

To the General Meeting of
Bauwerk Group AG, St. Margrethen SG

Zurich, 15 March 2022

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Bauwerk Group AG, which comprise the consolidated statement of income, the consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, for the year ended 31 December 2021.



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 2021 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

Area of focus The total balance of net inventories as of 31 December 2021 amounts to CHF 73.834 million representing approximately 29% of the total assets of the consolidated financial statements of Bauwerk Group AG. We focused on this position because the net inventories are material to the consolidated financial statements, involve a high level of 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 21.

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 representative sample of products to identify a need for impairment.

Our audit procedures did not lead to any reservations regarding 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 Group AG, St. Margrethen

Annual Report 2021

Company profile

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

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

- Bauwerk Parkett Vertriebs GmbH, Salzburg (AT)
- Bauwerk Parkett GmbH, Bodelshausen (DE)
- Bauwerk France Sarl, Viviers Du Lac (FR)
- Bauwerk Boen Logistics GmbH, Bodelshausen (DE)
- Bauwerk Group Asia Ltd, Hong Kong (HK)
- Bauwerk Group Hrvatska d.o.o., Durdevac (HR)
- Boen AS, Tveit (NO)
- Bauwerk Group Italia Aftersales S.r.l., Milano (IT)
- Boen Sverige AB, Vellinge (SE)
- Boen Bruk AS, Tveit (NO)
- UAB Bauwerk Group Lietuva, Vilnius (LT)
- Boen Deutschland GmbH, Mölln (DE)
- Boen Parkett Deutschland GmbH & Co, Mölln (DE)
- Bauwerk Group UK Ltd, Hartlebury (UK)
- Boen Hardwood Flooring Inc., Daytona Beach (US)
- AO Dominga Nik, Jasenskoe (RU)
- Bauwerk Group US Holding, Inc., Daytona Beach (US)
- Bauwerk Group Energy d.o.o., Durdevac (HR)

The parent Bauwerk Group Schweiz 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.

The Bauwerk Group consists of a sales organization - with the two brands Bauwerk and Boen – as well as a shared and uniform supply chain and shared service organisation.

The Bauwerk trademark organisation focuses on the target groups of floor layers, while the Boen trademark organisation focuses on the wholesale target group. 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.

The Bauwerk 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 Kietavskes/Lithuania and in the factory in Durdevac/Croatia.

Under the brands, Bauwerk and Boen, the Bauwerk Group sells approx. 9.3 million m² 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,

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Human Resources, IT, Research & Development, and Procurement & Logistics, are located at the group's administrative headquarters in Switzerland.

The Bauwerk Group has about 1,600 employees at the end of 2021.

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

The second pandemic year also presented the Bauwerk Group with major challenges in the 2021 financial year. The Group succeeded in countering the shortage on the procurement markets and the associated increase in material costs with operational efficiency measures and increases in selling prices, keeping the EBITDA margin almost stable.

The consolidated net turnover of the Bauwerk Group increased by 15.4% to CHF 301.7 million (previous year CHF 261.4 million). Adjusted for currency effects (applying the prior-year exchange rates), growth amounted to 14.0%. Volumes were expanded to 9.3 million m².

The shortage of materials and rising material costs led to a reduction of the gross margin by 130 base points in the reporting year, as the price increases necessitated by higher procurement costs could only be passed on to customers with a delay. By contrast, savings measures enabled operating costs to be reduced, thus offsetting the pressure on the gross margin.

The operating result EBITDA amounted to CHF 35.7 million, compared to CHF 31.2 million in the previous year, resulting in an EBITDA margin of 11.8% (previous year 11.9%). Net income in the year under review amounted to CHF 16.5 million, CHF 4.7 million above the previous year result (CHF 11.8 million).

In terms of regional distribution, sales in the important DACH region increased by around 9%, while both Scandinavia and the rest of Europe grew by over 20%. In the export markets outside Europe, particularly Asia and the USA, which continued to contribute around 6% to Group sales, the increase in sales was around 40%.

