Report of the statutory auditor

with consolidated financial statements as of 31 December 2017 of

Bauwerk Boen AG, Wallisellen

Building a better
working world

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To the General Meeting of

Bauwerk Boen AG, Wallisellen

Zurich, 13 April 2018

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 balance sheet, income statement, cash flow statement, statement of changes in equity and notes, for the year ended 31 December 2017.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of these 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 2017 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 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 paragraph 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

Andreas Bodenmann	Marc Rüegsegger
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Enclosure

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

Income statement 2017

(In CHF 1,000)	Note	2017	2016
Gross turnover	1	303,599	296,891
Sales reductions	1	-18,549	-17,502
Net turnover	1	**285,050**	**279,389**
Other operating income	2	1,512	580
Inventory changes in finished and unfinished goods		9,148	-5,317
Cost of goods sold	11	-141,750	-131,232
Personnel expenses		-66,057	-63,039
Other operating expenses	3	-55,292	-54,907
Operating result before depreciation and amortisation (EBITDA)		**32,611**	**25,474**
Depreciation of tangible fixed assets	13	-9,665	-8,432
Amortisation of intangible assets	14	-6,350	-6,152
Operating result (EBIT)		**16,596**	**10,890**
Financial income	4	32	30
Financial expenses	5	-6,258	-5,791
Financial result		**-6,226**	**-5,761**
Ordinary result		**10,370**	**5,129**
Extraordinary income	6	192	0
Extraordinary expenses	6	-2,561	-1‘057
Earnings before taxes		**8,001**	**4,072**
Taxes	7	-1,892	-1,381
Net income/loss		**6,109**	**2,691**
Result per share in CHF (undiluted and diluted)	23	0.08	0.04

Balance sheet as of 31 December 2017

(In CHF 1,000)	Note	31/12/2017	31/12/2016
Assets			
Cash and cash equivalents	8	18,315	13,594
Accounts receivable	9	31,130	27,610
Provision for bad debts		-2,291	-1,793
Other receivables	10	5,850	4,443
Inventories	11	96,419	82,016
Prepayments and accrued income	12	821	1,250
Current assets		**150,244**	**127,120**
Tangible fixed assets	13	113,519	107,428
Intangible assets	14	3,153	2,778
Goodwill	14	24,165	29,685
Financial assets	15	1,518	1,969
Non-current assets		**142,355**	**141,860**
Total assets		**292,599**	**268,980**

(In CHF 1,000)	Note	31/12/2017	31/12/2016
Equity and liabilities			
Current financial liabilities	16	125,049	6,535
Accounts payable	17	18,725	18,166
Other short-term liabilities	18	7,486	5,914
Short-term provisions	21	1,691	450
Accrued liabilities and deferred income	20	15,002	10,697
Current liabilities		**167,953**	**41,762**
Long-term financial liabilities	16	12,717	130,236
Other long-term liabilities	19	636	605
Long-term provisions	21	13,726	16,138
Non-current liabilities		**27,079**	**146,979**
Total liabilities		**195,032**	**188,741**
Share capital		76,394	76,394
Capital reserves		14,915	14,915
Own shares	22	-102	-102
Retained earnings incl. currency translation differences		251	-13,659
Group profit/loss		6,109	2,691
Total equity		**97,567**	**80,239**
Total equity and liabilities		**292,599**	**268,980**

Cash flow statement

(In CHF 1,000)	Note	2017	2016
Group profit/loss		6,109	2,691
Depreciation/amortisation and impairment losses	13/14	16,015	14,584
Gain/losses from the disposal of non-current assets		-260	22
Other non-cash changes		5,511	-418
Increase/release of long-term provisions	21	-2,412	374
Cash flow from operating activities before change in net working capital		**24,963**	**17,253**
Changes in accounts receivable		-3,022	-1,038
Changes in other receivables	10	-1,082	86
Changes in inventories	11	-14,403	-9,744
Changes in prepayments and accrued income	12	429	402
Changes in accounts payable	17	559	-306
Changes in other current liabilities	18	1,572	-755
Changes in accrued liabilities and deferred income and short-term provisions	20/21	5,546	136
Cash flow from operating activities		**14,562**	**6,034**
Purchases/proceeds from sale of investments (net)	24	0	-6,218
Investments in financial assets	15	-40	-214
Disinvestments in financial assets	15	166	430
Investments in tangible fixed assets	13	20,123	-9,567
Disinvestments in tangible fixed assets	13	9,755	121
Investments in intangible assets	14	-1,282	-1,602
Disinvestments in intangible assets		89	949
Cash flow from investing activities		**-11,435**	**-16,101**
Proceeds from of current financial liabilities	16	1,206	5,896
Repayment of current financial liabilities	16	289	-75
Repayment of non-current financial liabilities	16	-500	-584
Changes in other non-current liabilities	19	31	-108
Cash flow from financing activities		**1,026**	**5,129**
Total cash flow		**4,153**	**-4,938**

