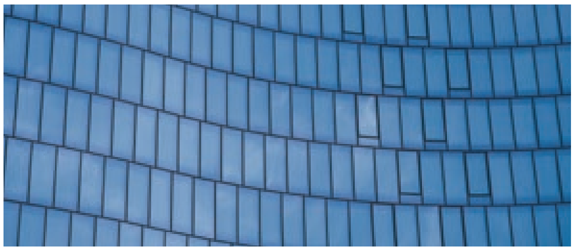
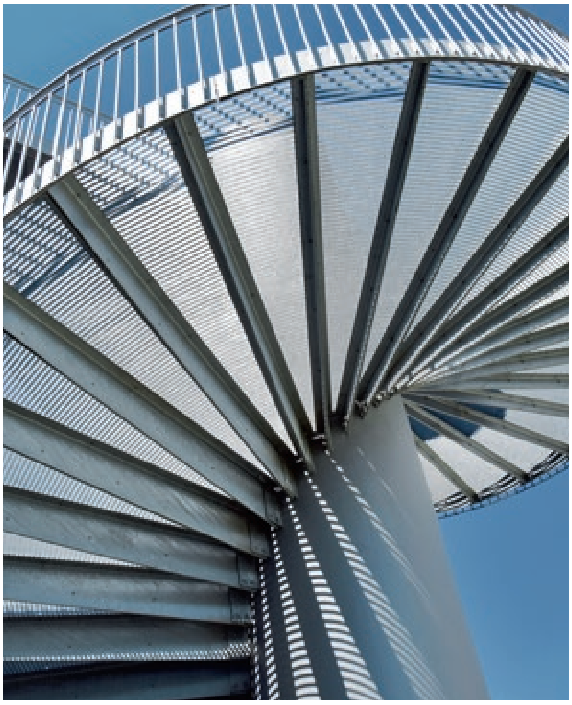
conzzeta

Annual Report 2017





Conzzeta at a glance

Conzzeta is a broadly diversified Swiss group of companies. It stands for innovation, reliability and a long-term perspective. Conzzeta strives for leading positions in its target markets, above-average growth and long-term value creation. More than 4 700 employees at over 60 locations worldwide are dedicated to offering customers innovative solutions in Sheet Metal Processing, Sporting Goods, Foam Materials, Graphic Coatings and Glass Processing. Conzzeta AG is listed on the SIX Swiss Exchange (SIX:CON).

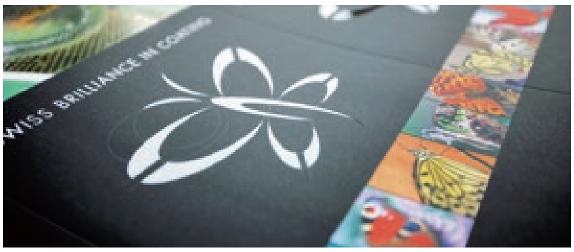
Bystronic
Solutions for the processing of sheet metal and other sheet materials

Sheet Metal Processing

Mammut Sports Group
Clothing and equipment for mountaineering, climbing and winter sports

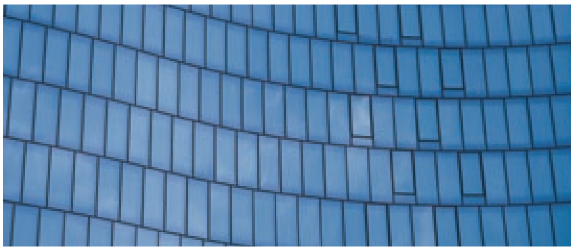
Sporting Goods

FoamPartner
Foam products for industry and comfort applications



Schmid Rhyner
Print varnishes for the graphical industry

Chemical Specialties



Bystronic glass
Systems for processing flat glass

Glass Processing

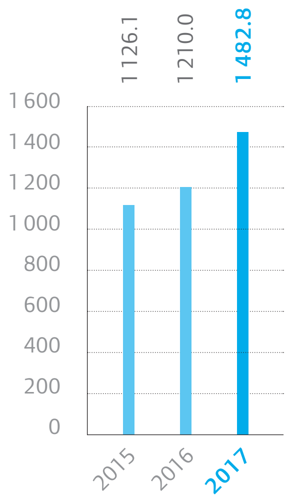
Key figures

				2017	2016
Group					
Net revenue			CHF m	1 482.8	1 210.0
Operating result			CHF m	123.2	84.4
Group result			CHF m	97.4	63.9
Operating free cash flow			CHF m	65.4	76.0
Shareholders' equity			CHF m	902.9	941.5
Total assets			CHF m	1 323.3	1 255.4
Shareholders' equity as % of total assets			%	68.2	75.0
Net operating assets			CHF m	490.7	401.6
Employees at year-end			Number	4 717	4 098
Net revenue per full-time position			CHF thousand	342.6	317.2
Conzzeta AG					
Net income for the year			CHF m	47.9	81.5
Share capital			CHF m	4.1	4.1
Total dividend			CHF m	33.1[1]	22.8
Number of shares on 12/31	class A registered		Number	1 827 000	1 827 000
	class B registered		Number	1 215 000	1 215 000
Gross dividend per share	class A registered		CHF	16.00[1]	11.00
	class B registered		CHF	3.20[1]	2.20
Market price per share	class A registered	high	CHF	1 067.00	747.00
		low	CHF	721.00	570.00
		year-end	CHF	1 016.00	720.00
Total capitalization on 12/31			CHF m	2 103	1 490
Group key figures per share					
Earnings	class A registered		CHF	40.47	29.10
per share	class B registered		CHF	8.09	5.82
Cash flow from operating	class A registered		CHF	45.52	46.37
activities per share	class B registered		CHF	9.10	9.27
Shareholders' equity	class A registered		CHF	428.00	451.70
per share	class B registered		CHF	85.60	90.34

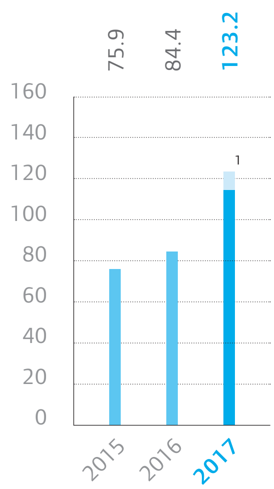
[1] As proposed by the Board of Directors.

Performance Indicators

Net revenue (in CHF m)

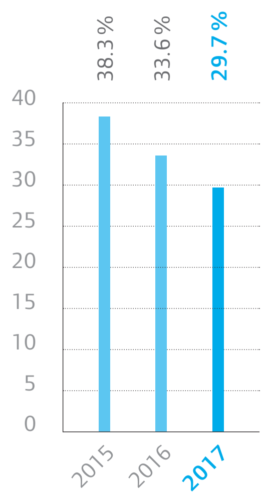


Operating result (in CHF m)

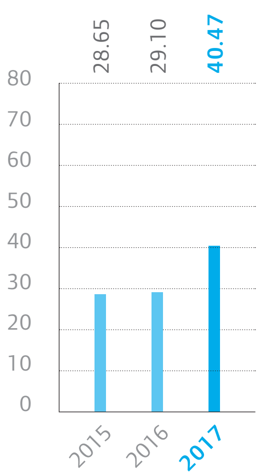


[1] In 2017 including a one-off capital gain of CHF 8.8 million

Capital efficiency (NOA / total revenue) (in %)



Earnings per registered share A (in CHF)



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Surge in revenue and improved profitability – strengthened position in growth markets

With revenue of CHF 1 482.8 million, the Conzzeta Group achieved revenue growth of 22.5% in 2017. The reported operating result (EBIT) was CHF 123.2 million and the EBIT margin was 8.2%, up from CHF 84.4 million and 7.0% respectively in the previous year. Progress was made towards implementing strategic and operational initiatives. However, ongoing efforts are needed in order to achieve a sustained improvement in profitability.