With the absence of the pandemic-related special effects in the previous year (reduction of investments, lower inventories, accounts receivable, etc.), the operating free cash flow (cash flow from operating and investing activities) normalized on to CHF 18.6 million (previous year CHF 38.4 million). After an amortisation of net liabilities, including subordinated shareholder loan by a total of CHF 12.3 million, cash and cash equivalents increased by CHF 4.0 million to CHF 38.5 million (previous year CHF 20.7 million). The equity ratio including the subordinated shareholder loan was 45.4% as of the reporting date (previous year 46.0%).

Due to the tense political situation and the related uncertainties regarding material supplies and the development of material prices, the Bauwerk Group is refraining from providing an outlook for the current year. However, continued strict cost control and adjustments to sales prices in the past as well as in the current year should make it possible to, at least partially, compensate for the significant pressure on the gross margins due to the further sharp rise in material prices. The Bauwerk Group is confident that, thanks to its good positioning and market position, it will continue to be able to achieve solid results in the medium term.

We would like to thank our employees for their hard work, great commitment and professionalism. Our thanks also go to our business partners, whose great trust has

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enabled the Bauwerk Group to successfully sell parquet products from our Group in a market environment that remains challenging.

St. Margrethen, March 2022

Alexander Zschokke, President of the Board of Directors

Patrick Hardy, CEO

Income statement 2021

(In CHF 1,000)

	Note	2021	2020
Gross turnover	1	319,779	277,851
Sales reductions	1	-18,044	-16,432
Net turnover	1	301,735	261,419
Other operating income	2	1,103	3,085
Inventory changes in finished and unfinished goods		-5,521	-6,196
Cost of goods sold		-137,352	-114,441
Personnel expenses		-67,103	-61,224
Other operating expenses	3	-57,165	-51,477
Operating result before depreciation and amortisation (EBITDA)		35,697	31,166
Depreciation of tangible fixed assets	13	-9,759	-10,457
Amortisation of intangible assets	14	-1,350	-1,234
Operating result (EBIT)		24,588	19,475
Financial income	4	126	181
Financial expenses	5	-5,319	-5,957
Financial result		-5,1393	-5,776
Ordinary result		19,395	13,699
Extraordinary income	6	0	0
Extraordinary expenses	6	0	0
Earnings before taxes		19,395	13,699
Taxes	7	-2,929	-1,922
Profit/loss		16,466	11,777
Result per share in CHF (undiluted and diluted)	23	0.22	0.15

Balance sheet as of 31 December 2021

(In CHF 1,000)

	Note	<u>31/12/21</u>	<u>31/12/20</u>
Assets			
Cash and cash equivalents	8	38,522	34,486
Accounts receivable	9	32,555	27,505
Provision for bad debts	9	-2,089	-2,423
Other receivables	10	6,234	3,272
Inventories	11	73,834	76,051
Prepayments and accrued income	12	1,227	877
Current assets		<u>150,283</u>	<u>139,768</u>
Tangible fixed assets	13	94,784	99,308
Intangible assets	14	5,616	4,458
Financial assets	15	1,326	2,073
Non-current assets		<u>101,726</u>	<u>105,839</u>
Total assets		<u>252,009</u>	<u>245,607</u>

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(In CHF 1,000)

	Note	<u>31/12/21</u>	<u>31/12/20</u>
Equity and liabilities			
Current financial liabilities	16	617	727
Accounts payable	17	14,060	10,633
Other short-term liabilities	18	7,995	5,647
Short-term provisions	21	870	570
Accrued liabilities and deferred income	20	13,987	13,292
Current liabilities		<u>37,529</u>	<u>30,869</u>
Long-term financial liabilities	16	97,460	109,638
Other long-term liabilities	19	177	300
Long-term provisions	21	10,277	10,214
Non-current liabilities		<u>107,914</u>	<u>120,152</u>
Total liabilities		<u>145,443</u>	<u>151,021</u>
Share capital		76,394	76,394
Capital reserves		15,056	15,056
Own shares	22	-2,832	-994
Retained earnings incl. currency translation differences		1,482	-7,647
Profit/loss		16,466	11,777
Total equity		<u>106,566</u>	<u>94,586</u>
Total equity and liabilities		<u>252,009</u>	<u>245,607</u>

Cash flow statement

(In CHF 1,000)