(In CHF 1,000)	2017	2016
Cash and cash equivalents at the beginning of the year	13,594	18,581
Change in cash and cash equivalents	4,153	-4,938
Foreign currency effect	568	-49
Cash and cash equivalents at year-end *	**18,315**	**13,594**

*) 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	Retained earnings	Currency differences	Total
Equity as of 31/12/2016	**76,394**	**14,915**	**-102**	**13,740**	**-24,708**	**80,239**
Group profit/loss	0	0	0	6,109	0	6,109
Currency translation differences	0	0	0	0	11,219	11,219
As of 31/12/2017	**76,394**	**14,915**	**-102**	**19,849**	**-13,489**	**97,567**

In CHF 1,000	Share capital	Capital reserves	Own shares	Retained earnings	Currency differences	Total
Equity as of 31/12/2015	**76,394**	**14,915**	**-102**	**11,049**	**-24,117**	**78,139**
Group profit/loss	0	0	0	2,691	0	2,691
Currency translation differences	0	0	0	0	-591	-591
As of 31/12/2016	**76,394**	**14,915**	**-102**	**13,740**	**-24,708**	**80,239**

The share capital of Bauwerk Boen AG as of 31 December 2017 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 326 (previous year TCHF 317). 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 standalone 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 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 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. Any resulting goodwill is capitalised and amortised over the useful life.
- 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 2017, 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 2017, no such companies are included in the scope of consolidation.

Consolidation base

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

Company		Share capital	Interest 31/12/17	31/12/16
Bauwerk Parkett AG, CH-St. Margrethen		19,259,811 CHF	100%	100%
Bauwerk Parkett Vertriebs GmbH, A-Salzburg		10,000 EUR	100%	100%
Bauwerk Parkett GmbH, D-Bodelshausen		51,000 EUR	100%	100%
Bauwerk France Sarl, F-Viviers Du Lac		7,500 EUR	100%	100%
Boen AS, NO-Tveit		15,436,600 NOK	100%	100%
Boen Bruk AS, NO-Tveit		60,000,000 NOK	100%	100%
UAB Bauwerk Boen, LT-Vilnius	1)	6,903,991 EUR	100%	100%
Boen Deutschland GmbH, D-Mölln		26,000 EUR	100%	100%
Boen Parkett Deutschland GmbH & Co, D-Mölln		3,600,000 EUR	100%	100%
Boen UK Ltd, GB-Hartlebury		2 GBP	100%	100%
Boen Hardwood Flooring Inc., US-Daytona Beach		266,000 USD	100%	100%
ZAO Dominga Nik, RU-Jasenskoe	2)	189,696,000 RUB	96%	90%
Bauwerk Boen Group Asia Ltd, HK-Hong Kong		999 HKD	100%	100%
Bauwerk Boen Logistics GmbH, D-Bodelshausen		25,000 EUR	100%	100%
Bauwerk Boen d.o.o., HR-Durdevac		2,010,000 HRK	100%	100%
Bauwerk Boen Facility d.o.o., HR-Durdevac	3)		-	100%
Bauwerk Boen Engineering d.o.o., HR-Durdevac	3)		-	100%

1) In 2017, the name of the company was changed from UAB Boen Lietuva to UAB Bauwerk Boen.

2) In 2017, the share capital of the company was increased by RUB 107,008,000 and in this respect Bauwerk Boen Group increased its participation to 96% of the voting rights.

3) As of 1 January 2017 the companies were merged retroactively into Bauwerk Boen d.o.o.