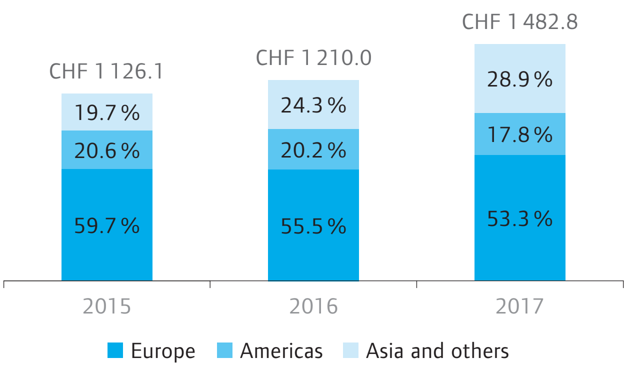
Net revenue amounted to CHF 1 482.8 million, up 22.5 % from the previous year. On a comparable basis, i.e. at stable exchange rates and adjusted for changes in the scope of consolidation, revenue growth was 14.3 %, up from 2.6 % in the previous year. The strong revenue growth in both the second half of 2016 and the first half of 2017 was surpassed again in the second half of 2017 thanks to a favorable market environment, especially for capital goods. The full-year result on the EBIT level increased by 46.0 % to CHF 123.2 million. It includes a one-time gain of CHF 8.8 million from the sale of the 51 % stake in the FoamPartner business unit's US joint venture on July 1, 2017. The Group result increased by 52.4 % to CHF 97.4 million. The return on net operating assets (RONOA) was 21.5 %, compared with 15.6 % in the previous year. In the second half of 2017, the order intake for capital goods increased again from a high level, and the order book at year-end was significantly higher than the previous year.

Broader regional presence

The takeover of Otto Bock Kunststoff as of September 1, 2017 within the FoamPartner business unit marked an important development step for Conzzeta. A milestone was already achieved in the previous year with the acquisition of a 51 % stake in the Chinese company DNE Laser for the Bystronic business unit. Thanks to these two major acquisitions for Conzzeta and the sustained strong performance of Bystronic in China, but also owing to the implementation of growth initiatives in all segments, the regional distribution of the Group's revenue has shifted considerably in the two years since 2015 (see graph).

In 2017, the Group achieved revenue growth in Asia of 44.1 %, or 23.7 % on a comparable basis. While net revenue in Europe also saw a double-digit increase, business in the Americas developed underproportionally, partly because of the CHF 4.8 million reduction in net revenue due to the aforementioned sale of the US joint venture. With 53.3 % of its revenue generated in Europe, 28.9 % in the "Asia and others" region as well as 17.8 % generated in the Americas, Conzzeta overall has a broader regional presence and is better represented in the growth markets of Asia. There is, however, further potential in various business units in North America, and appropriate planning measures and activities are underway. Building on its strong presence in Europe, the Group's objective of further internationalization is not only to realize growth opportunities, but also to establish a broader geographical base for its business activities in order to balance the various regional economic fluctuations and market cycles.

Net revenue and its regional distribution



Ernst Bärtschi
Chairman of the Board of Directors

Michael Willome
Group CEO

Strategic initiatives

Particularly successful in 2017 was the Sheet Metal Processing segment (Bystronic), which enjoyed a favorable market environment and reported a 31.5 % increase in net revenue and a further improvement in margins. The business volume generated is such that additional investments are justified or required in order to manage the increased volume. In the second half of 2017, the Board of Directors therefore decided to invest more heavily over the next two years in North America and at the Swiss production site.

In the Chemical Specialties segment (FoamPartner and Schmid Rhyner), the FoamPartner business unit, together with Otto Bock Kunststoff, is focusing on making the expanded range of products and services available to the market. A greater presence in Asia and the Americas and a sales volume that has almost doubled are creating opportunities for further growth and improved efficiency. Options for optimizing production infrastructure are also being examined.

Establishing an efficient and consistent regional presence is critical for long-term success in a fiercely competitive environment. It is also necessary in order to better combat pressure on margins, like those witnessed in 2017 caused by considerably higher price fluctuations in raw materials.

In the Sporting Goods segment (Mammut Sports Group), 2017 was a transition year in which the implementation of the five-year strategic plan, which started in 2016, continued according to plan. The loss reported at the EBIT level for the first half of the year was recouped thanks to much stronger performance in the second half of the year. An improved mix of sales channels, some of which have been redesigned, had a positive impact in this regard. However, continued efforts are necessary in order to develop Mammut's retail competence, improve retail space productivity in partnership with the specialist trade and revise the collections in accordance with the strategic plan.

Finally, after a strong second half of the year, the Glass Processing segment (Bystronic glass) reported improved year-on-year performance in 2017 as a whole, which was reflected both in its revenue and operating result. Apart from larger customer orders, the measures implemented as scheduled in 2017 to reduce costs in Europe, optimize processes and enhance the company’s presence in Asia in 2017 also contributed to this result.

Operational improvements and business excellence

All the segments are aligned with the Group's objective of achieving revenue growth of over 5 %, an EBIT margin of 8 % to 10 %, and a return on net operating assets of over 15 % regardless of the business cycle. The challenging competitive environment and structural currency trends require all business units to continue their efforts to maintain or improve their margins by offering innovative, forward-looking products and solutions that meet the demands of the market.

At the same time, continued efforts to improve productivity and efficiency are needed. To this end, a Group-wide Business Excellence Program was launched in the reporting year, which incorporates an extensive internal training program for around 30 members of the management teams in all of the business units. 22 green and black belts are currently in training under the program, which is based on the Six Sigma model. Among the first quality and efficiency improvement projects launched in 2017 were the project to optimize lead times at Bystronic glass’s Neuhausen plant, and the project to improve operating processes and increase capacity at FoamPartner’s plants in Changzhou (China) and Leverkusen (Germany).

Group competencies and personnel development

In light of the existing growth strategy and operational challenges, the newly developed Group competencies were implemented in 2017 (see box). The Group competencies are seven strategically relevant key skills which form the basis for the targeted development of the Group’s culture of performance and success. Among other things, they are the foundation for recruiting executives and training and up-skilling employees in senior positions.

2017 was the inaugural year of the talent development program, which was run with 15 employees from all business units and regions. The intention is for the program to be repeated every year. A global leadership program is also planned for the first time in 2018 for selected members of the Global Management Team. The goal is to promote and develop a shared understanding of leadership at Conzzeta across the various business units and, in the longer term, to improve succession options internally.

Further details of the personnel development measures that have been initiated can be found on page 45.

Group competencies

- Strategic Thinking
- Entrepreneurship
- Innovation
- Collaboration and Diversity
- Performance Orientation
- Drive for Excellence
- Deliver to Promise

Corporate responsibility

Conzzeta is committed to value-oriented corporate management with a long-term perspective. In addition to responsible corporate behavior and a consistent focus on innovation and sustainable customer value, this demands appropriate consideration of the interests of other stakeholder groups. The updated Code of Conduct entered into force on January 1, 2016, and in 2017 the Executive Committee adopted a three-stage plan to improve transparency in relation to environmental and social sustainability.

As a first step, additional information and links to the existing environmental standards of the business units were published on Conzzeta’s website at the start of 2018. The second step scheduled for 2018 involves a materiality assessment. The materiality assessment will form the basis for the third stage, which will be to establish targeted, consistent reporting of the relevant issues across the Group. There are also plans in 2018 to work together with the Board of Directors to further entrench sustainability as a relevant theme for the Group.