	Note	2021	2020
Profit/loss		16,466	11,777
Depreciation/amortisation and impairment losses	13/14	11,107	11,691
Gain/losses from the disposal of non-current assets		-25	-50
Other non-cash changes		-83	874
Increase/release of long-term provisions	21	-2	-383
Cash flow from operating activities before change in net working capital		27,463	23,909
Changes in accounts receivable		-5,384	1,460
Changes in other receivables	10	-2,962	243
Changes in inventories	11	2,217	15,683
Changes in prepayments and accrued income	12	-350	490
Changes in accounts payable	17	3,427	-501
Changes in other current liabilities	18	2,348	-676
Changes in accrued liabilities and deferred income and short-term provisions	20/21	1,000	2,888
Cash flow from operating activities		27,759	43,496
Purchases/proceeds from sale of investments (net)	24	-110	-110
Investments in financial assets	15	-96	-254
Disinvestments in financial assets	15	842	454
Investments in tangible fixed assets	13	-7,633	-4,452
Disinvestments in tangible fixed assets	13	354	213
Investments in intangible assets	14	-2,514	-1,205
Cash flow from investing activities		-9,156	-5,104
Purchase/sale of own shares	22	-1,838	0
Repayment of current financial liabilities	16	-238	-5,792
Repayment of non-current financial liabilities	16	-12,050	-11,600
Changes in other non-current liabilities	19	-123	-121
Cash flow from financing activities		-14,249	-17,513
Total cash flow		4,354	20,879

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(In CHF 1,000)

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents at the beginning of the year	34,486	13,784
Change in cash and cash equivalents	4,354	20,879
Foreign currency effect	-318	-177
Cash and cash equivalents at year-end *	<u>38,522</u>	<u>34,486</u>

*) 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	Total
Equity as of 31/12/2020	76,394	15,056	-994	-56,392	84,389	-23,867	94,586
Purchase own shares	0	0	-1,838	0	0	0	-1,838
Offset of goodwill from acquisitions*	0	0	0	-214	0	0	-214
Group result	0	0	0	0	16,466	0	16,466
Currency translation differences	0	0	0	0	0	-2,434	-2,434
As of 31/12/21	76,394	15,056	-2,832	-56,606	100,855	-26,301	106,566

In CHF 1,000	Share capital	Capital reserves	Own shares	Goowill recognition	Retained earnings	Currency differences	Total
Equity as of 31/12/2019	76,394	15,056	-994	-56,711	72,612	-23,803	82,554
Offset of goodwill from acquisitions*	0	0	0	319	0	0	319
Group result	0	0	0	0	11,777	0	11,777
Currency translation differences	0	0	0	0	0	-64	-64
As of 31/12/20	76,394	15,056	-994	-56,392	84,389	-23,867	94,586

*) see comments under note 24.7

The share capital of Bauwerk Group AG as of 31 December 2021 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 359 (previous year TCHF 348). These are reserves formed in accordance with legal requirements.

Consolidation and valuation principles

Accounting principles

General

The consolidated financial statements of the Bauwerk 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 completely.

Capital consolidation

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

- Companies in which Bauwerk Group 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 Group 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 2021, no such companies are included in the scope of consolidation.
- Companies in which Bauwerk Group 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 2021, no such companies are included in the scope of consolidation.

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Consolidation base

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

Company		Capital	Share of capital and votes	
			31/12/21	31/12/20
Bauwerk Group Schweiz 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%
Bauwerk Group Italia Aftersales S.r.l., IT-Milano	1)	10'000 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 Group Lietuva, LT-Vilnius	2)	6'903'991 EUR	100%	100%
Boen Deutschland GmbH, D-Mölln		26'000 EUR	100%	100%
Boen Parkett Deutschland GmbH & Co KG, D-Mölln		3'600'000 EUR	100%	100%
Bauwerk Group UK Ltd, GB-Hartlebury	3)	2 GBP	100%	100%
Boen Hardwood Flooring Inc., US-Daytona Beach		266'000 USD	100%	100%
AO Dominga Nik, RU-Jasenskoe		189'696'000 RUB	100%	100%
Bauwerk Group Asia Ltd, HK-Hong Kong	4)	999 HKD	100%	100%
Boen Sverige AB, SE-Vellinge		100'000 SEK	100%	100%
Bauwerk Boen Logistics GmbH, D-Bodelshausen		25'000 EUR	100%	100%
Bauwerk Group Hrvatska d.o.o., HR-Durdevac	5)	2'010'000 HRK	100%	100%
Bauwerk Group Energy d.o.o., HR-Durdevac	6)	20'000 HRK	100%	0%
Bauwerk Group US Holding, Inc., US-Daytona Beach	7)	1 USD	100%	0%