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 sold, 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:

Currency	**2017**	**2016**
EUR, Current rate of exchange	1.1695	1.0720
EUR, Average rate of exchange	1.1120	1.0900
NOK, Current rate of exchange	0.1185	0.1180
NOK, Average rate of exchange	0.1190	0.1175
GBP, Current rate of exchange	1.3170	1.2575
GBP, Average rate of exchange	1.2685	1.3350
USD, Current rate of exchange	0.9760	1.0190
USD, Average rate of exchange	0.9845	0.9850
RUB, Current rate of exchange	0.0170	0.0165
RUB, Average rate of exchange	0.0165	0.0150
HRK, Current rate of exchange	0.1575	0.1420
HRK, Average rate of exchange	0.1490	0.1445

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. For receivables of less than CHF 1,000, general valuation allowances are calculated using the following lump-sum rates:

Overdue period	Valuation allowance
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. Risks arising from non-marketable inventories, obsolete inventories or other impairments (damage, etc.) are included by individual value corrections. These individual value corrections are based on experience and estimates. Interim profits from intragroup deliveries are eliminated.

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:

Useful life	Years
Land and buildings	
Land	-
Office buildings	40-50
Production/storage buildings	20-25
Technical plant + machinery	
Technical plant	10-15
Machinery	10
Other tangible fixed assets	
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 no more than acquisition cost (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. Intangible assets generated internally 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 fixed 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. Goodwill is capitalised and amortised over the useful life. The useful life generally is 5 years. In justified cases it can be up to a maximum 20 years.

Financial assets

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

Impairment

At each balance sheet date, all assets are tested for indicators that the carrying amount of the asset might exceed its recoverable amount. If so, the carrying amount is reduced to the recoverable amount.

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 (primacy of contributions). 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.

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:

	2017	2016
GSA countries (Germany, Switzerland, Austria)	161,718	164,952
Scandinavia	33,306	30,233
Rest of Europe	67,372	63,587
Rest of the world	22,654	20,617
Total	**285,050**	**279,389**

Sales reductions consist of the following:

	2017	2016
Gross turnover	303,599	296,891
Less: Sales reductions		
Cash discounts	-4,696	-4,861
Customer bonuses and commission	-13,541	-12,321
Losses from bad debts	-312	-320
Total	**285,050**	**279,389**

2. Other operating income

	2017	2016
Own work capitalized	115	154
Income from the sale of fixed assets	413	22
Income from services and rental	267	264
Other income	717	140
Total	**1,512**	**580**

In 2017, the former owner of Bauwerk Boen d.o.o. made a compensation payment for operating expenses related to the preparation of the production structures of Bauwerk Boen d.o.o., in the amount of TCHF 442 (previous year TCHF 0). The compensation payment is included in other income.

3. Other operating expenses

	2017	2016
Licenses	-3,313	-3,949
Freight, distribution and warehousing costs	-13,503	-13,486
Operating materials	-841	-981
Energy and fuel	-6,260	-5,552
Repair and maintenance	-8,799	-9,060
Insurances and fees	-1,664	-1,449
Rental and leasing	-4,663	-4,517
Office and administration	-4,329	-4,167
Marketing, business travel and representation costs	-8,996	-10,247
Others	-2,924	-1,499
Total	**-55,292**	**-54,907**

"Others" includes expenses in the amount of TCHF 1,881 (previous year TCHF 1,463) for external support in operationally necessary projects and adjustments, costs for warranties and debtor including any changes in provisions of TCHF 917 (previous year net amount TCHF 90) as well as capital taxes of TCHF 126 (previous year TCHF 126).

The expenses for operationally necessary projects and adjustments contain costs for extensive efficiency enhancement programs in our production plants in the amount of TCHF 814 (previous year TCHF 346). In addition, consulting services in the amount of TCHF 544 (previous year TCHF 359) are included for the development and introduction of group-wide improvements in various areas, such as: transfer pricing, sustainability, values and also cross-company business.

4. Financial income

	2017	2016
Interest income from third parties	25	23
Interest income from related parties	7	7
Total	**32**	**30**

The interest income from affiliated companies is made up exclusively of interest income from shareholder loans granted (also refer to note 16).

5. Financial expenses

	2017	2016
Interest expenses, bank charges and fees	-5,906	-5,705
Exchange rate effects	-352	-86
Total	**-6,258**	**-5,791**

Interest expenses include TCHF 1,229 (previous year TCHF 1,229) for the interest rate of shareholder loans at 3.25% (previous year 3.25%).