Risk management

During the reporting year, and for the second time, the internal audit program was carried out for the whole annual cycle as part of the process introduced in 2015. The tools used proved effective and will help to implement control standards and continuous operational improvements. In 2017, the Board of Directors again undertook an integral Group-wide risk assessment based on management reporting and the separate Group risk report, which contains the process of risk monitoring as well as the most significant risks. The risk management process, which has been implemented across the Group, encompasses the identification, evaluation and qualitative appraisal of operational, financial and strategic risks in all business units as well as at the holding company. It is supported by risk monitoring, a plan of action and standardized reporting.

Financial performance

The net revenue growth of 22.5 % achieved by the Group in 2017 translates to additional revenue of CHF 272.8 million. Of this amount, the net impact from acquisitions and divestitures was CHF 104.6 million, while currency losses amounted to CHF 5.5 million. The two identified growth segments, Sheet Metal Processing and Chemical Specialties, accounted for a significantly higher share of revenue: 57.7 % (previous year: 53.8 %) of net revenue was attributable to the Sheet Metal Processing segment. Even excluding the impact of acquisitions, this segment with its broad geographic coverage reported double-digit growth in all three regions. Thanks to the acquisition, the Chemical Specialties segment reported significantly higher net revenue growth, with Otto Bock Kunststoff contributing a share of revenue from September 1, 2017. The annualized and pro forma share of Group revenue attributable to the Chemical Specialties segment was approximately 24 % in 2017, up from 18.2 % in the previous year. The revenue generated by the Sporting Goods segment in 2017 was slightly lower than the previous year, representing 15.4 % of Group revenue, while the share attributable to the Glass Processing segment was 8.1 % after it reported revenue growth around the double-digit mark.

The operating result in 2017 amounted to CHF 123.2 million, 46.0 % higher than the previous year (CHF 84.4 million), and includes the gain of CHF 8.8 million from the aforementioned sale of the joint venture in the USA. The EBIT margin in 2017 was 8.2 %, up from 7.0 % in the previous year. Excluding the one-off effect from the sale of the US joint venture, the adjusted EBIT margin stood at 7.6 %. In spite of the improvements made, this figure is below the medium-term aspirational target of 8 % to 10 %. On the one hand this demonstrates the continued need for further improvements as far as results are concerned, but on the other hand it also reflects the costs of ongoing growth initiatives and measures to increase efficiency. Overall, operating expenses increased year-on-year by 23.5 % to CHF 1 395.9 million.

The Group result for 2017 was CHF 97.4 million, 52.4 % above the previous year's level (CHF 63.9 million). Thanks to strong performance and a lower tax rate in Asia, minority interests amounted to CHF 13.7 million in 2017 (2016: CHF 3.7 million).

Financing, investments and divestitures

The Group generated an operating free cash flow of CHF 65.4 million in 2017, after CHF 76.0 million in the previous year. Investments in fixed and intangible assets amounted to CHF 37.3 million, up from CHF 24.7 million the previous year. Notable single investments in 2017 included the upgrade of production plants in the Bystronic and FoamPartner business units. The reinvestment rate climbed to 1.3 from 0.8 in the previous year.

Even after the acquisitions and investments made over the course of the year, Conzzeta has a solid balance sheet that will help sustain the future development of its businesses and provide a basis for actively shaping its portfolio in the medium term. Possible acquisitions continue to be most likely in the Sheet Metal Processing and Chemical Specialties segments.

Around 7 % of the Group's workforce is employed in research and development. They work closely with colleagues in other specialist units to create the foundations for innovative, customized products and solutions. These are a key prerequisite for all business units in order to prevail in an increasingly global competitive environment. In particular, the Group also plans to intensify its efforts in the context of the advancing digital transformation.

Appropriation of profit

Conzzeta aims for a payout ratio of between one-third and half of Group profit. Group profit for 2017 was CHF 40.47 per registered share A and CHF 8.09 per registered share B, compared with CHF 29.10 and CHF 5.82 respectively the previous year. In keeping with a consistent dividend policy and taking into account current business performance, the Board of Directors is proposing to the Annual General Meeting on April 24, 2018, a 45.5 % higher dividend of CHF 16 per registered share A and CHF 3.20 per registered share B.

Employees

The Board of Directors appointed Michael Riedel as Bart J. ten Brink's successor as the new CEO of FoamPartner and member of the Executive Committee, effective January 1, 2018. The Board of Directors wishes to thank Bart J. ten Brink for his successful service and for establishing FoamPartner as one of the world's leading providers of foam materials. It is now up to Michael Riedel to drive the joint development of Otto Bock Kunststoff and FoamPartner.

At the end of 2017, the Conzzeta Group had 4 717 employees worldwide, compared with 4 098 the previous year. The increase is largely due to the acquisition of Otto Bock Kunststoff. But the headcounts in the Sheet Metal Processing and Sporting Goods segments were also up slightly, while the number of employees in the Glass Processing segment was somewhat lower on balance, in line with strategy. Traditionally, Conzzeta Group companies have participated in apprentice training programs. At the end of 2017, 164 apprentices were in training at 13 locations in a total of 25 different disciplines.

The expertise, flexibility, creativity and commitment of our employees are the key factors in ensuring the long-term success of the Conzzeta Group companies. The Board of Directors and Executive Committee would like to take this opportunity to thank the employees for their dedication and efforts in 2017. Considerable effort will also be required in the future in order to implement the Group's operational and strategic initiatives in a competitive environment that continues to be challenging.

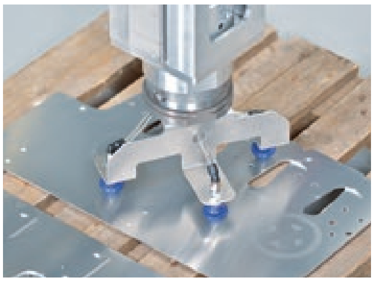
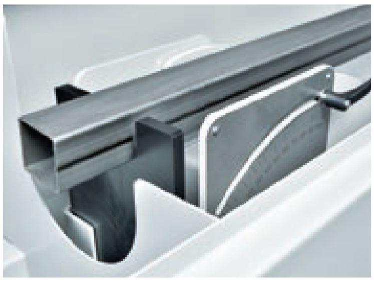
Outlook

All of the Conzzeta Group's business units are working on implementing their plans with the aim of consolidating their market position and increasing profitability over the long term. In the medium term, the benchmark is the Group's objective to achieve revenue growth of over 5 %, an EBIT margin of 8 % to 10 % and a return on net operating assets of over 15 %. Consistent with the Group's strategy, an appropriate contribution to the result is expected from every business unit regardless of the business cycle. Business performance is generally influenced by the specific market environment of each individual area of activity.

The robust economic development and the overall favorable investment climate from 2017 have continued into the first quarter of 2018. In this environment and following the very dynamic revenue growth in 2017, Conzzeta expects high single-digit revenue growth, a stronger operating result and a further improved EBIT margin in 2018.

Ernst Bärtschi
Chairman of the Board
of Directors

Michael Willome
Group CEO

Sheet Metal Processing – Bystronic

Solutions for cutting, bending and automation.

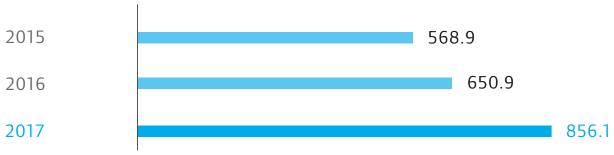
In 2017, the Sheet Metal Processing segment generated net revenue of CHF 856.1 million, a year-on-year rise of 31.5 % (previous year: CHF 650.9 million). On a comparable basis, revenue increased by 23.7 %. The operating result amounted to CHF 98.0 million (CHF 63.0 million), with an EBIT margin of 11.2 % (9.7 %). Amid a generally favorable market environment, the strong growth seen in the first half of 2017 continued until the end of the year. On an annual basis, all regions recorded solid double-digit growth rates. Order intake also remained solid and was geographically broad based, so the order book at year-end was well above the previous year's level.