1) Name change from Bauwerk Parquet Aftersales S.r.l. to Bauwerk Group Italia Aftersales S.r.l.

2) Name change from UAB Bauwerk Boen to UAB Bauwerk Group Lietuva

3) Name change from Boen UK Ltd to Bauwerk Group UK Ltd

4) Name change from Bauwerk Boen Group Asia Ltd to Bauwerk Group Asia Ltd

5) Name change from Bauwerk Boen d.o.o. to Bauwerk Group Hrvatska d.o.o.

6) In March 2021, Bauwerk Group Energy d.o.o. was founded

7) In October 2021, Bauwerk Group US Holding Inc. was founded

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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:

Currency	2021	2020
EUR, Current rate of exchange	1.0350	1.0802
EUR, Average rate of exchange	1.0810	1.0705
NOK, Current rate of exchange	1.1035	0.1032
NOK, Average rate of exchange	1.1064	0.1000
GBP, Current rate of exchange	1.2300	1.2015
GBP, Average rate of exchange	1.2580	1.2040
USD, Current rate of exchange	0.9120	0.8803
USD, Average rate of exchange	0.9150	0.9384
RUB, Current rate of exchange	0.0121	0.0118
RUB, Average rate of exchange	0.0124	0.0131
HRK, Current rate of exchange	0.1375	0.1430
HRK, Average rate of exchange	0.1440	0.1420
SEK, Current rate of exchange	0.1010	0.1077
SEK, Average rate of exchange	0.1070	0.1022

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. 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:

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 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.

Long term 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 economical impact of pension schemes for a group company is calculated at balance sheet date. An economical 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 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 provide 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 are 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 liabilities and the recognition of deferred tax assets are 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 Bauwerk Group consists of a single business segment only, the manufacturing and distribution of parquet and parquet-accessories. The net turnover of the Bauwerk Group breaks down by region as follows:

	2021	2020
GSA countries (Germany, Switzerland, Austria)	172,635	159,207
Scandinavia	43,773	35,722
Rest of Europe and rest of the world	66,325	53,013
Northamerica and Asia	19,002	13,477
Total	301,735	261,419

Sales deductions consist of the following:

	2021	2020
Gross turnover	319,779	277,851
Less: Sales deductions		
Cash discounts	-4,661	-4,246
Customer bonuses and commission	-13,163	-12,021
Losses from bad debts	-220	-165
Total	301,735	261,419

2. Other operating income

	2021	2020
Own work capitalised	100	136
Income from the sale of fixed assets	26	50
Income from services and rental	208	225
Income from recycling certificates	161	513
State contributions COVID 19	61	1,902
Other income	547	259
Total	1,103	3,085

Once again, recycling certificates could be sold, which resulted in proceeds of TCHF 161 (previous year TCHF 513). The government programs triggered by COVID19 to support the economy in the individual countries resulted in an income of TCHF 61 in the reporting year (previous year TCHF 1,902).

Other income includes income from the reversal of provisions no longer required for operational reasons in the amount of TCHF 364.

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3. Other operating expenses

	2021	2020
Licenses	-2,325	-2,118
Freight, distribution and warehousing costs	-13,530	-12,385
Operating materials	-3,656	-2,238
Energy and fuel	-6,408	-6,024
Repair and maintenance	-8,660	-7,848
Insurances and fees	-1,429	-1,450
Rental and leasing	-4,929	-4,720
Office and administration	-5,591	-4,907
Marketing, business travel and representation costs	-6,496	-6,290
Others	-4,141	-3,497
Total	-57,165	-51,477

"Others" includes expenses in the amount of TCHF 2,615 (previous year TCHF 1,952) for operational expenses, costs for warranties and debt collecting including any changes to the bad debt allowance of TCHF 1,528 (previous year net amount TCHF 1,422).

