <b>49,983</b>     | <b>-13,489</b>       | <b>73,402</b> |
| Purchase of own shares                | 0             | 0                | -994        | 0                   | 0                 | 0                    | -994          |
| Sale of own shares                    | 0             | 141              | 102         | 0                   | 0                 | 0                    | 243           |
| Offset of goodwill from acquisitions* | 0             | 0                | 0           | -929                | 0                 | 0                    | -929          |
| Group result                          | 0             | 0                | 0           | 0                   | 9,716             | 0                    | 9,716         |
| Currency translation differences      | 0             | 0                | 0           | 0                   | 0                 | -4,971               | -4,971        |
| <b>As of 31/12/2018</b>               | <b>76,394</b> | <b>15,056</b>    | <b>-994</b> | <b>-55,228</b>      | <b>59,699</b>     | <b>-18,460</b>       | <b>76,467</b> |

\*) see comments under note 24.7

The share capital of Bauwerk Boen AG as of 31 December 2019 is made up of 76,393,650 registered shares (previous year 76,393,650) of CHF 1.00 per share. The share capital is fully paid up.

The sum of non-distributable reserves contained in retained earnings is TCHF 336 (previous year TCHF 331). These are legal reserves formed in accordance with legal requirements.

## **Consolidation and valuation principles**

### **Accounting principles**

#### **General**

The consolidated financial statements of the Bauwerk Boen Group and the accounting principles applied are in accordance with the full set of accounting and reporting recommendations of Swiss GAAP FER.

Due to rounding, the numbers presented throughout this document do not necessarily correspond exactly with the totals.

The consolidated financial statements were prepared based on the stand-alone financial statements of the subsidiaries which, in turn, comply with local accounting principles and were adjusted to the uniform group accounting policies for the purpose of consolidation. The uniform reporting date for all group companies is the 31 December.

The general valuation principles are based on historical costs. Intercompany transactions, balances and unrealised gains and losses from transactions between group companies are eliminated in full.

#### **Capital consolidation**

The consolidated financial statements include the financial statements of Bauwerk Boen AG as well as of all subsidiaries in accordance with the following rules:

- Companies in which Bauwerk Boen AG owns the majority of shares or assumes managerial responsibility are fully consolidated. The purchase method is used, i.e. the purchase price is offset against revalued net assets at the time of acquisition.
- Companies which carry out a commercial activity under the joint management of Bauwerk Boen AG and a partner within the framework of a contractual agreement (joint venture, voting rights capital right usually 50%) are proportionately consolidated. As of 31 December 2019, no such companies are included in the scope of consolidation.
- Companies in which Bauwerk Boen AG's investment is at least 20% but less than 50% are included using the equity method. In such cases, the share of equity is shown under the item "Investments in associated companies" and the share of profit or loss under the item "Share in profit or loss of associated companies" in the consolidated financial statements. As of 31 December 2019, no such companies are included in the scope of consolidation.

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**Consolidated financial statements**

**Consolidation base**

The table below shows all subsidiaries included in the consolidated financial statements.

| Company   |    | Capital         | Share of capital and votes |          |
|---|----|-----------------|----------------------------|----------|
|   |    |                 | 31/12/19                   | 31/12/18 |
| Bauwerk Parkett AG,<br>CH-St. Margrethen          |    | 19,259,811 CHF  | 100%                       | 100%     |
| Bauwerk Parkett Vertriebs GmbH,<br>A-Salzburg     |    | 10,000 EUR      | 100%                       | 100%     |
| Bauwerk Parkett GmbH,<br>D-Bodelshausen           |    | 51,000 EUR      | 100%                       | 100%     |
| Bauwerk France Sarl,<br>F-Viviers Du Lac          |    | 7,500 EUR       | 100%                       | 100%     |
| Bauwerk Parquet Aftersales S.r.l.,<br>IT-Milano   | 1) | 10,000          | 100%                       | 0%       |
| Boen AS, NO-Tveit                                 |    | 15,436,600 NOK  | 100%                       | 100%     |
| Boen Bruk AS, NO-Tveit                            |    | 60,000,000 NOK  | 100%                       | 100%     |
| UAB Bauwerk Boen,<br>LT-Vilnius                   |    | 6,903,991 EUR   | 100%                       | 100%     |
| Boen Deutschland GmbH,<br>D-Möln                  |    | 26,000 EUR      | 100%                       | 100%     |
| Boen Parkett Deutschland GmbH &<br>Co, D-Möln     |    | 3,600,000 EUR   | 100%                       | 100%     |
| Boen UK Ltd,<br>GB-Hartlebury                     |    | 2 GBP           | 100%                       | 100%     |
| Boen Hardwood Flooring Inc., US-<br>Daytona Beach |    | 266,000 USD     | 100%                       | 100%     |
| AO Dominga Nik,<br>RU-Jasenskoe                   | 2) | 189,696,000 RUB | 100%                       | 96%      |
| Bauwerk Boen Group Asia Ltd,<br>HK-Hong Kong      |    | 999 HKD         | 100%                       | 100%     |
| Boen Sverige AB, SE-Vellinge                      | 3) | 100,000 SEK     | 100%                       | 0%       |
| Bauwerk Boen Logistics GmbH,<br>D-Bodelshausen    |    | 25,000 EUR      | 100%                       | 100%     |
| Bauwerk Boen d.o.o.,<br>HR-Durdevac               |    | 2,010,000 HRK   | 100%                       | 100%     |

- 1) In order to better serve the Italian market, Bauwerk Parquet Aftersales S.r.l. with its headquarter in Milan (Italy) has been founded in spring 2019
- 2) The remaining share capital of 4% of AO Dominga Nik, Russia, have been acquired by UAB Bauwerk Boen, Lithuania. UAB Bauwerk Boen, Lithuania, now owns 100% of the share capital of AO Dominga Nik, Russia
- 3) Bauwerk Parkett AG, Switzerland, acquired 100% of the shares of the prior partner for the Swedish market, Scandinavian Room Boen AB, as of 31st March 2019. Subsequently the company has been renamed to Boen Sverige AB, Sweden



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**Foreign currency translation**

The financial statements of the individual group companies are measured in the currency of the economic environment, in which these companies primarily operate (functional currency). Transactions in foreign currencies are converted to the functional currency at the prevailing exchange rate on the transaction date. Balance sheet items in foreign currency are converted using the year-end exchange rate. Any resulting gains and losses are recorded in the income statement. Foreign exchange gains or losses from the conversion of equity like intercompany loans are reported in equity.