In 2016 as well as in the reporting year, currency differences on the translation of equity loans were recorded in equity (also refer to the statement of changes in equity).

6. Extraordinary income and expenses

	2017	2016
Liquidation dividend Aug. Lachappelle's Parketfabrieken	165	0
Other	27	0
Total extraordinary income	**192**	**0**

The closing of the bankruptcy of the former subsidiary Aug. Lachappelle's Parketfabrieken has led to an extraordinary income of TCHF 165 (previous year TCHF 0).

	2017	2016
Costs for restructuring and adjustment of the sales organisation	-310	-158
Costs for relocating the semi-finished-goods production of St. Margrethen to Croatia	-330	0
Costs for reorganization of Shared Services + Supply Chain	-405	0
Costs for acquisition projects	-64	-587
Restoration costs of the property of St. Margrethen sold in 2017	-994	0
Restoration costs of the property Tveit (NO) after a flooding	-191	0
Other	-267	-312
Total extraordinary expenses	**-2,561**	**-2,161**

In the previous year, extraordinary costs of TCHF 158 were incurred for restructuring of the sales organizations in Germany. In the current reporting year, further adjustments to the sales organizations in Germany and Austria led to one-time expenses of TCHF 310.

The relocation of part of the semi-finished-goods production from St. Margrethen to Croatia resulted in extraordinary costs of TCHF 330. The adjustments to the Shared Services and Supply Chain divisions resulted in further one-time charges of TCHF 405 in this respect.

In connection with the detailed testing of potential acquisition targets extraordinary charges in the amount of TCHF 587 incurred in the previous year. The acquisition of the investment in Croatia in the end of 2016 resulted in extraordinary costs of TCHF 64 in the reporting year.

Due to the relocation of a part of the production from St. Margrethen to Croatia, a part of the property no longer in use could be sold. The extraordinary expenses for the sale and restoration of the property amounted to TCHF 994.

In the reporting year the site in Tveit/Norway was badly hit by a catastrophic flooding. The extraordinary costs for the restoration of the property to be borne by the Group amounted to TCHF 191 in the reporting year.

7. Taxes

Tax expenses include mainly the tax on income to be paid on the net profit as well as the change of deferred taxes. For prudential reasons, no deferred taxes are capitalised on losses carried forward. There are tax loss carryforwards (not capitalised) in the amount of TCHF 10,939 in group companies (previous year TCHF 12,231) whose utilisation is dependent on future economic development.

The total tax loss carryforwards account for gross deferred tax assets of TCHF 2,198 (previous year TCHF 2,696), therefrom net TCHF 0 (previous year TCHF 0) were 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.

	2017	2016
Current tax on income	-3,120	-955
Deferred taxes	1,312	-260
Other taxes	-83	-166
Total	**-1,892**	**-1,381**

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:

	2017	2016
	In %	In %
Expected weighted average tax rate	**20.1**	**22.9**
Utilization of unrecognized loss carryforwards from prior years	-9.5	-12.4
Effects of non-tax-deductible expenses	-0.3	0.1
Effects of changes in taxes from previous years	-0.9	0.4
Other new assessments of temporary differences	0.1	0.1
Effect from unrecognized losses from the current financial year	5.7	0
Other effects	-2.0	1.5
Effective tax rate	**13.5**	**12.6**

The effective tax rate based on the earnings before taxes (goodwill amortisation adjusted) in the reporting year was 13.5% (previous year 12.6%).

8. Cash and cash equivalents

The company can freely dispose of all reported cash and cash equivalents. In addition, net credit lines of TCHF 16,661 in total (previous year TCHF 19,875) 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

	31/12/17	31/12/16
Receivables, third parties	31,129	27,602
Receivables, related parties	1	8
Total	**31,130**	**27,610**

The receivables from related parties were receivables from shareholders.

10. Other receivables

	31/12/17	31/12/16
Social security	458	532
VAT	1,814	595
Security deposits, other deposits	381	374
Prepayments to suppliers	1,581	1,684
Related parties	1,261	956
Other	355	302
Total	**5,850**	**4,443**

Security deposits and other deposits include a security deposit paid to the Swiss Federal Customs Administration ("eidgenösische 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 suppliers of raw materials. These prepayments may fluctuate significantly for business-related reasons.