The main position in regard of operational special expenses are the expenses in connection with the pandemic triggered by COVID 19 in the amount of TCHF 307 (previous year 682). In addition, adjustments in the organization of the group led to expenses of TCHF 48 (previous year TCHF 219). Costs in the amount of TCHF 689 were incurred in connection with the detailed review of potential acquisition objects. Consulting services for topics such as sustainability, transfer pricing, etc. led to expenses in the reporting year of TCHF 447 (previous year TCHF 294). In addition, a compensation claim in the amount of TCHF 411 against a sales representative of the Boen brand in Austria became due in the reporting year. The contract with the long-standing sales representative was terminated on December 31, 2021 for sales policy reasons.

4. Financial income

	2021	2020
Interest income from third parties	117	25
Interest income from related parties	8	10
Exchange rate effects	0	146
Total	126	181

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

5. Financial expenses

	2021	2020
Interest expenses, bank charges and fees	-2,799	-3,415
Exchange rate effects	-2,520	-2,542
Total	-5,319	-5,957

Interest expenses include TCHF 251 (previous year TCHF TCHF 829) for shareholder loans at an interest rate of 2.75% (previous year 3.25%).

In 2020 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).

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6. Extraordinary income and expenses

As in the previous year, there was no extraordinary income or expense in the year under review.

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 3,488 in group companies (previous year TCHF 3,559) whose utilisation is dependent on future economic development.

The total tax loss carryforwards account for gross deferred tax assets of TCHF 691 (previous year TCHF 709), 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, using the expected tax rate according to the applicable local tax law. The change of provisions for deferred taxes is recognised through tax expense/income.

	2021	2020
Current tax on income	-3,063	-2,677
Deferred taxes	134	755
Total	-2,929	-1,922

The expected tax rate of the Bauwerk 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:

	2021	2020
	In %	In %
Expected weighted average tax rate	17.4	19.6
Utilization of unrecognized loss carryforwards from prior years	-0.7	-5.5
Effects of non-tax-deductible income / expenses	-1.6	1.6
Effects of changes in taxes from previous years	0.5	0.7
Other new assessments of temporary differences	0.5	-0.5
Effect from unrecognized losses from the current financial year	0.4	-1.0
Other effects	-1.4	-0.9
Effective tax rate	15.1	14.0

The effective tax rate based on the earnings before taxes in the reporting year amounts to 15.1% (previous year 14.0%). The reconciliation item "Other effects" includes in particular the effect of -1.4% (previous year -0.9%) due to a tax benefit for investments in Croatia.

8. Cash and cash equivalents

The company can freely dispose of all reported cash and cash equivalents. In addition, net credit lines of TCHF 21,805 in total (previous year TCHF 30,226) 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).

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9. Accounts receivable

	31/12/21	31/12/20
Receivables, third parties	32,555	27,505
Provision for bad debts	-2,089	-2,423
Total	30,466	25,082

10. Other receivables

	31/12/21	31/12/20
Social security	347	322
VAT	3,139	1,297
Security deposits, other deposits	427	438
Prepayments to suppliers	2,124	1,031
Other	197	183
Total	6,234	3,272

Security deposits and other deposits include a security deposit paid to the Swiss Federal Customs Administration ("eidgenössische Oberzolldirektion") for the process 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

	31/12/21	31/12/20
Raw materials	33,922	30,348
Semi-finished goods	16,564	18,480
Finished goods	23,405	28,025
Trading goods	2,541	2,828
Inventories, gross	76,432	79,681
Less: Value adjustments	-2,599	-3,630
Total	73,834	76,051

12. Prepayments and accrued income

	31/12/21	31/12/20
Current tax on income and capital tax	68	0
Outstanding offsetting, refunds, etc.	124	74
Personnel expenses	0	3
Insurances and fees	214	73
Rental	12	30
Administration	404	60
Marketing and distribution	97	100
Financing commission	260	442
Other	48	95
Total	1,227	877

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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 2021, the accrual amounts to TCHF 260 (previous year TCHF 442).