Bystronic in 2017 consistently continued with its growth strategy based on the pillars of product innovation, customer segmentation and market development. This resulted in very considerable revenue growth in Asia, attributable in part to DNE Laser (Shenzhen, China) which was taken over in 2016 and operates in the entry-level segment, and led to a noticeably more even regional revenue distribution. In order to grow and manage the increased business volume, Bystronic continually invests considerable funds in expanding its production, distribution and service infrastructure.

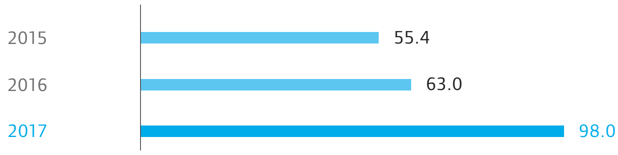
Despite competition continuing to be fierce and persistent pressure on prices, both the entry-level products and the newly introduced, highly efficient systems and automated solutions met with strong demand in 2017. The level of innovation at Bystronic is high. Over 1 000 customers from all over the world attended the "Competence Days" at the Niederönz plant, where various product innovations were presented, such as a laser cutting system for large-format sheets, enhanced functions for cutting tubes, and additional mobile and automated sheet bending capabilities. Various software solutions were also introduced, including an integrated solution for managing production via a digital network from receipt of the order right through to the finished product. Bystronic continued to generate more than half its revenue with products introduced in the last three years.

Bystronic's motto continues to be "world class manufacturing", and its aim is to provide solutions that improve efficiency and create added value for customers in the context of Industry 4.0 and the trend towards networked production systems. Its own production facilities in Switzerland, Germany and China also aspire to this standard. In the reporting year, Bystronic also launched its "world class service" initiative aiming to set standards in these areas as well. The initiative includes digital services for monitoring systems remotely via a web interface or for providing digital real-time information to Customer Service, as well as sales support and financing solutions that meet the demands of the market.

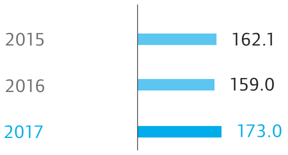
Net revenue in CHF m



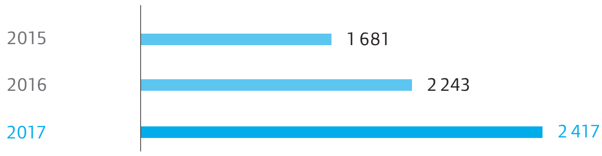
EBIT in CHF m



Net operating assets in CHF m



Number of employees



Overview Bystronic

- **Head:** Alex Waser
- **Presence:** worldwide, 29 sales and service companies; 4 development and production sites in Switzerland, Germany and China; used machinery centers in Romania and the USA

www.bystronic.com

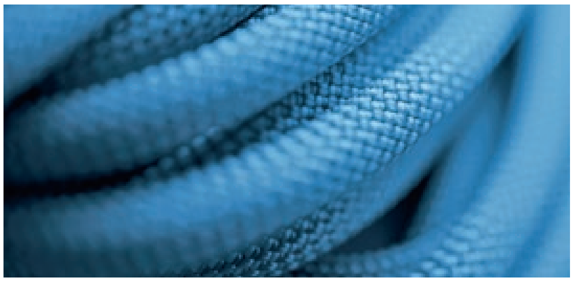
Sporting Goods – Mammut Sports Group

Clothing and equipment for outdoor activities.

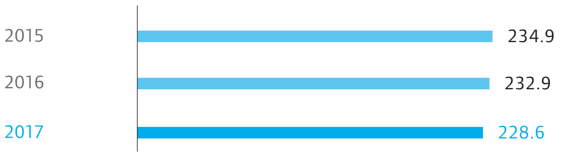
The Sporting Goods segment generated net revenue of CHF 228.6 million in 2017, down 1.9 % from the previous year (CHF 232.9 million). At stable exchange rates, revenue declined by 1.7 %. The operating result amounted to CHF 0.1 million (CHF 1.2 million), giving an EBIT margin of 0.1 % (0.5 %). In the reporting year, low-margin revenues and liquidation sales in the amount of CHF 9.5 million were eliminated, and the share of revenue from sales channels with higher margins increased. Additional costs could be offset to some extent by an improvement in sales quality as part of the five-year strategic plan launched in 2016, as well as continued spending discipline. In keeping with the strategic plan, these additional costs were incurred in order to strengthen critical competencies, particularly in the areas of digitization, retail and design and new recruitment in the international markets, where over 30 additional full-time positions were created in 2017. Product innovations such as the next generation of the "Eiger Extreme" flagship apparel collection and the newest version of the Barryvox avalanche transceiver were well received. At year-end, advance orders for the summer season were slightly up on the previous year.

One of the aims of the strategic plan is to strengthen the Mammut brand's presence in defined markets across all channels. At the same time, innovative products should help to consistently refine its image as a provider of premium quality outdoor products. With this in mind, the newly created positions of Chief Creative Officer and Head of B2C were filled at the beginning of 2017. In the area of product and collection development, a series of measures was implemented, delivering results in the short term and providing important momentum for the near future. Clothing was the biggest product segment, accounting for well over 50 % of revenue. Its range was pared back by around 20 % and a modular concept with a newly defined core collection was introduced. This enables clearer brand language, with productivity increasing at the same time thanks to lower stock levels and more efficient procurement.

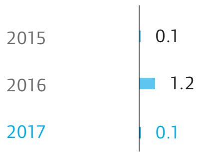
Due to a market environment that remains fiercely competitive and to changing consumer behavior, specialist stores as the main distribution channel generally remained under pressure in 2017. In light of this, collaborative efforts with these wholesale clients were intensified in order to improve retail space productivity, including by way of an improved digital link, the establishment of a central database for sales support or an additional "shop-in-shop" retail presence. At the same time, the range of products available on various e-commerce platforms was expanded in line with the needs of the market. The volume of business generated both in Mammut's own online store and on digital marketplaces in 2017 therefore posted a considerably high increase in line with strategic targets. As part of strengthening Mammut's retail capabilities, improvements were seen in the reporting year from optimizing the network of its own mono-brand stores and implementing a new store concept. Including the two newly created "pop-up" and "shop-in-shop" formats, the network grew by nine retail outlets in 2017 to a total of 86 (previous year: 77).