The consolidated financial statements are presented in the reporting currency Swiss Francs (CHF). The individual financial statements to be consolidated are translated into the group currency at the effective date with the current rate method. This currency translation is carried out for the assets and liabilities at the year-end exchange rates, for equity at historical exchange rates and for the income statement and cash flow statement at average annual exchange rates. The translation differences are recognised in equity without affecting the income statement. In the event that a foreign entity is disposed, the cumulative translation differences recognized in equity, which are a result of the translation of the financial statements and intercompany loans, are reversed from the accounts and reported in the income statement as part of the gain or loss on the sale.

The main currency exchange rates used are as follows:

| <b>Currency</b>               | <b>2019</b> | <b>2018</b> |
|-------------------------------|-------------|-------------|
| EUR, Current rate of exchange | 1.0855      | 1.1260      |
| EUR, Average rate of exchange | 1.1125      | 1.1545      |
| NOK, Current rate of exchange | 0.1100      | 0.1135      |
| NOK, Average rate of exchange | 0.1130      | 0.1200      |
| GBP, Current rate of exchange | 1.2760      | 1.2530      |
| GBP, Average rate of exchange | 1.2690      | 1.3050      |
| USD, Current rate of exchange | 0.9675      | 0.9840      |
| USD, Average rate of exchange | 0.9935      | 0.9780      |
| RUB, Current rate of exchange | 0.0155      | 0.0140      |
| RUB, Average rate of exchange | 0.0155      | 0.0155      |
| HRK, Current rate of exchange | 0.1460      | 0.1520      |
| HRK, Average rate of exchange | 0.1500      | 0.1555      |
| SEK, Current rate of exchange | 0.1035      | n/a         |
| SEK, Average rate of exchange | 0.1050      | n/a         |

**Cash flow statement**

“Cash and cash equivalents”, consisting of debit cash items, i.e. containing no current bank accounts with credit balances, form the basis for presentation in the cash flow statement.

## **Valuation guidelines/valuation principles**

### **General**

The consolidated financial statements are prepared based on going concern principle, substance over form, accrual principle, matching of cost and revenue, prudence and gross principle in accordance with Swiss GAAP FER.

### **Cash and cash equivalents**

Cash and cash equivalents are valued at nominal value.

### **Receivables**

Receivables are valued at nominal value less allowances for bad debts. Individual valuation allowances are recognised for receivables exceeding CHF 1,000. The following value corrections are based on experience and estimates. For receivables of less than CHF 1,000, general valuation allowances are calculated using the following lump-sum rates:

| <b>Overdue period</b> | <b>Valuation allowance</b> |
|-----------------------|----------------------------|
| 15 – 60 days          | 25%                        |
| 61 – 90 days          | 50%                        |
| 91 days and more      | 100%                       |

### **Inventories**

Inventories are measured at the lower of acquisition or production cost and fair value less cost to sell. The acquisition or production costs comprise all direct and indirect costs of purchase, handling and processing as well as all other costs of bringing inventories to their current location or to its current condition. Supplier cash discounts and supplier bonuses are deducted from the corresponding acquisition values. Allowances are made for risks arising from non-marketable inventories, obsolete inventories or other impairments (damage, etc.). These allowances are based on historical experience. Interim profits from intragroup deliveries are eliminated.

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**Tangible fixed assets**

Tangible fixed assets are valued at acquisition or production cost less accumulated depreciation and impairment, if any. Borrowing costs arising in connection with the acquisition or the production of tangible fixed assets are not capitalised.

Depreciation is recognised using the straight-line method and usually takes into account the following useful lives:

| <b>Useful life</b>                 | <b>Years</b> |
|------------------------------------|--------------|
| <b>Land and buildings</b>          |              |
| Land                               | -            |
| Office buildings                   | 40-50        |
| Production/storage buildings       | 20-25        |
| <b>Technical plant + machinery</b> |              |
| Technical plant                    | 10-15        |
| Machinery                          | 10           |
| <b>Other tangible fixed assets</b> |              |
| Tools + equipment                  | 4-10         |
| Office equipment                   | 5-10         |
| IT hardware                        | 3-5          |
| Vehicles (cars)                    | 5-7          |
| Vehicles (forklift trucks)         | 5-10         |
| Leasehold improvements             | max. 10      |

Useful life is assessed each year and adjusted if necessary. In the reporting year no adjustment of the useful lives has been made.

**Intangible assets**

Intangible assets are valued at most by acquisition cost less necessary depreciation (for acquired intangible assets). If the carrying amount of the asset exceeds its recoverable amount, the carrying amount is to be reduced to the recoverable amount. Internally generated intangible assets as well as expenditures for research and development are not capitalised. Amortisation is recognised on a straight-line basis over the useful life of intangible assets, generally 3 to 5 years. If contractual limitations are placed on making use of these values, the asset is amortised over the contract period.

**Goodwill**

Goodwill consists of the excess purchase price over the fair value of the identifiable net assets acquired in acquisitions. The goodwill resulting from acquisitions is offset directly with equity at the time of acquisition. The effects of a theoretical capitalisation and amortization of goodwill are disclosed in the notes to the consolidated financial statements. In the event that shares of the group or associated companies are disposed, the difference between the proceeds from the sale and the proportional book value of the net assets, including historical goodwill, is recognised as a gain or loss in the income statement. For the determination of goodwill from acquisitions, parts of the purchase price contingent on future performance are estimated best

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possible at the date of acquisition. Accordingly, goodwill offset with equity is modified for adjustments resulting later from the final purchase price determination. Goodwill may also arise upon investments in associates, being the excess of the cost of investment over the group's share of the fair value of the net assets recognised.

#### **Financial assets**

Financial assets are recognised at acquisition cost less impairment, if any.

#### **Impairment**

The recoverability of non-current assets is assessed at each balance sheet date. If there are indications of a sustained impairment, the recoverable amount is calculated (impairment test). If the carrying amount exceeds the recoverable amount, an impairment loss is recognised.

#### **Pension benefit obligations**

Pension benefit obligations of group companies are recognised in the consolidated financial statements according to legal regulations and local rules of the respective countries. The actual economic impact of pension schemes for a group company is calculated as at balance sheet date. An economic benefit is recorded if it will be used for future pension contributions made by the company. An economic obligation is recognised if the requirements to record a provision are met (refer to the following explanations about provisions). Unrestricted employer contribution reserves are capitalised as an asset.