Other receivables from related parties comprise an interest receivable in the amount of TCHF 7 (previous year TCHF 7) originating from shareholder loans as well as other receivables against shareholders in the amount of TCHF 929 (previous year TCHF 949) (see note 14) as well as loans to shareholders in the amount of TCHF 325 which are due in the reporting year (included in financial assets in the previous year, see note 15)

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

11. Inventories

	31/12/17	31/12/16
Raw materials	44,880	39,644
Semi-finished goods	18,881	17,273
Finished goods	33,233	26,370
Trading goods	2,103	2,083
Inventories, gross	**99,097**	**85,371**
Less: Value adjustments	-2,678	-3,355
Total	**96,419**	**82,016**

12. Prepayments and accrued income

	31/12/17	31/12/16
Current tax on income and capital tax	0	68
Outstanding offsetting, refunds, etc.	36	84
Insurances and fees	131	91
Rental	8	5
Administration	317	110
Marketing and distribution	135	378
Financing commission	80	324
Other	114	190
Total	**821**	**1,250**

Commission in the amount of TCHF 1,200 incurred as of 21 May 2013 for the issuance of corporate bonds has been accrued and will be released over the duration of the bond (see also note 16). As of 31 December 2017, the accrual amounts to TCHF 80 (previous year TCHF 324).

13. Development of tangible fixed assets

	Undeveloped land	Land + Buildings	Plant + machinery	Other tangible fixed assets	Tangible fixed assets under constr.	**Total 2017**
Acquisition costs opening balance	**1,352**	**120,285**	**96,306**	**20,447**	**5,224**	**243,614**
Acquisitions	0	1,473	2,575	1,698	14,377	20,123
Disposals	0	-8,810	-5,557	-1,262	-1,325	-16,954
Reclassifications	0	3,206	8,206	-355	-11,057	0
Exchange differences	0	4,769	5,431	1,119	494	11,813
As of 31/12/2017	**1,352**	**120,923**	**106,961**	**21,647**	**7,713**	**258,596**
Cum depreciation opening balance	**0**	**-46,411**	**-73,741**	**-15,618**	**-416**	**-136,186**
Acquisitions	0	-3,397	-4,511	-1,757	0	-9,665
Disposals	0	208	5,374	1,134	743	7,459
Reclassifications	0	0	993	583	-1,576	0
Exchange differences	0	-2,100	-3,679	-812	-94	-6,685
As of 31/12/2017	**0**	**-51,700**	**-75,564**	**-16,470**	**-1,343**	**-145,077**
Tangible fixed assets as of 31/12/2017 (net)	**1,352**	**69,223**	**31,397**	**5,178**	**6,369**	**113,519**

	Undeveloped land	Land + Buildings	Plant + machinery	Other tangible fixed assets	Tangible fixed assets under constr.	**Total 2016**
Acquisition costs opening balance	**1,352**	**110,702**	**91,517**	**18,810**	**1,444**	**223,825**
Change in consolidation	0	8,290	3,483	521	519	12,813
Acquisitions	0	680	2,711	1,473	4,703	9,567
Disposals	0	-75	-1,699	-443	0	-2,217
Reclassifications	0	792	404	225	-1,441	-19
Exchange differences	0	-104	-110	-139	-2	-355
As of 31/12/2016	**1,352**	**120,285**	**96,306**	**20,447**	**5,223**	**243,614**
Cum depreciation opening balance	**0**	**-39,593**	**-68,740**	**-14,160**	**0**	**-122,493**
Change in consolidation	0	-3,890	-2,862	-392	-416	-7,560
Acquisitions	0	-2,966	-3,852	-1,614	0	-8,432
Disposals	0	75	1,582	439	0	2,096
Reclassifications	0	-5	6	-1	0	0
Exchange differences	0	-32	125	110	0	203
As of 31/12/2016	**0**	**-46,411**	**-73,741**	**-15,618**	**-416**	**-136,186**
Tangible fixed assets as of 31/12/2016 (net)	**1,352**	**73,874**	**22,566**	**4,829**	**4,807**	**107,428**

The following additional information is provided:

- Tangible fixed assets include leased assets in the amount of TCHF 554 (previous year TCHF 416).
- No interest was capitalised during the business year.
- In the reporting year, impairment losses in the amount of TCHF 78 (previous year TCHF 77) were recognised on Plant and machinery, Land and Buildings as well as Other tangible fixed assets.