13. Development of tangible fixed assets

	Un- developed land	Land + Buildings	Plant + mach.	Other tangible fixed assets	Tangible fixed assets under constr.	Total 2021
Acquisition costs						
opening balance	0	122,278	114,308	19,167	872	256,624
Acquisitions	0	1,032	1,531	1,016	4,053	7,633
Disposals	0	-988	-1,000	-531	-4	-2,523
Reclassifications	0	534	1,024	139	-1,697	0
Exchange differences	0	-2,263	-3,011	-480	-93	-5,847
As of 31/12/20	0	120,592	112,850	19,313	3,130	255,886
Cum depreciation						
opening balance	0	-60,133	-82,156	-15,026	-1	-157,317
Acquisitions	0	-3,444	-4,815	-1,500	0	-9,759
Disposals	0	930	771	493	0	2,194
Reclassifications	0	0	0	0	0	0
Exchange differences	0	1,308	2,095	377	0	3,781
As of 31/12/20	0	61,339	-84,104	-15,656	-1	-161,101
Tangible fixed assets as of 31/12/21 (net)	0	59,253	28,747	3,657	3,129	94,785
	Un- developed land	Land + Buildings	Plant + mach.	Other tangible fixed assets	Tangible fixed assets under constr.	Total 2020
Acquisition costs						
opening balance	0	121,893	112,452	19,307	2,061	255,713
Acquisitions	0	532	2,088	619	1,214	4,452
Disposals	0	-22	-643	-637	0	-1,302
Reclassifications	0	781	1,562	13	-2,356	0
Exchange differences	0	-907	-1,151	-133	-47	-2,238
As of 31/12/20	0	122,278	114,308	19,167	872	256,624
Cum depreciation						
opening balance	0	-56,686	-78,187	-14,292	-1	-149,166
Acquisitions	0	-3,967	-5,063	-1,427	0	-10,457
Disposals	0	0	532	611	0	1,143
Reclassifications	0	0	0	0	0	0
Exchange differences	0	521	561	81	0	1,163
As of 31/12/20	0	-60,133	-82,156	-15,026	-1	-157,316
Tangible fixed assets as of 31/12/20 (net)	0	62,145	32,152	4,141	870	99,308

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The following additional information is provided:

- Tangible fixed assets include leased assets in the amount of TCHF 348 (previous year TCHF 465).
- No interest was capitalised during the business year.
- No unscheduled write-downs were made in the reporting year (previous year TCHF 543 on “Land + Buildings” and “Plant + Machinery”).

14. Development of intangible assets

	2021	2020
Acquisition costs opening balance	13,146	12,016
Acquisitions	2,514	1,205
Disposals	-23	-49
Exchange differences	-21	-26
As of 31/12/	15,617	13,146
Cum. amortisation opening balance	-8,690	-7,514
Acquisitions	-1,348	-1,234
Disposals	23	49
Exchange differences	14	10
As of 31/12/	-10,001	-8,690
Intangible assets as of 31/12/ (net)	5,616	4,458

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 24.7.

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15. Development of financial assets

	31/12/21	31/12/20
Opening balance	2,073	2,273
Acquisitions	96	254
Disposals	-843	-454
Total	1,326	2,073

Financial assets are made up of the following:

	31/12/21	31/12/20
Loans to related parties	250	775
Rent deposit	243	230
Deferred tax assets	772	944
Other	60	124
Total	1,326	2,073

Loans to related parties consist of loans to shareholders in the amount of TCHF 250 (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.

16. Current / Non-current financial liabilities

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:

	31/12/21	31/12/20
Mortgage loans / bank loans	500	500
Financial liabilities from finance lease	117	227
Bank overdraft	0	0
Total current financial liabilities	617	727

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

	31/12/21	31/12/20
Mortgage loans / bank loans	9,500	11,000
Bond (22 May 2018 – 22 May 2023)	80,000	80,000
Shareholder loans (Expiry 31 May 2023)	7,850	18,400
Financial liabilities from finance lease	110	238
Total non-current financial liabilities	97,460	109,638

In the year under review, the agreed amortization of TCHF 1,500 (previous year: TCHF 250) was paid on the mortgage loan. In the reporting year, the shareholder loans have been amortised by TCHF 10,550 (previous year TCHF 11,600). The interest on the shareholder loans is 2.75% (previous year 3.25%) as of December 31.