The Swiss subsidiaries of the group have their own legally independent pension schemes financed by employer and employee contributions (defined contribution plan). The economic impact of a funding surplus or deficit of pension schemes for the group, the change in employer contribution reserves and the contributions accrued for the period are recorded in the income statement as personnel expenses. The calculation of a funding surplus or deficit is made based on the annual financial statements of the respective pension schemes prepared in accordance with Swiss GAAP FER 26.

Defined contribution pension plans of a Norwegian financial institution provides insurance for the employees of the Boen companies in Norway.

There are no other significant pension schemes in foreign countries. Certain foreign subsidiaries have unfunded pension schemes and recognise the respective benefit obligation as a provision directly in the balance sheet. Such pension liabilities are calculated using methods accepted in the respective countries with changes charged to income as personnel expenses. In addition, in certain countries there is comprehensive coverage with insurance companies where the paid insurance premiums are recorded as an expense.

#### **Liabilities**

Liabilities are recorded at nominal value.

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#### **Provisions**

Provisions are formed:

- if the group has a current legal or factual obligation due to past events,
- if it is likely that an outflow of resources would be necessary in order to fulfil the obligation, and
- if a reliable estimation is possible for the amount of the obligation.

Existing provisions are reviewed at each balance sheet date. Based on this review the provisions are increased, remain unchanged or are released. Provisions are classified as current or non-current based on the point in time of the expected outflow of resources.

#### **Taxes/deferred taxes**

The tax on income to be paid on the taxable profit of individual companies is accrued.

For deductible temporary differences, tax loss carryforwards and tax credits, deferred tax assets are recorded, if it is likely that they can be deducted from the future taxable profits. The provision for deferred taxes is made using the applicable – or if tax rate changes are expected – using the expected tax rate according to the applicable local tax law.

#### **Revenue recognition**

Revenues are deemed realised upon delivery of goods or rendering of services.

## Notes to the financial statements

Unless indicated otherwise, all figures are shown in CHF 1,000.

### 1. Net turnover

The disclosure of segment information has been omitted, since such details involve a significant risk of competitive disadvantages. The main markets of the two brands, Bauwerk and Boen are exposed to strong competition. This may have serious conclusions about the success and the group's strategy in these individual markets.

Therefore, the Bauwerk Boen Group manages a single business segment only which consists of manufacturing and distribution of parquet and parquet-accessories. The net turnover of the Bauwerk Boen Group breaks down by region as follows:

|   | <b>2019</b>    | <b>2018</b>    |
|---|----------------|----------------|
| GSA countries (Germany, Switzerland, Austria) | 163,738        | 165,681        |
| Scandinavia                                   | 28,301         | 31,850         |
| Rest of Europe                                | 67,002         | 69,391         |
| Rest of the world                             | 22,342         | 25,076         |
| <b>Total</b>                                  | <b>281,383</b> | <b>291,998</b> |

Sales deductions consist of the following:

|                                 | <b>2019</b>    | <b>2018</b>    |
|---------------------------------|----------------|----------------|
| Gross turnover                  | 298,783        | 310,393        |
| Less: Sales deductions          |                |                |
| Cash discounts                  | -4,578         | -4,685         |
| Customer bonuses and commission | -12,603        | -13,489        |
| Losses from bad debts           | -219           | -221           |
| <b>Total</b>                    | <b>281,383</b> | <b>291,998</b> |

### 2. Other operating income

|                                      | <b>2019</b>  | <b>2018</b> |
|--------------------------------------|--------------|-------------|
| Own work capitalised                 | 75           | 263         |
| Income from the sale of fixed assets | 240          | 69          |
| Income from services and rental      | 260          | 312         |
| Other income                         | 1,131        | 231         |
| <b>Total</b>                         | <b>1,706</b> | <b>875</b>  |

Other income includes sales of recycling-certificates at UAB Bauwerk Boen in the amount of TCHF 872.

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**3. Other operating expenses**

|   | <b>2019</b>    | <b>2018</b>    |
|---|----------------|----------------|
| Licenses  | -2,295         | -2,646         |
| Freight, distribution and warehousing costs         | -14,219        | -14,510        |
| Operating materials                                 | -2,608         | -2,112         |
| Energy and fuel                                     | -7,117         | -6,940         |
| Repair and maintenance                              | -8,778         | -9,621         |
| Insurances and fees                                 | -1,492         | -1,576         |
| Rental and leasing                                  | -5,125         | -4,916         |
| Office and administration                           | -4,862         | -4,962         |
| Marketing, business travel and representation costs | -7,829         | -8,444         |
| Others  | -3,046         | -3,540         |
| <b>Total</b>  | <b>-57,371</b> | <b>-59,267</b> |

"Others" includes expenses in the amount of TCHF 1,564 (previous year TCHF 2,260) for external support in operationally necessary projects and adjustments, costs for warranties and debt collecting including any changes to the bad debt allowance of TCHF 1,357 (previous year net amount TCHF 1,153) as well as capital taxes of TCHF 125 (previous year TCHF 127).

The expenses for operationally necessary projects and adjustments contain costs for extensive efficiency enhancement programs in the production plants in the amount of TCHF 267 (previous year TCHF 959). In addition, consulting services in the amount of TCHF 609 (previous year TCHF 501) are included for the development and introduction of group-wide improvements in various areas, such as: transfer pricing, sustainability and also cross-company business.

**4. Financial income**

|                                      | <b>2019</b> | <b>2018</b> |
|--------------------------------------|-------------|-------------|
| Interest income from third parties   | 45          | 16          |
| Interest income from related parties | 10          | 6           |
| Exchange rate effects                | 51          | 0           |
| <b>Total</b>                         | <b>106</b>  | <b>22</b>   |

The interest income from affiliated companies is made up exclusively of interest income from shareholder loans granted (also refer to note 15).

**5. Financial expenses**

|  | <b>2019</b>   | <b>2018</b>   |
|--|---------------|---------------|
| Interest expenses, bank charges and fees | -3,981        | -4,729        |
| Exchange rate effects                    | -384          | -1,813        |
| <b>Total</b>                             | <b>-4,365</b> | <b>-6,542</b> |

Interest expenses include TCHF 1,171 (previous year TCHF 1,213) for shareholder loans at an interest rate of 3.25% (previous year 3.25%).

In 2019 as well as in the previous year, currency differences on the translation of equity loans were recorded in equity (also refer to the statement of changes in equity). In the prior year, the Russian subsidiary repaid the equity loan and therefore the cumulative translation differences recognised in equity have been transferred to the income statement resulting in an income from exchange rate effects of TCHF 528.