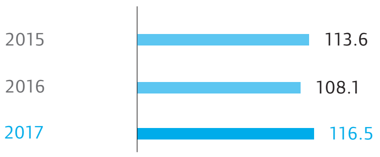
Net revenue in CHF m



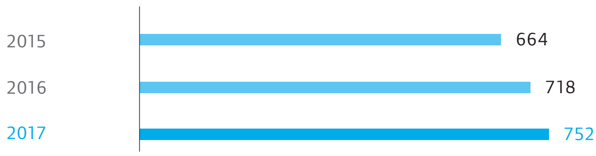
EBIT in CHF m



Net operating assets in CHF m



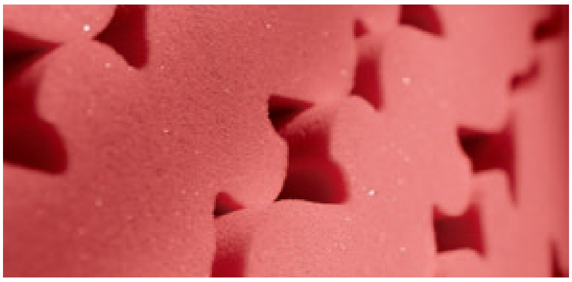
Number of employees



Overview Mammut Sports Group

- **Head:** Oliver Pabst
- **Presence:** worldwide sales network in 40 countries; head office and product development in Seon (Switzerland); numerous production partners in Europe and Asia

www.mammut.com

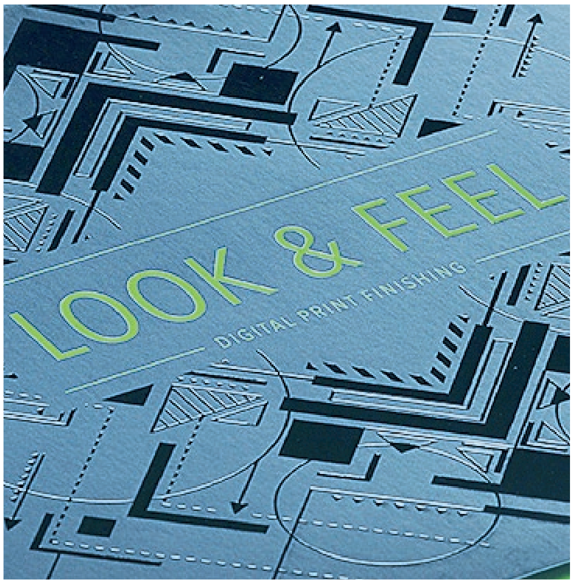

Chemical Specialties – FoamPartner and Schmid Rhyner

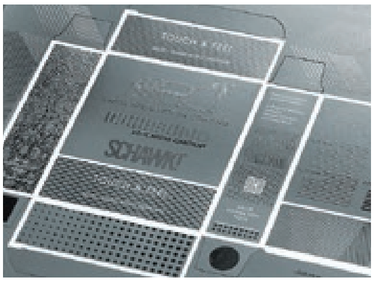
Polyurethane foams and print finishing.

In 2017, the Chemical Specialties segment generated net revenue of CHF 279.2 million, a year-on-year rise of 27.1 % (previous year: CHF 219.7 million). On a comparable basis, growth was 4.9 %. These figures factor in the changes in the scope of consolidation affecting the FoamPartner business unit, namely the inclusion of Otto Bock Kunststoff, which was taken over as of September 1, 2017, and the removal of the 51 % stake in the joint venture in the USA, which was sold effective July 1, 2017. The operating result amounted to CHF 24.8 million (CHF 23.1 million), giving an EBIT margin of 8.8 % (10.5 %). It includes a one-time gain of CHF 8.8 million from the sale of the joint venture. As expected, the operating EBIT margin reported in the previous year could not be maintained due to a considerable increase in the cost of raw materials. Only some of the increased cost could be passed on to the market by way of price increases, and only subject to a time lag. Net revenue was higher in all product segments and in the regions of Europe and Asia, while revenue was lower in the Americas, partly due to the aforementioned sale.

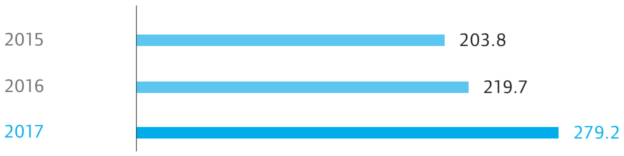
FoamPartner achieved important steps in its strategic development in 2017. On an annual basis, revenue almost doubled thanks to largely complementary products. In addition, strategic flexibility increased in the Americas and Asia resulting in accelerated growth. A new joint managerial structure that was rolled out in January 2018 forms the basis for greater market orientation and underpins the merger currently underway between FoamPartner and Otto Bock Kunststoff. In future, the products and services in the three market segments “Mobility”, “Specialties” and “Living and Care” will be offered internationally to a greater extent, with responsibility for results devolved to the regions. It is planned to complete the merger with annual costs in the low single-digit millions by the middle of 2019 and thereby realize synergies of around 2 % of the combined cost base.

In the print finishing product segment, Schmid Rhyner continued with its strategic repositioning efforts to focus more on packaging printing. Despite the continued decline in the commercial printing market, net revenue increased thanks to specialty products in the packaging market, which benefited from stricter regulatory requirements governing the “low migration” properties of packaging for food and beverages. At the same time, the business with leading printing groups in Europe and Asia was expanded. The application areas for soft touch solutions were expanded to include flexible packaging and tubes, and appropriate access to the market was established. The sales network was also expanded, supported by additional training opportunities in Asia. The patented digital varnish technology was developed further. This technology increases the efficiency of the production process for high quality printing materials, but in order to commercialize it, corresponding investments will be required in new equipment and processes at the printers’ facilities.

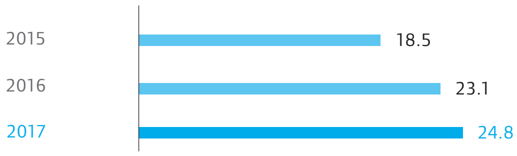




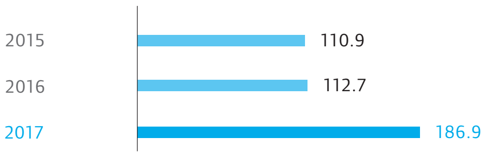
Net revenue in CHF m



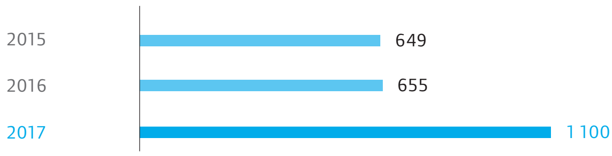
EBIT in CHF m



Net operating assets in CHF m



Number of employees



Overview FoamPartner

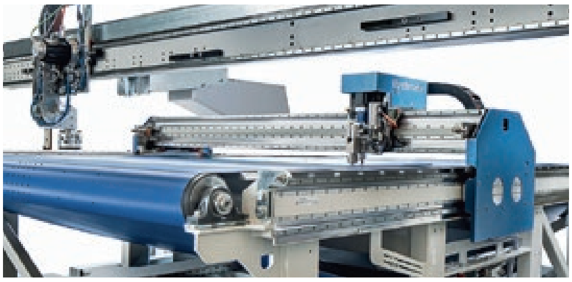
- **Head:** Michael Riedel
- **Presence:** worldwide sales network in 58 countries; 14 production, processing and sales locations as well as an acoustics test center in Europe, Asia & Pacific, and North and South America

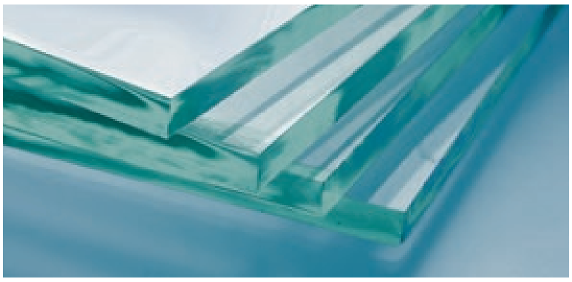
www.foampartner.com

Overview Schmid Rhyner

- **Head:** Jakob Rohner
- **Presence:** worldwide sales network in over 100 countries; 1 production site in Adliswil (Switzerland); 2 subsidiaries in Adliswil (Switzerland) and New Jersey (USA)

www.schmid-rhyner.ch





Glass Processing – Bystronic glass

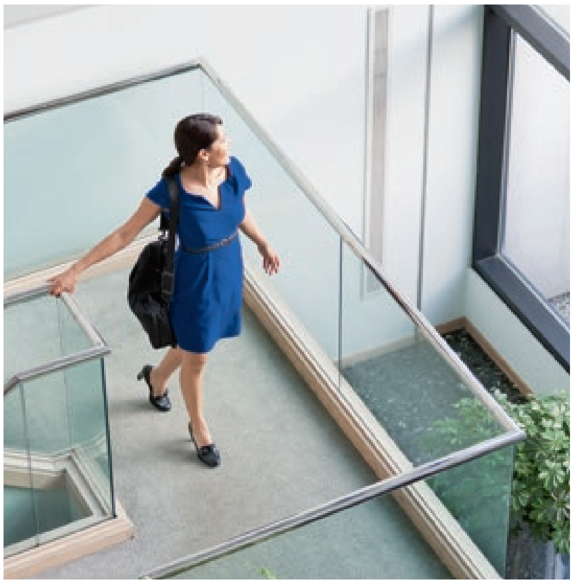
Architectural and automotive glass processing.