14. Development of intangible assets

	Goodwill	IT software	**Total 2017**
Acquisition costs opening balance	**54,387**	**7,894**	**62,281**
Acquisitions	0	1,282	1,282
Disposals		-39	-39
Adjustment Goodwill	-88	0	-88
Exchange differences	0	47	47
As of 31/12/2017	**54,299**	**9,184**	**63,483**
Cum. amortisation opening balance	**-24,702**	**-5,116**	**-29,818**
Acquisitions	-5,432	-918	-6,350
Disposals	0	38	38
Exchange differences	0	-35	-35
As of 31/12/2017	**-30,134**	**-6,031**	**-36,165**
Intangible assets as of 31/12/2017 (net)	**24,165**	**3,153**	**27,318**

	Goodwill	IT software	**Total 2016**
Acquisition costs opening balance	**54,462**	**6,144**	**60,606**
Change in consolidation	0	123	123
Acquisitions	874	1,602	2,476
Disposals	0	0	0
Reclassifications	0	19	19
Adjustment Goodwill	-949	0	-949
Exchange differences	0	6	6
As of 31/12/2016	**54,387**	**7,894**	**62,281**
Cum. amortisation opening balance	**-19,256**	**-4,288**	**-23,544**
Change in consolidation	0	-122	-122
Acquisitions	-5,446	-706	-6,152
Disposals	0	0	0
Reclassifications	0	0	0
Exchange differences	0	-1	-1
As of 31/12/2016	**-24,702**	**-5,116**	**-29,818**
Intangible assets as of 31/12/2016 (net)	**29,685**	**2,778**	**32,463**

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 acquisition of the Bauwerk group companies as of 30 November 2009 resulted in goodwill in the amount of TCHF 14,822. Due to the strong market presence of the Bauwerk group in traditionally stable markets an amortization period of 10 years was applied.
- The acquisition of the Boen group companies as of 22 May 2013 resulted in goodwill in the amount of TCHF 39,640. In 2017, a retrospective adjustment of the purchase price/goodwill by TCHF -88 (previous year TCHF -949) was taken into consideration for pending risks. Due to the well-established brand and a strong long-standing customer-base, an amortization period of 10 years was applied.
- The acquisition of the Croatian companies as of 7 December 2016 resulted in goodwill in the amount of TCHF 874 for which an amortization period of 5 years was applied.

15. Development of financial assets

	31/12/17	**31/12/16**
Opening balance	1,969	1,862
Acquisitions	276	537
Disposals	-402	-430
Reclassification into other receivables	-325	0
Total	**1,518**	**1,969**

Financial assets are made up of the following:

	31/12/17	**31/12/16**
Loans to third parties	27	103
Loans to related parties	0	325
Rent deposit	215	176
Other	1,276	1,365
Total	**1,518**	**1,969**

The non-interest-bearing loan to third parties (strategic partner) included in third-party loans (see note 24.4) in the amount of TCHF 74 was fully amortised in the reporting year by offsetting against deliveries of materials.

The loan to related parties in the amount of TCHF 325 is due for repayment within the next 12 months and has therefore been reclassified to other receivables (see note 10). The interest rate charged on these loans amounts to 2.25% (previous year 2.25%).

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

The item "Other" includes deferred tax assets in the amount of TCHF 1,176 (previous year TCHF 1,267).

16. Current/non-current financial liabilities

With the acquisition of the Boen companies as of 22 May 2013, the group was refinanced. The existing bank financing was replaced by:

- A corporate bond successfully placed as of 21 May 2013 by Bauwerk Parkett AG in the amount of TCHF 80,000 (interest rate 4.125%, duration 5 years).
- Mortgage financing on the company property of Bauwerk Parkett AG in St. Margrethen in the amount of TCHF 15,000 (interest rate 2.27%). The mortgage is to be paid back in instalments of TCHF 250 every six months, whereby a corresponding instalment was paid for the first time as of 31 December 2013.

Current accounts with banks, bank loans and other credits and loans with maturities of less than 12 months as well as the bond maturing in May 2018 are shown under current financial liabilities. This item is made up of the following:

	31/12/17	**31/12/16**
Mortgage loans/bank loans	500	500
Financial liabilities from finance lease	224	139
Bank overdraft	7,017	5,896
Bond (21 May 2013 – 21 May 2018)	80,000	0
Shareholder loans	37,308	0
Total current financial liabilities	**125,049**	**6,535**

In the reporting year, the scheduled repayments on the mortgage loan amounting to TCHF 500 (previous year TCHF 500) were made.