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**6. Extraordinary income and expenses**

|   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
| Insurance benefits restoration of the property in Tveit (NO) after the flooding | 12          | 95          |
| Other   | 2           | 0           |
| <b>Total extraordinary income</b>   | <b>14</b>   | <b>95</b>   |

In 2017, the site in Tveit/Norway was badly hit by a catastrophic flooding. In the current year insurance payments led to an income of TCHF 12 (previous year TCHF 95).

|  | <b>2019</b> | <b>2018</b>   |
|--|-------------|---------------|
| Costs for restructuring and adjustment of the sales organisation                     | -49         | -65           |
| Costs for relocating the semi-finished-goods production of St. Margrethen to Croatia | 0           | -20           |
| Costs for reorganization of Shared Services + Supply Chain                           | -276        | 0             |
| Costs for acquisition projects   | -430        | 0             |
| Synergybonus   | 0           | -1,354        |
| Other  | -11         | -95           |
| <b>Total extraordinary expenses</b>  | <b>-766</b> | <b>-1,534</b> |

In the year under review, adjustments in the sales organization resulted in one-time expenses of TCHF 49 (previous year TCHF 65).

The relocation of part of the semi-finished-goods production from St. Margrethen to Croatia resulted in extraordinary costs of TCHF 20 in the previous year.

Adjustments in the areas of Services and Operations led to one-time charges of TCHF 276.

In connection with detailed analysis of possible acquisitions, extraordinary expenses arised in the amount of 430 TCHF.

In the prior year, the former co-owner Patrimonium P.E. sold all its shares of the Bauwerk-Boen-Group (30.9%) to EGS Beteiligungen AG. In this context, the long-standing management received a one-time retrospective bonus payment of TCHF 1,354 related to the merger of Bauwerk and Boen in May 2013.

**7. Taxes**

Tax expenses mainly include the tax on income to be paid on the net profit as well as the change of deferred taxes. Due to the uncertainty regarding the future realizability of loss carryforwards, no deferred taxes on loss carryforwards are capitalised. There are tax loss carryforwards in the amount of TCHF 7,269 in group companies (previous year TCHF 10,361) whose utilisation is dependent on future economic development.

The total tax loss carryforwards account for gross deferred tax assets of TCHF 1,384 (previous year TCHF 2,034), whereof TCHF 0 (previous year TCHF 0) are capitalised.

To calculate deferred taxes on temporary differences between the values of balance sheet positions determined according to Swiss GAAP FER principles and those determined according to tax law, the respective current tax rates of the individual group companies are used. The change of provisions for deferred taxes is recognised through tax expense/income.



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|                       | <b>2019</b> | <b>2018</b> |
|-----------------------|-------------|-------------|
| Current tax on income | -929        | -1,400      |
| Deferred taxes        | 1,225       | 674         |
| Other taxes           | 0           | 1,440       |
| <b>Total</b>          | <b>296</b>  | <b>714</b>  |

In the previous year, other taxes include TCHF 1,473 from the reversal of provisions in connection with withholding taxes on receivables from licencing.

The expected tax rate of the Bauwerk Boen Group is calculated as weighted average from the tax rates from all relevant tax authorities. Therefore, the effective tax rate of the group can be analysed as followed:

|   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | <b>In %</b> | <b>In %</b> |
| <b>Expected weighted average tax rate</b>                       | <b>17.6</b> | <b>19.9</b> |
| Utilization of unrecognized loss carryforwards from prior years | -4.9        | -4.5        |
| Effects of non-tax-deductible income / expenses                 | -2.4        | -9.1        |
| Effects of changes in taxes from previous years                 | -0.7        | 1.7         |
| Other new assessments of temporary differences                  | -14.3       | -3.6        |
| Effect from unrecognized losses from the current financial year | 1.9         | 3.6         |
| Other effects   | 0.5         | 0.1         |
| <b>Effective tax rate</b>                                       | <b>-2.3</b> | <b>8.1</b>  |

In May 2019, the Federal Act on Tax Reform and AHV Financing ("TRAF") was accepted by Swiss voters. Thus, effective 1 January 2020, the Canton of St. Gallen reduced its tax rate from 17.4% to 14.5%. The new tax rate of 14.5% is to be taken in consideration for deferred tax calculation as of 31 December 2019. The change of tax rate in the Canton of St. Gallen is presented under "Other new assessments of temporary differences" in the table above.

The effective tax rate based on the earnings before taxes in the reporting year amounts to -2.3% (previous year 8.1%).

## **8. Cash and cash equivalents**

The company can freely dispose of all reported cash and cash equivalents. In addition, net credit lines of TCHF 25,132 in total (previous year TCHF 14,671) are available (net, i.e. after deducting bank guarantees and sureties provided which therefore have to be covered).

Tenant security deposits and other investments with limited availability are shown within financial assets according to their maturity (see note 15).

## **9. Accounts receivable**

|                              | <b>31/12/19</b> | <b>31/12/18</b> |
|------------------------------|-----------------|-----------------|
| Receivables, third parties   | 28,841          | 33,869          |
| Receivables, related parties | 0               | 3               |
| <b>Total</b>                 | <b>28,841</b>   | <b>33,872</b>   |

In previous year, the receivables from related parties were receivables from shareholders.

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**10. Other receivables**

|                                   | <b>31/12/19</b> | <b>31/12/18</b> |
|-----------------------------------|-----------------|-----------------|
| Social security                   | 465             | 336             |
| VAT                               | 1,174           | 1,795           |
| Security deposits, other deposits | 596             | 458             |
| Prepayments to suppliers          | 983             | 1,912           |
| Other                             | 297             | 286             |
| <b>Total</b>                      | <b>3,515</b>    | <b>4,787</b>    |

Security deposits and other deposits include a security deposit paid to the Swiss Federal Customs Administration (“eidgenössische Oberzolldirektion”) for the processing of export transactions in the amount of TCHF 300 (previous year TCHF 300).

Prepayments to suppliers were made in particular to suppliers of materials, especially to suppliers of raw materials. These prepayments may fluctuate significantly for business-related reasons.

Moreover, the item “Other” is mainly made up of vendors with a debit balance, open current accounts and advances for expenses.