In 2017, the Glass Processing segment generated net revenue of CHF 119.3 million, a year-on-year rise of 11.6 % (previous year: CHF 106.9 million). At stable exchange rates, revenue increased by 11.8 %. The operating result amounted to CHF 6.3 million (CHF 1.0 million), producing an EBIT margin of 5.4 % (0.9 %). In a generally favorable market environment, business picked up in both the architectural and automotive glass markets in the second half of the year, with results far exceeding the results reported in the first half of the year. Thanks to key orders, revenue in both the automotive glass market and in Europe and Asia posted double-digit growth rates on an annualized basis, but it was not possible to maintain revenue in the Americas. Order intake overall also showed double-digit growth and the order book at year-end was considerably above the level recorded at the end of the previous year.

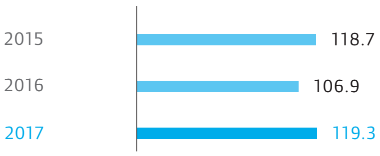
The cost reduction measures taken in the first half of the year, particularly at the Neuhausen plant in Germany, had a positive effect on results. Organizational structures were refined in order to broaden the regional coverage of growth opportunities. At the Chinese plant in Shanghai, the measures introduced in 2016 to strengthen sales and distribution proved successful, and work continues towards expanding engineering services on site in order to increase proximity to customers and the ability to service the market. Progress was made towards optimizing global processes, an initiative that commenced during the reporting year. The aim of process improvements at Neuhausen is to further improve efficiency and significantly reduce lead times. Efforts are also underway to further standardize technical systems and reduce complexity in order to improve adherence to deadlines when installing and commissioning systems. On the sales side, key account management was intensified and the "total cost of ownership" sales approach, centering clearly around the benefits and productivity, was formulated more clearly.

As far as products are concerned, the new generation B'CHAMP machines was launched in the automotive glass segment in 2017. Among other things, they offer an additional application for processing lightweight and therefore energy-efficient thin glass, which is particularly also used in electromobility applications. The model also enables glass processing for extra-slim screens, thereby opening up new potential in the display glass segment, which reported higher revenue in the reporting year after its market launch in 2016. In the architectural glass segment, the B'JUMBO system for manufacturing insulating glass was launched on the market, the first system able to manage the world's largest facade units of up to 18 meters long.

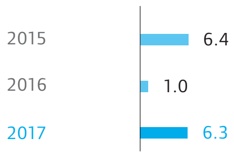
Bystronic glass is working on innovative solutions for increasing customer productivity and is positioning itself as a leader in technology. As part of this process, its range of products is being perfected and in some cases modernized in order to expand its service business as well as increase its rate of product innovation. With resource-efficient solutions, Bystronic glass respects the trend towards the use of energy-efficient architectural glass and optimally weighted automotive glass.



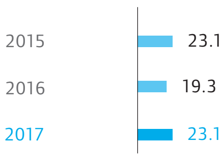
Net revenue in CHF m



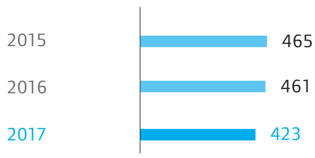
EBIT in CHF m



Net operating assets in CHF m



Number of employees



Overview Bystronic glass

- **Head:** Burghard Schneider
- **Presence:** worldwide sales and service network, with subsidiaries and representative offices; Strategic Business Units (SBUs) with development and production sites in Germany, Switzerland and China

www.bystronic-glass.com

Corporate Governance

Corporate Governance

Conzzeta attaches great importance to good Corporate Governance and the provision of detailed information for shareholders. On the following pages, the Committee Chairmen report on their activities in 2017.

These accounts are followed by the Corporate Governance Report based on the SIX Swiss Exchange Directive on Information relating to Corporate Governance as well as the Compensation Report.

Philip Mosimann, Chairman, HR Committee

Continued focus on sustainable personnel development

Talent development, recruitment of new FoamPartner CEO and harmonization of variable compensation

In 2017, the Human Resources (HR) Committee was once again made up of Philip Mosimann (Chairman), Werner Dubach and Robert F. Spoerry. The HR Committee met six times during 2017. The Chairman of the Board, the Group CEO and the Director Group HR generally also attend the meetings in an advisory capacity, but not when their own compensation is determined.

Various measures were pursued in 2017 to close the gaps in succession and personnel development planning that had been identified in 2016 with regard to the top 40 positions at the Conzzeta Group. With regard to the talent pool, there were naturally no great quantitative changes after the first-time realization of the Talent Development Program. However, the program is intended to be repeated every year and will lead to progressively expand the pool of talent and successors. There is also the Global Leadership Program planned for 2018 for members of the Global Management Team. Sustainable personnel development will continue to be an important priority in coming years both at Group level and within the business units. To promote a uniform management culture, the new Group Competencies were introduces worldwide.

The new compensation system for the Executive Committee introduced in 2016 has proved its worth. On that basis, preparations were made in 2017 to harmonize the performance-related variable cash compensation (STI) and introduce a share-based long-term incentive plan (LTI) for the next level of management. Accordingly, the structure of the STI for members of business unit management and for selected Group roles was harmonized effective January 1, 2018, and restricted stock units subject to a vesting period of several years were allocated pursuant to the new LTI scheme. This will further promote the Group's culture of performance and success, align the interests of executives with those of the shareholders and at the same time strengthen management's loyalty to the company.

In the second half of the year, the main priority was to recruit a new CEO for FoamPartner. The post was filled with the appointment of Michael Riedel as of January 1, 2018. Mr. Riedel has a doctorate in chemistry and possesses the ideal combination of relevant experience and skills for the next phase of development and growth at FoamPartner.

The compensation budgets for the Board of Directors and the Executive Committee as approved in a resolution at the 2016 and 2017 Annual General Meetings were adhered to. At the Annual General Meeting in 2018, the shareholders will again pass a new resolution on the compensation budgets for the Board of Directors and the Executive Committee and voice their opinion on the 2017 compensation report by means of an advisory vote.

Philip Mosimann
Chairman of the Human Resources Committee

Roland Abt, Chairman of the Audit Committee

New rotation requirements for external audits

Richly laden agenda and improved internal reporting

In 2017, the Audit Committee was once again made up of Matthias Auer, Urs Riedener and Roland Abt (Chairman). During the reporting year, four meetings and one conference call were held. The Chairman of the Board, Group CEO and Group CFO generally also attend the meetings in an advisory capacity alongside the committee members. Where items of relevance to the external auditor are on the agenda, its representatives are also present.

One focus of the Audit Committee's work in 2017 was the acquisition of Otto Bock Kunststoff, for which an extraordinary meeting was held. The Audit Committee reviewed the financial and legal aspects of the due diligence reports and the company valuation. The risks and rewards associated with the transaction were also specifically analyzed.