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17. Accounts payable

	31/12/21	31/12/20
Accounts payable, third parties	14,060	10,633
Total	14,060	10,633

18. Other current liabilities

Other current liabilities are made up of the following:

	31/12/21	31/12/20
Social security	1,827	1,491
VAT / Import tax	3,739	1,478
Prepayments from customers	1,455	1,254
Related parties	0	829
Other	974	595
Total	7,995	5,647

The liabilities to related parties are the interest on shareholder loans calculated as of 31 December 2020 in the amount of TCHF 829.

The item "Other" mainly consists 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:

	31/12/21	31/12/20
Liabilities from grants and subsidies	177	300
Total	177	300

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

20. Accrued liabilities and deferred income

	31/12/21	31/12/20
Current tax on income	3,127	2,585
Sales deductions	2,013	2,387
Personnel	5,898	4,981
Interest	932	932
Other		
- Energy	18	18
- Insurance and fees	54	224
- Rental and ancillary rental costs	106	127
- Administration	317	441
- Marketing and advertisement	629	659
- Other expenses	893	938
Total	13,987	13,292

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 as well as other personnel expenses.

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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 amounting to TCHF 417 (previous year: TCHF 420) and TCHF 393 for the compensation claim due to the termination of the contract with a sales representative of the Boen brand in Austria. In the comparative year, accruals for pending sales tax payments in the amount of TCHF 281 were included.

21. Development of provisions

Provisions have developed as follows:

	Guarantees	Pension obligations	Deferred taxes	Other	Total 2021
Opening balance	777	132	7,441	2,434	10,785
Creation	502	46	294	207	1,049
Utilisation	-5	0	-314	0	-319
Release	-5	0	-285	-33	-323
Exchange differences	-1	-7	0	-37	-45
As of 31/12/20	1,268	171	7,136	2,572	11,147
Thereof, current	627	0	118	125	870
Thereof, non-current	641	171	7,018	2,447	10,277

	Guarantees	Pension obligations	Deferred taxes	Other	Total 2020
Opening balance	609	81	8,165	2,727	11,581
Creation	204	50	14	163	431
Utilisation	-4	0	-54	-110	-168
Release	-32	0	-681	-340	-1,053
Exchange differences	1	0	-3	-5	-7
As of 31/12/20	777	132	7,441	2,434	10,785
Thereof, current	380	0	62	128	570
Thereof, non-current	397	132	7,379	2,307	10,214

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

Other provisions are made up of the following:

	31/12/21	31/12/20
Severance pay, bonuses, length of service and anniversaries	1,126	1,067
Repair / restoration of leased premises	475	500
Repair / restoration property St. Margrethen	461	461
Agreed purchase price of Boen Sverige AB	507	403
Other	3	3
Total	2,572	2,434

In the reporting year, a further tranche of the conditional purchase price for Boen Sverige AB in the amount of TCHF 110 (previous year TCHF 110) has been paid out and offset against the existing provision.

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A review of the conditional purchase price for Boen Sverige AB as of December 31, 2021 resulted in an increase of TCHF 214 (previous year reduction of TCHF 319) of the open payments to be cleared in coming years (see also Appendix 24.6) and thus in the provision made for this.

22. Own shares

Own shares / value (in TCHF)

	2021	2020
1 January	994	994
Repurchases	1,837	0
Sales	0	0
31 December	2,832	994

Own shares / number

	2021	2020
1 January	342,882	342,882
Repurchases	596,520	0
Sales	0	0
31 December	939,402	342,882

As of 31 December 2021, the Company holds 939,402 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 2'831 (previous year TCHF 994) and are shown separately in equity.

During the reporting year, 596,520 own registered shares were acquired at an average transaction price of CHF 3.08 per share.