**11. Inventories**

|                           | <b>31/12/19</b> | <b>31/12/18</b> |
|---------------------------|-----------------|-----------------|
| Raw materials             | 40,319          | 46,098          |
| Semi-finished goods       | 21,633          | 18,713          |
| Finished goods            | 30,652          | 28,208          |
| Trading goods             | 2,414           | 2,090           |
| <b>Inventories, gross</b> | <b>95,018</b>   | <b>95,110</b>   |
| Less: Value adjustments   | -3,284          | -1,783          |
| <b>Total</b>              | <b>91,734</b>   | <b>93,327</b>   |

**12. Prepayments and accrued income**

|                                       | <b>31/12/19</b> | <b>31/12/18</b> |
|---------------------------------------|-----------------|-----------------|
| Current tax on income and capital tax | 156             | 0               |
| Outstanding offsetting, refunds, etc. | 23              | 180             |
| Personnel expenses                    | 16              | 55              |
| Insurances and fees                   | 42              | 112             |
| Rental                                | 38              | 68              |
| Administration                        | 325             | 167             |
| Marketing and distribution            | 117             | 190             |
| Financing commission                  | 626             | 809             |
| Other                                 | 24              | 426             |
| <b>Total</b>                          | <b>1'367</b>    | <b>2,006</b>    |

Commission incurred as of 22 May 2018 for the issuance of the corporate bond has been accrued and will be released over the duration of the bond. As of 31 December 2019, the accrual amounts to TCHF 626 (previous year TCHF 809).

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**13. Development of tangible fixed assets**

|   | Un-<br>developed<br>land | Land +<br>Buildings | Plant +<br>mach. | Other<br>tangible<br>fixed<br>assets | Tangible<br>fixed<br>assets<br>under<br>constr. | <b>Total<br/>2019</b> |
|---|--------------------------|---------------------|------------------|--------------------------------------|---|-----------------------|
| <b>Acquisition costs<br/>opening balance</b>            | <b>1,352</b>             | <b>122,821</b>      | <b>111,384</b>   | <b>19,491</b>                        | <b>3,441</b>                                    | <b>258,490</b>        |
| Acquisitions  | 0                        | 888                 | 4,509            | 1,675                                | 1,467   | 8,538                 |
| Disposals   | -1,352                   | -30                 | -3,552           | -1,612                               | 0   | -6,546                |
| Reclassifications                                       | 0                        | 182                 | 2,437            | 160                                  | -2,779  | 0                     |
| Exchange differences                                    | 0                        | -1,968              | -2,326           | -407                                 | -68   | -4,769                |
| <b>As of 31/12/2019</b>                                 | <b>0</b>                 | <b>121,893</b>      | <b>112,452</b>   | <b>19,307</b>                        | <b>2,061</b>                                    | <b>255,713</b>        |
| <b>Cum depreciation<br/>opening balance</b>             | <b>0</b>                 | <b>-53,820</b>      | <b>-77,506</b>   | <b>-14,602</b>                       | <b>-1</b>                                       | <b>-145,929</b>       |
| Acquisitions  | 0                        | -3,760              | -5,626           | -1,524                               | 0   | -10,910               |
| Disposals   | 0                        | 26                  | 3,409            | 1,603                                | 0   | 5,038                 |
| Reclassifications                                       | 0                        | -53                 | 112              | -59                                  | 0   | 0                     |
| Exchange differences                                    | 0                        | 921                 | 1,427            | 289                                  | 0   | 2,637                 |
| <b>As of 31/12/2019</b>                                 | <b>0</b>                 | <b>-56,686</b>      | <b>-78,187</b>   | <b>-14,292</b>                       | <b>-1</b>                                       | <b>-149,166</b>       |
| <b>Tangible fixed assets as<br/>of 31/12/2019 (net)</b> | <b>0</b>                 | <b>65,207</b>       | <b>34'265</b>    | <b>5'015</b>                         | <b>2'060</b>                                    | <b>106'547</b>        |
|   | Un-<br>developed<br>land | Land +<br>Buildings | Plant +<br>mach. | Other<br>tangible<br>fixed<br>assets | Tangible<br>fixed<br>assets<br>under<br>constr. | <b>Total<br/>2018</b> |
| <b>Acquisition costs<br/>opening balance</b>            | <b>1,352</b>             | <b>120,923</b>      | <b>106,961</b>   | <b>21,647</b>                        | <b>7,713</b>                                    | <b>258,596</b>        |
| Acquisitions  | 0                        | 3,206               | 4,517            | 1,564                                | 3,376   | 12,663                |
| Disposals   | 0                        | -418                | -1,343           | -3,256                               | -1,350  | -6,368                |
| Reclassifications                                       | 0                        | 1,591               | 4,504            | 16                                   | -6,109  | 0                     |
| Exchange differences                                    | 0                        | -2,480              | -3,254           | -480                                 | -188  | -6,401                |
| <b>As of 31/12/2018</b>                                 | <b>1,352</b>             | <b>122,821</b>      | <b>111,384</b>   | <b>19,491</b>                        | <b>3,441</b>                                    | <b>258,490</b>        |
| <b>Cum depreciation<br/>opening balance</b>             | <b>0</b>                 | <b>-51,700</b>      | <b>-75,564</b>   | <b>-16,470</b>                       | <b>-1,343</b>                                   | <b>-145,077</b>       |
| Acquisitions  | 0                        | -3,764              | -5,255           | -1,643                               | 0   | -10,662               |
| Disposals   | 0                        | 427                 | 1,210            | 3,181                                | 1,325   | 6,142                 |
| Reclassifications                                       | 0                        | -1                  | 0                | 0                                    | 1   | 0                     |
| Exchange differences                                    | 0                        | 1,220               | 2,103            | 329                                  | 17  | 3,668                 |
| <b>As of 31/12/2018</b>                                 | <b>0</b>                 | <b>-53,820</b>      | <b>-77,506</b>   | <b>-14,602</b>                       | <b>-1</b>                                       | <b>-145,929</b>       |
| <b>Tangible fixed assets as<br/>of 31/12/2018 (net)</b> | <b>1,352</b>             | <b>69,002</b>       | <b>33,878</b>    | <b>4,888</b>                         | <b>3,440</b>                                    | <b>112,561</b>        |

The following additional information is provided:

- Tangible fixed assets include leased assets in the amount of TCHF 534 (previous year TCHF 423).
- No interest was capitalised during the business year.
- In the reporting year, no impairment losses were recognised on Land and Buildings (previous year TCHF 18 in Land and Buildings).