In the current business year, the financial liabilities from lease agreements were increased by TCHF 85 (previous year reduction TCHF 159).

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

	31/12/17	**31/12/16**
Mortgage loans/bank loans	12,250	12,750
Bond (21 May 2013 – 21 May 2018)	0	80,000
Shareholder loans	0	37,295
Financial liabilities from finance lease	467	191
Total non-current financial liabilities	**12,717**	**130,236**

The intention is to replace the bond maturing in May 2018 with a new bond of the same amount and to extend the final maturity of the existing shareholder loans. The other long-term bank loans fall due for payment as follows:

	31/12/17	**31/12/16**
12 – 24 months (2019)	500	500
22 – 36 months (2020)	11,750	500
Later	0	11,750
Total long-term bank loans	**12,250**	**12,750**

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

	31/12/17	31/12/16
Accounts payable, third parties	18,725	18,166
Total	**18,725**	**18,166**

18. Other current liabilities

Other current liabilities are made up of the following:

	31/12/17	31/12/16
Social security	1,895	1,582
VAT/import tax	1,418	1,053
Prepayments from customers	900	755
Related parties	1,353	1,366
Other	1,920	1,158
Total	**7,486**	**5,914**

Liabilities to related parties are mainly the interest on shareholder loans calculated as of 31 December 2017 in the amount of TCHF 1,216 (previous year TCHF 1,229) as well as the open settlements of remunerations for the Board of Directors in the amount of TCHF 137 (previous year TCHF 137).

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:

	31/12/17	31/12/16
Liabilities from grants and subsidies	636	605
Total	**636**	**605**

The item includes long-term liabilities accrued from investment grants and investment subsidies.

20. Accrued liabilities and deferred income

	31/12/17	31/12/16
Current tax on income	2,472	1,067
Sales reductions	2,684	2,674
Personnel	5,421	3,757
Interest	2,026	2,026
Other		
- Energy	156	102
- Insurance and fees	122	86
- Rental and ancillary rental costs	119	96
- Administration	569	512
- Marketing and advertisement	235	74
- Other expenses	1,198	303
Total	**15,002**	**10,697**

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

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

Interest on the new corporate bond issued in 2013 is payable, in each case, as of 22 May. The interest in the amount of TCHF 2,026 (previous year TCHF 2,026) accrued as of year-end is recorded under "Interest".

The accruals reported under item "Other" mainly comprise other expenses not yet cleared as of year-end. These items can fluctuate considerably depending on the settlement. This includes, among others, license fees amounting to TCHF 561 (previous year TCHF 0) and costs for restoration of the property in Tveit/Norway due to the flooding in the amount of TCHF 315 (previous year TCHF 0).

21. Development of provisions

Provisions have developed as follows:

	Guarantees	Pension obligations	Deferred taxes	Other	**Total 2017**
Opening balance	**901**	**32**	**11,468**	**4,187**	**16,588**
Creation	7	8	-294	753	474
Utilisation	-201	0	-96	-165	-463
Release	-50	0	-1,099	-200	-1,349
Reclassifications	0	0	0	0	0
Exchange differences	17	3	-7	154	167
As of 31/12/2017	**674**	**43**	**9,972**	**4,729**	**15,417**
Thereof, current	**282**	**0**	**20**	**1,389**	**1,691**
Thereof, non-current	**392**	**43**	**9,951**	**3,340**	**13,726**

	Guarantees	Pension obligations	Deferred taxes	Other	**Total 2016**
Opening balance	**943**	**29**	**10,941**	**4,042**	**15,955**
Change in consolidation	0	0	0	192	192
Creation	7	0	567	217	791
Utilisation	-5	0	0	-144	-149
Release	-40	0	-35	-136	-211
Reclassifications	0	3	0	0	3
Exchange differences	-4	0	-5	15	6
As of 31/12/2016	**901**	**32**	**11,468**	**4,187**	**16,588**
Thereof, current	**306**	**0**	**68**	**76**	**450**
Thereof, non-current	**595**	**32**	**11,400**	**4,111**	**16,138**

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

Other provisions are made up of the following:

	31/12/17	31/12/16
Severance pay, bonuses, length of service and anniversaries	2,232	2,177
Repair / restorationof leased premises	495	565
Tax effect on receivable from licenses not accepted for tax purposes	1,454	1,281
Repair / restoration property St. Margrethen	500	0
Other	48	164
Total	**4,729**	**4,187**

TCHF 500 was included in the provisions for the outstanding costs related to the demolition and restoration obligations of the portion of the St. Margrethen property sold in December 2017.