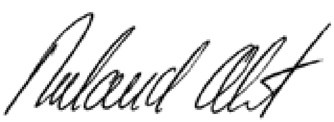
The internal audit function, which is carried out by the accountancy firm Deloitte, performed valuable work again in 2017. Eight internal audits were carried out, and the Audit Committee discussed the reports in detail. It also considered and approved the audit plan. The Audit Committee regularly monitors the progress of work to address follow-up items identified during the internal audits.

The organization and operation of the Treasury area, which was established in 2015, were examined. The function of the in-house bank for financing the entire Group, as well as monitoring financial risks and hedging them if necessary, is now performed centrally by the Group's treasury department. This prevented duplication and greatly improved the management of financial risks.

During the reporting year, rotation requirements for external auditors were established by the Audit Committee and approved by the Board of Directors. The rules provide that invitations to tender for the role of external auditor must be put out every 10 to 14 years. A transitional period of three years was agreed. This means that the existing Group audit engagement will have to be put out to tender and newly reassigned within three years at the latest.

Management developed a new concept with the aim of streamlining and expediting Group level reporting. The Audit Committee approved the proposal with certain amendments. The reports are now clearer, more concise and are available more quickly.

In the area of tax, country-by-country reporting was examined. The obligation to prepare these new country-by-country reports with key revenue and income figures arises from an OECD action plan that was implemented in national law. Based on this reporting, measures to avoid potential tax risks were adopted.



Roland Abt
Chairman of the Audit Committee

Corporate Governance Report

The following information is provided in accordance with the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange as valid on December 31, 2017, insofar as it is applicable to Conzzeta AG. Conzzeta AG also acts in accordance with the principles set forth in the Swiss Code of Best Practice for Corporate Governance of economiesuisse and implements these in a manner commensurate with its size and structure. It acts under all circumstances according to statutory and regulatory requirements and requires its staff to comply with the law.

Much of the following information has been taken from the Articles of Association and Organizational Regulations of Conzzeta AG. These two documents may be consulted on the website of Conzzeta AG at www.conzzeta.com/en/company/corporate-governance/.

1 Group Structure and Shareholders

Group Structure

The Conzzeta Group is made up of five business units: Sheet Metal Processing (Bystronic), Sporting Goods (Mammut Sports Group), Foam Materials (FoamPartner), Graphic Coatings (Schmid Rhyner) and Glass Processing (Bystronic glass). At the Group level, the Group staff supports the activities of the holding company Conzzeta AG and the operating units. Conzzeta AG, which is based in Zurich, holds direct or indirect equity interests in the companies specified on page 91ff. of the Financial Report. Conzzeta AG is the only listed company. The Conzzeta Class A registered share (securities code number 24401750 and ISIN CH0244017502) is listed on the SIX Swiss Exchange. The stock market capitalization (Class A registered shares) on December 31, 2017, amounts to CHF 1 856 232 000, while the total capitalization (Class A registered shares and Class B registered shares) amounts to CHF 2 103 120 000.

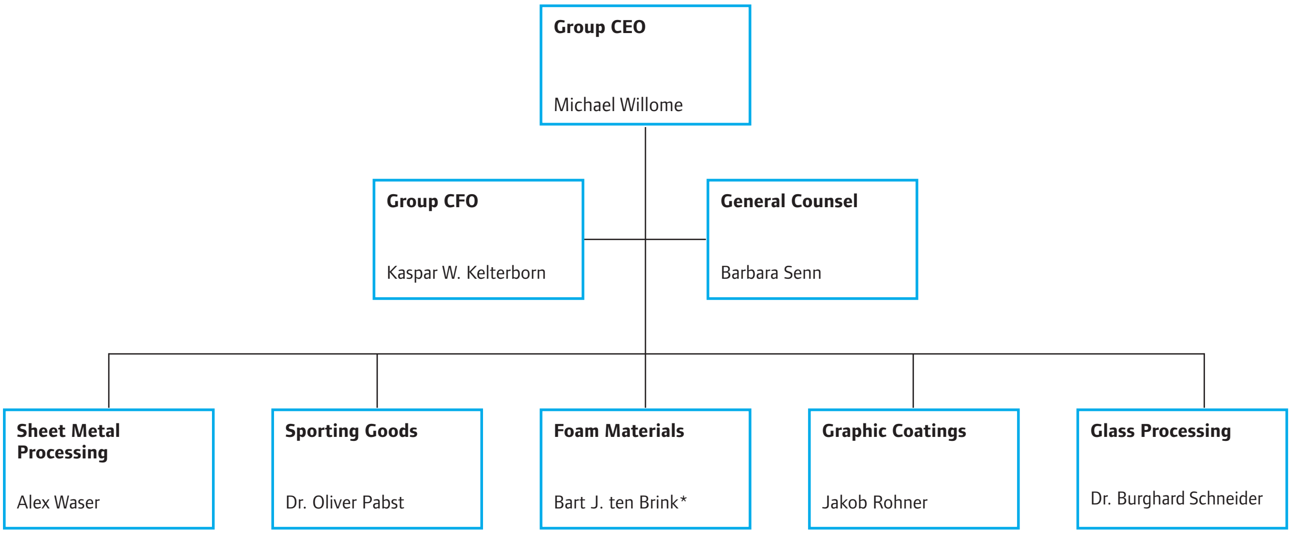
Significant Shareholders

According to the disclosure reports made to the company pursuant to Articles 120 f. of the Financial Market Infrastructure Act (FMIA) on the balance sheet date the shareholder group Auer, Schmidheiny and Spoerry held more than 3 % of the voting rights in Conzzeta AG. The members of the shareholder group Auer, Schmidheiny and Spoerry are indicated on page 106. During the reporting year no disclosure reports were made. Previous disclosure reports may be consulted on the website of the SIX Swiss Exchange (https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html#notificationId=TBG3U00031). On December 31, 2017, the share of voting rights of the shareholder group Auer, Schmidheiny and Spoerry in Conzzeta AG amounted to 51.14 %. Out of this figure, 0.14 % relate to treasury shares held by Conzzeta AG.

Cross-Shareholdings

Conzzeta AG does not have any cross-shareholdings with other companies accounting for more than 5 % of the voting rights or capital.

Organization chart



* From 1 January 2018 Dr. Michael Riedel

2 Capital Structure

Capital

According to Article 3 of the Articles of Association of Conzzeta AG, the share capital amounts to CHF 4 140 000. On December 31, 2017, the company did not have any conditional or authorized capital.

Changes in Capital

As at 31 December 2014 the share capital of Conzzeta AG amounted to CHF 5 175 000, consisting of 456 750 Class A shares with a nominal value of CHF 10 and 303 750 Class B shares with a nominal value of CHF 2.

Conzzeta AG resolved upon a share split in a ratio of 1:4 at the Extraordinary General Meeting of June 22, 2015. Each Class A share with a nominal value of CHF 10 and each Class B share with a nominal value of CHF 2 was divided into four shares each with one quarter of the original nominal value. Thereupon, the Extraordinary General Meeting resolved in relation to the spin-off of the Real Estate business unit to reduce the capital from CHF 5 175 000 by CHF 1 035 000 to CHF 4 140 000. The capital reduction was implemented by reducing the nominal value of Class A registered shares (after the share split) from CHF 2.50 to CHF 2.00 and by reducing the nominal value of Class B registered shares (after the share split) from CHF 0.50 to CHF 0.40. The shareholders in Conzzeta AG were issued with shares in the newly founded Plazza AG to the extent of the reduction in the share capital of Conzzeta AG as a result of the spin-off of the Real Estate business unit, totaling 1 215 000 Class B registered shares with a nominal value of CHF 0.10 each (voting shares) and 1 827 000 Class A registered shares with a nominal value of CHF 0.50 each, making up the nominal value totaling CHF 1 035 000 of Plazza AG. This capital reduction was implemented on June 25, 2015, by registration in the Commercial Register.