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**14. Development of intangible assets**

IT Software

|   | <b>2019</b>   | <b>2018</b>   |
|---|---------------|---------------|
| <b>Acquisition costs opening balance</b>    | <b>11,481</b> | <b>9,184</b>  |
| Acquisitions                                | 961           | 2,484         |
| Disposals                                   | -397          | -139          |
| Exchange differences                        | -29           | -48           |
| <b>As of 31/12/</b>                         | <b>12,016</b> | <b>11,481</b> |
| <b>Cum. amortisation opening balance</b>    | <b>-6,876</b> | <b>-6,031</b> |
| Acquisitions                                | -1,051        | -1,015        |
| Disposals                                   | 397           | 136           |
| Exchange differences                        | 16            | 34            |
| <b>As of 31/12/</b>                         | <b>-7,514</b> | <b>-6,876</b> |
| <b>Intangible assets as of 31/12/ (net)</b> | <b>4,502</b>  | <b>4,605</b>  |

The following additional information is provided:

- No interest was capitalised during the business year.
- No impairment losses have been recognised in the reporting year (previous year TCHF 0).
- The goodwill resulting from acquisitions is offset against the group equity at the time of acquisition. The theoretical period of amortization is 5 - 10 years and is linear. The effects on the annual financial statements of a theoretical capitalisation and amortization of goodwill can be found in the tables under note 24.8.

**15. Development of financial assets**

|                 | <b>31/12/19</b> | <b>31/12/18</b> |
|-----------------|-----------------|-----------------|
| Opening balance | 2,698           | 1,518           |
| Acquisitions    | 420             | 1,330           |
| Disposals       | -845            | -150            |
| <b>Total</b>    | <b>2,273</b>    | <b>2,698</b>    |

Financial assets are made up of the following:

|                          | <b>31/12/19</b> | <b>31/12/18</b> |
|--------------------------|-----------------|-----------------|
| Loans to third parties   | 20              | 21              |
| Loans to related parties | 775             | 775             |
| Rent deposit             | 230             | 236             |
| Other                    | 1,248           | 1,665           |
| <b>Total</b>             | <b>2,273</b>    | <b>2,698</b>    |

Loans to related parties consist of loans to shareholders in the amount of TCHF 775 (previous year TCHF 775). The interest on these loans was 1.25% (previous year: 1.25%).

"Rent deposits" includes tenant security deposits (blocked accounts) for lease contracts concluded in Switzerland for a period of more than 12 months.

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The item "Other" includes deferred tax assets in the amount of TCHF 986 (previous year TCHF 1,231).

#### 16. Current/non-current financial liabilities

In the previous year, the expired corporate bond (TCHF 80,000; 4.125%; duration 5 years), has been replaced on the 21 May 2018 by a new bond in the amount of TCHF 80,000, with an interest rate of 1.875% and a duration of 5 years by Bauwerk Boen AG.

Current accounts with banks, bank loans and other credits and loans with maturities of less than 12 months are shown under current financial liabilities. This item is made up of the following:

|  | 31/12/19      | 31/12/18     |
|--|---------------|--------------|
| Mortgage loans/bank loans                  | 11,750        | 500          |
| Financial liabilities from finance lease   | 159           | 169          |
| Bank overdraft                             | 5,500         | 9,142        |
| <b>Total current financial liabilities</b> | <b>17,409</b> | <b>9,811</b> |

In the reporting year, repayments on the mortgage loan amounting to TCHF 500 (previous year TCHF 500) were made. It is the intention to renew the mortgage loan on the business property of Bauwerk Parkett AG in St. Margrethen amounting to TCHF 11,750 which will expire in May 2020.

In the current business year, the financial liabilities from lease agreements were reduced by further TCHF 10 (previous year TCHF 55).

Non-current financial liabilities are made up of the following:

|  | 31/12/19       | 31/12/18       |
|--|----------------|----------------|
| Mortgage loans/bank loans                      | 0              | 11,750         |
| Bond (22 May 2018 – 22 May 2023)               | 80,000         | 80,000         |
| Shareholder loans (Expiry 31 May 2023)         | 30,000         | 37,308         |
| Financial liabilities from finance lease       | 348            | 492            |
| <b>Total non-current financial liabilities</b> | <b>110,348</b> | <b>129,550</b> |

In the reporting year, the shareholder loans have been amortised by TCHF 7,308 (previous year TCHF 0).

Interest is charged on shareholder loans at a rate of 3.25% (previous year 3.25%) and is due as of 31 December.

#### 17. Accounts payable

|                                 | 31/12/19      | 31/12/18      |
|---------------------------------|---------------|---------------|
| Accounts payable, third parties | 11,134        | 14,609        |
| <b>Total</b>                    | <b>11,134</b> | <b>14,609</b> |

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**18. Other current liabilities**

Other current liabilities are made up of the following:

|                            | <b>31/12/19</b> | <b>31/12/18</b> |
|----------------------------|-----------------|-----------------|
| Social security            | 1,357           | 1,551           |
| VAT/import tax             | 1,409           | 1,487           |
| Prepayments from customers | 790             | 586             |
| Related parties            | 1,171           | 1,312           |
| Other                      | 1,596           | 1,959           |
| <b>Total</b>               | <b>6,323</b>    | <b>6,895</b>    |

The liabilities to related parties are the interest on shareholder loans calculated as of 31 December 2019 in the amount of TCHF 1,171 (previous year TCHF 1,213). In the previous year, liabilities to related parties contained also the open settlements of remunerations for the Board of Directors in the amount of TCHF 99.

The item "Other" consists mainly of debtors with a credit balance, open current accounts and tax settlements.

**19. Other non-current liabilities**

Other non-current liabilities are made up of the following:

|                                       | <b>31/12/19</b> | <b>31/12/18</b> |
|---------------------------------------|-----------------|-----------------|
| Liabilities from grants and subsidies | 421             | 497             |
| <b>Total</b>                          | <b>421</b>      | <b>497</b>      |

This position includes long-term liabilities accrued from investment grants and investment subsidies.

**20. Accrued liabilities and deferred income**

|                                     | <b>31/12/19</b> | <b>31/12/18</b> |
|-------------------------------------|-----------------|-----------------|
| Current tax on income               | 889             | 1,161           |
| Sales deductions                    | 2,249           | 1,985           |
| Personnel                           | 4,219           | 3,925           |
| Interest                            | 933             | 932             |
| Other                               |                 |                 |
| - Energy                            | 16              | 28              |
| - Insurance and fees                | 305             | 133             |
| - Rental and ancillary rental costs | 150             | 151             |
| - Administration                    | 273             | 419             |
| - Marketing and advertisement       | 425             | 266             |
| - Other expenses                    | 1,035           | 756             |
| <b>Total</b>                        | <b>10,494</b>   | <b>9,756</b>    |

Sales deductions include accrued liabilities for open cash discounts, customer bonuses as well as commissions.