22. Own shares

Own shares / value (in TCHF)

	2017	2016
1 January	102	102
Repurchases	0	0
Sales	0	0
31 December	**102**	**102**

Own shares / number

	2017	2016
1 January	105,942	105,942
Repurchases	0	0
Sales	0	0
31 December	**105,942**	**105,942**

23. Result per share in CHF

	31/12/17	31/12/16
Net income – Bauwerk Boen AG in TCHF	6,109	2,691
Result per share in CHF	0.08	0.04
Average number of shares outstanding *)	76,287,708	76,287,708

*) undiluted and diluted

24. Further information

24.1. Pledged assets

To collateralise the mortgage loan (see note 16) in the amount of TCHF 12,750 (previous year TCHF 13,250), real estate with a book value of TCHF 38,067 (previous year TCHF 47,323) is pledged as of year-end 2017.

24.2. Lease liabilities (operating leases)

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

	31/12/17	**31/12/16**
Up to 12 months (2018)	2,933	2,703
12 – 24 months (2019)	2,696	1,729
25 – 36 months (2020)	2,201	1,451
37 – 48 months (2021)	1,791	1,087
Later	869	956
Total	**10,489**	**7,926**

24.3. Contingent assets and contingent liabilities

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

	31/12/17	**31/12/16**
Other guarantees	131	81
Total	**131**	**81**

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

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

	31/12/17	**31/12/16**
Investment commitments from contracts already concluded	p.m.	p.m.
Cooperation agreements with suppliers/customers	p.m.	p.m.
Agreement to take with strategic partner	9,374	17,184

There is a purchase agreement with a strategic partner valid until 31 December 2018. The minimum quantities covered therein comprise both finished goods as well as semi-finished goods and raw materials; any shortfalls in one sector can be compensated for by other kinds of goods. From a current perspective, the specified minimum quantity requirements will be met without difficulty and do not currently constitute any risk at all. The purchase agreement does not contain any other liabilities or predefined penalty payments. The liability set out above corresponds to the cumulative minimum quantities, based on the quantities outstanding as of the balance sheet date, valued at the estimated average purchase price.

24.5. Pension funds of Swiss companies

All persons entitled to payments from the pension fund of Bauwerk (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 132.8% (previous year 124.3%) as of the balance sheet date.

	31/12/17	**31/12/16**
Liabilities due to social security instruments	211	218
Actuarial excessive cover	10,346	5,652
Current economic benefit/economic obligation	0	0

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

	2017	**2016**
Costs of employer contributions	1,393	1,372
Pension expenses in personnel expenses	**1,393**	**1,372**

24.6. Pension funds of Norwegian companies

These pension plans have been cancelled as of 1 July 2015 for all active and retired employees and transferred to defined contribution plans (see point 6). Nine former employees of Boen AS remain in the old pension plan due to their disability. The old pension plan shows an overfunding as of 31 December 2017 and thus there exists no economic obligation.

24.7. Purchase and sale of investments

On 7 December 2016, Bauwerk Parkett AG purchased the Croatian companies from the German Haas Group (Bauwerk Boen d.o.o., Bauwerk Boen Facility d.o.o., Bauwerk Boen Engineering d.o.o.) and assumed the following assets and liabilities at that point in time:

Current assets	834
Non-current assets	5,577
Current liabilities	1,106
Non-current liabilities	6,014

The goodwill paid within the framework of this transaction amounts to TCHF 874 net. Goodwill was capitalised at the time of the acquisition date and will be amortised on a straight-line basis over 5 years.

24.8. Transactions with related parties

In the reporting year no IT services were charged to related parties (previous year TCHF 7).

24.9. Minority interests

4% of the shares of the group company ZAO Dominga Nik are 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.

24.10. Events after the balance sheet date

Until the adoption of the consolidated financial statement by the Board of Directors on 13 April 2018, no significant events occurred, which could compromise the informational value of the 2017 annual financial statements or which would have to be disclosed at this point.