23. Result per share in CHF

	31/12/21	31/12/20
Net income – Bauwerk Group AG in TCHF	16,466	11,777
Result per share in CHF	0.22	0.15
Average number of shares outstanding *)	75,945,885	76,050,768

*) undiluted and diluted

24. Further information

24.1. Pledged assets

To collateralise the mortgage loan (see note 16) in the amount of TCHF 10,000 (previous year TCHF 11,500), the real estate with a book value of TCHF 35,988 (previous year TCHF 36,263) is pledged as of year-end 2021.

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24.2. Lease liabilities (operating leases)

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

	31/12/21	31/12/20
Up to 12 months (2021)	2,289	3,226
12 – 24 months (2022)	1,533	1,611
25 – 36 months (2023)	1,036	987
37 – 48 months (2024)	670	622
Later	414	506
Total	5,942	6,952

24.3. Contingent assets and contingent liabilities

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

	31/12/21	31/12/20
Other guarantees	632	658
Total	632	658

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 561 (previous year TCHF 584).

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

There are no investment obligations or other off-balance sheet obligations to be reported here.

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 Group Schweiz AG, St. Margrethen. This is a defined contribution pension plan. The coverage ratio in accordance with Art. 44(1) of the BVV2 was 149.1% (previous year 148.3%) as of the balance sheet date.

	31/12/21	31/12/20
Liabilities due to social security instruments	204	198
Actuarial excessive cover	22'575	20,218
Current economic benefit/economic obligation	0	0

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

	2021	2020
Costs of employer contributions	1,291	1,320
Pension expenses in personnel expenses	1,291	1,320

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24.6. Acquisition and Sale of Shareholding

In the current year as well as in the previous year, there were no purchases or sales of shareholdings. On 31 March 2019, the prior partner for the Swedish market, Boen Sverige AB, has been acquired. The goodwill connected with this transaction amounts to TCHF 1,479 (see also note 24.7) and will be amortised over a period of 5 years.

From the agreed purchase price amounting to TCHF 1'564, TCHF 110 have been settled via bank payment in the reporting year (previous year TCHF 110). An impairment test carried out on December 31, 2021 revealed an increase in the purchase price by TCHF 214 in accordance with the agreement. The outstanding amount of TCHF 507 will be settled in the years 2022-2023 (see also note 21).

24.7. Effects of a theoretical activation of goodwill

Theroetical asset register – Goodwill	2021	2020
Theoretical net book value of goodwill at the beginning of the financial year	10,644	15,395
Acquisition value		
Status at the beginning of the financial year	56,392	56,711
Acquisitions	214	
Disposals	0	-319
Adjustments	0	0
Status at the end of the financial year	56,606	56,392
Cum. amortisation		
Status at the beginning of the financial year	-45,748	-41,316
Acquisitions	-4,496	-4,432
Disposals	0	0
Status at the end of the financial year	-50,244	-45,748
Theoretical net book value of goodwill at the end of the financial year	6,362	10,644

The additions in the reporting year amounting to TCHF 214 and the disposals in the comparative year amounting to TCHF -319 relate to the acquisition of Boen Sverige AB in 2019 (see explanations under note 24.6).

Effect on equity	2021	2020
Reported equity according to balance sheet	106,566	94,586
Theoretical capitalisation Net book value Goodwill	6,362	10,644
Theoretical equity incl. revaluated Goodwill	112,928	105,230
Theoretical self-financing level	43.71%	41.07%
Impact on operating profit (EBIT)		
	2021	2020
Operating profit (EBIT) according to income statement	24,588	19,475
Theoretical amortization goodwill	-4,496	-4,432
Operating profit (EBIT) incl. theoretical amortization goodwill	20,092	15,043

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24.8. Minority interests

As of December 31, 2021, there were no minority interests.

24.9. Events after the balance sheet date

The intensification of the conflict between Russia and Ukraine, which culminated in armed conflict in Ukraine on February 24, 2022, creates uncertainties for the development of the global economy, not only, but also because of the sanctions against Russia. In addition to other production sites, the Bauwerk Group also operates a sawmill in Kaliningrad, Russia (with a book value of CHF 1.4 million). The Russian subsidiary, as one of various suppliers, supplies the group companies with the wood required for the production of parquet. The development of the Russian entity is not foreseeable at the present time. The group also expects wood prices to increase on the European wood market. Currently, it is not possible to estimate the financial impact from that.

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