The position "Personnel" includes accruals for holidays, overtime, bonuses and gratuities, commissions and other personnel expenses.

The accruals reported under the position "Other expenses" mainly comprise other expenses not yet cleared as of year-end. These items can fluctuate considerably depending on the settlement. This includes, among others, State subsidies in Croatia

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amounting to TCHF 463 (previous year: TCHF 315) as well as license fees that are not yet billed, amounting to TCHF 473 (previous year TCHF 0).

**21. Development of provisions**

Provisions have developed as follows:

|                             | Guarantees | Pension obligations | Deferred taxes | Other        | <b>Total 2019</b> |
|-----------------------------|------------|---------------------|----------------|--------------|-------------------|
| <b>Opening balance</b>      | <b>622</b> | <b>68</b>           | <b>9,325</b>   | <b>2,008</b> | <b>12,022</b>     |
| Creation                    | 50         | 17                  | 286            | 973          | 1,326             |
| Utilisation                 | -7         | 0                   | -35            | -176         | -218              |
| Release                     | -56        | 0                   | -1,415         | -53          | -1,524            |
| Exchange differences        | -1         | -4                  | 4              | -25          | -25               |
| <b>As of 31/12/2019</b>     | <b>608</b> | <b>81</b>           | <b>8,165</b>   | <b>2,727</b> | <b>11,581</b>     |
| <b>Thereof, current</b>     | <b>229</b> | <b>0</b>            | <b>171</b>     | <b>83</b>    | <b>483</b>        |
| <b>Thereof, non-current</b> | <b>379</b> | <b>81</b>           | <b>7,994</b>   | <b>2,644</b> | <b>11,098</b>     |

|                             | Guarantees | Pension obligations | Deferred taxes | Other        | <b>Total 2018</b> |
|-----------------------------|------------|---------------------|----------------|--------------|-------------------|
| <b>Opening balance</b>      | <b>674</b> | <b>43</b>           | <b>9,972</b>   | <b>4,729</b> | <b>15,417</b>     |
| Creation                    | 9          | 27                  | 238            | 73           | 347               |
| Utilisation                 | -7         | 0                   | -14            | -1,210       | -1,230            |
| Release                     | -50        | 0                   | -874           | -1,578       | 2,502             |
| Exchange differences        | -5         | -2                  | 3              | -7           | -11               |
| <b>As of 31/12/2018</b>     | <b>622</b> | <b>68</b>           | <b>9,325</b>   | <b>2,008</b> | <b>12,022</b>     |
| <b>Thereof, current</b>     | <b>259</b> | <b>0</b>            | <b>176</b>     | <b>90</b>    | <b>525</b>        |
| <b>Thereof, non-current</b> | <b>363</b> | <b>68</b>           | <b>9,149</b>   | <b>1,918</b> | <b>11,497</b>     |

Provisions for guarantees are provisions for risks arising from guarantees and claims to be remedied.

Other provisions include TCHF 832 for the agreed purchase price of Boen Sverige AB, acquired on 31 March 2019 (see note 24.7).

Other provisions are made up of the following:

|   | <b>31/12/19</b> | <b>31/12/18</b> |
|---|-----------------|-----------------|
| Severance pay, bonuses, length of service and anniversaries | 764             | 925             |
| Repair / restoration of leased premises                     | 500             | 475             |
| Repair / restoration property St. Margrethen                | 461             | 478             |
| Agreed purchase price of Boen Sverige AB                    | 832             | 0               |
| Other   | 170             | 130             |
| <b>Total</b>  | <b>2,727</b>    | <b>2,008</b>    |

TCHF 461 (previous year: TCHF 478) was included in the provisions for the outstanding costs related to the demolition and restoration obligations of the part of the property in St. Margrethen, sold in December 2017.

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**22. Own shares**

Own shares / value (in TCHF)

|                    | <b>2019</b> | <b>2018</b> |
|--------------------|-------------|-------------|
| 1 January          | 994         | 102         |
| Repurchases        | 0           | 4,147       |
| Sales              | 0           | -3,255      |
| <b>31 December</b> | <b>994</b>  | <b>994</b>  |

Own shares / number

|                    | <b>2019</b>    | <b>2018</b>    |
|--------------------|----------------|----------------|
| 1 January          | 342,882        | 105,942        |
| Repurchases        | 0              | 1,429,980      |
| Sales              | 0              | -1,193,040     |
| <b>31 December</b> | <b>342,882</b> | <b>342,882</b> |

As of 31 December 2019, the Company holds 342,882 own registered shares with a nominal value of CHF 1.00 each (previous year: 342,882 own registered shares). The total acquisition costs amount to TCHF 994 (previous year TCHF 994) and are shown separately in equity.

**23. Result per share in CHF**

|   | <b>31/12/19</b> | <b>31/12/18</b> |
|---|-----------------|-----------------|
| Net income – Bauwerk Boen AG in TCHF    | 12,945          | 9,716           |
| Result per share in CHF                 | 0.17            | 0.13            |
| Average number of shares outstanding *) | 76,050,768      | 76,067,727      |

\*) undiluted and diluted

**24. Further information**

**24.1. Pledged assets**

To collateralise the mortgage loan (see note 16) in the amount of TCHF 11,750 (previous year TCHF 12,250), the real estate with a book value of TCHF 36,931 (previous year TCHF 37,483) is pledged as of year-end 2019.

**24.2. Lease liabilities (operating leases)**

The maturity structure for operating lease liabilities (rental for exhibitions, vehicles, etc.) is shown below:

|                        | <b>31/12/19</b> | <b>31/12/18</b> |
|------------------------|-----------------|-----------------|
| Up to 12 months (2020) | 3,257           | 3,050           |
| 12 – 24 months (2021)  | 2,898           | 2,685           |
| 25 – 36 months (2022)  | 1,386           | 2,219           |
| 37 – 48 months (2023)  | 730             | 714             |
| Later                  | 712             | 689             |
| <b>Total</b>           | <b>8,983</b>    | <b>9,357</b>    |



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**24.3. Contingent assets and contingent liabilities**

The following contingent liabilities exist as of the balance sheet date:

|                  | <b>31/12/19</b> | <b>31/12/18</b> |
|------------------|-----------------|-----------------|
| Other guarantees | 656             | 683             |
| <b>Total</b>     | <b>656</b>      | <b>683</b>      |

For the most part, these are guarantees granted to lessors for long-term lease contracts for exhibitions, warehouse space, etc.

Included is also a bank guarantee for state subsidies for high-tech investments deposited with the Croatian subsidiary in the amount of TCHF 542 (previous year TCHF 564).

**24.4. Investment commitments and other obligations not to be shown on the balance sheet**

|   | <b>31/12/19</b> | <b>31/12/18</b> |
|---|-----------------|-----------------|
| Investment commitments from contracts already concluded | p.m.            | p.m.            |
| Cooperation agreements with suppliers/customers         | p.m.            | p.m.            |

**24.5. Pension funds of Swiss companies**

All persons entitled to payments from the pension fund of Bauwerk Parkett AG (HIAG Pensionskasse) are employees of Bauwerk Parkett AG, St. Margrethen. This is a defined contribution pension plan. The coverage ratio in accordance with Art. 44(1) of the BVV2 was 139.9% (previous year 130.3%) as of the balance sheet date.

|  | <b>31/12/19</b> | <b>31/12/18</b> |
|--|-----------------|-----------------|
| Liabilities due to social security instruments | 408             | 395             |
| Actuarial excessive cover                      | 16,927          | 9,273           |
| Current economic benefit/economic obligation   | 0               | 0               |

Pension costs from pension funds are made up of the following:

|   | <b>2019</b>  | <b>2018</b>  |
|---|--------------|--------------|
| Costs of employer contributions               | 1,338        | 1,286        |
| <b>Pension expenses in personnel expenses</b> | <b>1,338</b> | <b>1,286</b> |

**24.6. Pension funds of Norwegian companies**

As of 1 July 2015, the defined benefit plans for all active and retired employees were discontinued and transferred to the defined contribution plans. Nine former employees of Boen Broek AS who are disabled remain in the old pension plan. This old pension plan could be terminated in the reporting year without any economic obligation.

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**24.7. Acquisition and Sale of Shareholding**

On 31 March 2019, the prior partner for the Swedish market, Boen Sverige AB, has been acquired with the below mentioned assets and liabilities. The goodwill connected with this transaction amounts to TCHF 1,479 (see also note 24.8) and will be amortised over a period of 5 years.

|                         |     |
|-------------------------|-----|
| Current assets          | 191 |
| Non-Current assets      | 0   |
| Current liabilities     | 105 |
| Non-Current liabilities | 1   |

From the agreed purchase price amounting to TCHF 1'564, TCHF 732 have been settled via bank payment in the reporting year. The outstanding amount of TCHF 832 will be settled in the years 2021-2023 (see also note 21).

**24.8. Effects of a theoretical activation of goodwill**

| Theroetical asset register – Goodwill  | 2019           | 2018           |
|--|----------------|----------------|
| <b>Theoretical net book value of goodwill at the beginning of the financial year</b> | <b>19,662</b>  | <b>24,165</b>  |
| <b>Acquisition value</b>   |                |                |
| Status at the beginning of the financial year  | 55,228         | 54,299         |
| Acquisitions   | 1,479          | 0              |
| Disposals  | 0              | 0              |
| Adjustments  | 4              | 929            |
| <b>Status at the end of the financial year</b>                                       | <b>56,711</b>  | <b>55,228</b>  |
| <b>Cum. amortisation</b>   |                |                |
| Status at the beginning of the financial year  | -35,566        | -30,134        |
| Acquisitions   | -5,750         | -5,432         |
| Disposals  | 0              | 0              |
| <b>Status at the end of the financial year</b>                                       | <b>-40,316</b> | <b>-35,566</b> |
| <b>Theoretical net book value of goodwill at the end of the financial year</b>       | <b>15,395</b>  | <b>19,662</b>  |

The goodwill in connection with the acquisition of Boen Sverige AB amounts to TCHF 1,479 and will be amortised over a period of 5 years.

As part of the agreements for pending risks made with the sellers in the Boen acquisition, the purchase price was adjusted in 2017 by TCHF 88. The consideration of this reduction in the purchase price was made as an adjustment directly in goodwill. There were no longer any pending risks at the end of 2018. This resulted in an adjustment of goodwill in the amount of TCHF 929. In the reporting year, differences coming from previous years amounting to TCHF 4 have been adjusted.

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| Effect on equity   | 2019          | 2018          |
|--|---------------|---------------|
| <b>Reported equity according to balance sheet</b>                      | <b>82,554</b> | <b>76,467</b> |
| Theoretical capitalisation Net book value Goodwill                     | 15,395        | 19,662        |
| <b>Theoretical equity incl. revaluated Goodwill</b>                    | <b>97,949</b> | <b>96,129</b> |
| Theoretical self-financing level                                       | 36.87%        | 34.42%        |
| <b>Impact on operating profit (EBIT)</b>                               | <b>2019</b>   | <b>2018</b>   |
| Operating profit (EBIT) according to income statement                  | <b>17,628</b> | <b>16,961</b> |
| Theoretical amortization goodwill                                      | -5,750        | -5,432        |
| <b>Operating profit (EBIT) incl. theoretical amortization goodwill</b> | <b>11,878</b> | <b>11,529</b> |

**24.9. Minority interests**

In the previous year, 4% of the shares of the group company AO Dominga Nik were held by third parties. Since both the company's equity as well as the company's current revenue are negative, the company refrained from showing the minority interests in group equity and group profit/loss.

The minorities held by third parties from the group company AO Dominga Nik have been sold to the Bauwerk Boen Group in the reporting year. As of 31 December 2019, there are no longer any minority interests.

**24.10. Events after the balance sheet date**

On 30 January 2020, World Health Organization WHO declared a global health emergency due to the outbreak of the Corona-virus. Since 11 March, WHO classified the spread of the Corona-virus as pandemic. The further course of the spread of the Corona-virus and its impact on the business of Bauwerk Boen Group are continually monitored. Based on the latest developments, the Group expects that the increasing spread of the Corona-virus in all material markets will have a negative impact on the sales of the group. In response, Group has decided to implement a wide range of cost-cutting measures affecting staff costs, operating costs as well as project and investment budgets. Due to the Corona-crisis, for the current business year, Bauwerk Boen Group expects a significant decline of the EBIT compared with previous year. The exact extent of the decline especially depends on the further spread of the virus, the necessary adjustment in the production capacities and the scope and impact of the cost-cutting measures.

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