Shares and participation certificates

Each share establishes entitlement to one vote at the general meeting. According to Article 15 of the Articles of Association of Conzzeta AG, at least two representatives from each share Class are entitled to a seat on the Board of Directors. The dividend entitlement of Class A registered shares and Class B registered shares (voting shares, unlisted) corresponds to the ratio between the nominal values of the two share classes. The company endeavors to distribute a proportion of between one third and one half of the group profit. The share capital has been fully paid up.

The company has not issued any participation certificates.

Dividend-Right Certificates

Conzzeta AG has not issued any dividend-right certificates.

Limitations on Transferability and Nominee Registrations

Shares in the company are not subject to any restrictions on transfer. Accordingly, nominees are also entered in the share register.

Convertible Bonds and Options

Conzzeta AG has no outstanding convertible bonds and neither the company itself nor its Group companies have issued options on Conzzeta shares.

Shares of the company

	Class A registered shares nominal value CHF 2.00	Class B registered shares nominal value CHF 0.40	Total
Number of shares	1 827 000	1 215 000	3 042 000
Share capital in CHF	3 654 000	486 000	4 140 000

3 Board of Directors

Ernst Bärtschi

Dr. Roland Abt

Dr. Matthias Auer

Werner Dubach

Philip Mosimann

Urs Riedener

Jacob Schmidheiny

Robert F. Spoerry

Members of the Board of Directors

According to Article 14 of the Articles of Association, the Board of Directors of Conzzeta AG consists of between five and eight members. On December 31, 2017, it was composed of eight members.

Name	Function	Appointment
Ernst Bärtschi	Chairman of the Board of Directors	2014
Jacob Schmidheiny	Member of the Board of Directors (from 1984 until 2014: Chairman)	1977
Werner Dubach	Member of the Board of Directors	1993
Dr. Matthias Auer	Member of the Board of Directors	1996
Robert F. Spoerry	Member of the Board of Directors	1996
Philip Mosimann	Member of the Board of Directors	2007
Dr. Roland Abt	Member of the Board of Directors	2014
Urs Riedener	Member of the Board of Directors	2014

Curriculum Vitae and Other Activities and Vested Interests

Ernst Bärtschi
lic. oec. HSG, born in 1952, a Swiss national. Since 2012 he has been a member of the advisory board of the private-equity investor CRCI (China). In 2002, he joined Sika Ltd, Baar, where he worked until 2004 as chief financial officer and from 2005 until 2011 as chief executive officer. After working at Nestlé, Vevey, Ernst Bärtschi occupied various management positions between 1980 and 2002 at the Schindler Group, Ebikon, including managing director of Schindler Switzerland and chief financial officer of the Schindler Group.

Jacob Schmidheiny
lic. oec. publ., born in 1943, a Swiss national. Since 1977, he has been a member of the Board of Directors of Conzzeta AG, previously Zürcher Ziegeleien, which he chaired from 1984 until 2014. In 1976, he was appointed to the Executive Committee of Zürcher Ziegeleien. He was Chairman of the Executive Committee from 1978 until 2001. Under the leadership of Jacob Schmidheiny, the Group transformed itself from a supplier of construction materials into the current industrial holding company. He is also a member of the board of directors of Plazza AG, Zurich.

Werner Dubach
Dipl. Ing. Chem. ETH, MBA, born in 1943, a Swiss national. He is chairman of the board of directors at Datacolor Ltd., Lucerne. From 1998 until 2008, he was chairman and CEO of Eichhof Holding Ltd., Lucerne. In 1983, he became CEO and a member of the board of directors of Brauerei Eichhof. Between 1970 and 1983, Werner Dubach held various management positions within the Eichhof Group. He is also chairman of the board of directors of Entrepreneur Partners AG, Zurich.

Dr. Matthias Auer
Dr. iur., born in 1953, a Swiss national. He has been an independent attorney and notary public in Glarus since 1981. He is also a member of the Glarus Cantonal Parliament and vice-chairman of the board of the Cooperative Migros Zurich.

Robert F. Spoerry
Dipl. Masch.-Ing. ETH, MBA, born in 1955, a Swiss national. He is chairman of the board of directors of Mettler-Toledo International Inc., Greifensee, which he also headed as CEO from 1993 until 2007, and of Sonova Holding Ltd., Stäfa.

Philip Mosimann
Dipl. Ing. ETH, born in 1954, a Swiss national. He has been chairman of the board of directors of Bucher Industries Ltd, Niederweningen, since 2016, which he has led as chairman of the executive committee since 2002. Between 1980 and 2001, he held various management positions within the Sulzer Group from Winterthur, including at Sulzer Innotec Ltd (1980 to 1992), then as head of division at Sulzer Thermtec (1992 to 1996) and as head of division at Sulzer Textil, Rüti (1997 to 2000). He is also chairman of the board of directors of Uster Technologies Ltd, Uster, and a member of the boards of directors of Bobst Group SA, Mex, of Ammann Group Holding AG, Langenthal, and of Vanderlande Industries B.V., Veghel, The Netherlands.

Dr. Roland Abt
Dr. oec. HSG, born in 1957, a Swiss national. He is a member of the board of directors of Swisscom AG, Bern, and of BDWM Transport AG, Bremgarten. Previously, between 2004 and 2017, he was chief financial officer at Georg Fischer Ltd., Schaffhausen, which he joined in 1996, initially working as chief financial officer for the Agie Charmilles Group (1997 to 2004). He held various positions at the Eternit Group in Switzerland and in Venezuela (1987 to 1996).

Urs Riedener
lic. oec. HSG, born in 1965, a Swiss national. Since 2008, he has been chief executive officer at Emmi, Lucerne. Until 2008, he headed the Marketing department and was a member of the general management at the Federation of Migros Cooperatives MGB in Zurich. From 1995 until 2000, he worked at the Lindt & Sprüngli Group, Kilchberg, in various management roles nationally and internationally. He started his career working in various positions at Kraft Jacobs Suchard. Urs Riedener is also a member of the board of Promarca (Swiss Association of Brand Articles), a member of the board of GfM (Swiss Marketing Association) and a member of the executive committee of the Institute for Marketing at the University of St. Gallen.

Following the departure of the previous Group CEO, Robert Suter, Ernst Bärtschi temporarily performed the function of Group CEO as a Delegate of the Board of Directors between February 3, 2015, and the arrival of the current Group CEO, Michael Willome, on January 1, 2016. Otherwise, no member of the Board of Directors works in an executive role for the Conzzeta Group or has worked in any such role within the last four years. No member and no enterprise or organization represented by that member has any significant business relationship with the Group – other than with the status as a shareholder (for share ownership see page 106 f).

Rules Contained in the Articles of Association Relating to the Number of Permitted Activities under Article 12 para. 1 point 1 OaEC[1]

According to Article 28 of the Articles of Association of the company, no member of the Board of Directors may accept more than ten additional appointments, including no more than four in companies listed on the stock exchange. These restrictions do not apply to:

- appointments to companies controlled by the company or that control the company;
- appointments taken up by a member of the Board of Directors on the instructions of the company. No member of the Board of Directors may take up more than ten such appointments; and
- appointments to associations, charitable foundations and staff pension funds. No member of the Board of Directors may take up more than ten such appointments.

Appointments include appointments to the highest management body of a legal entity that must be entered into the Commercial Register or an equivalent foreign register. Appointments to different legal entities under joint control or with the same economic beneficiary are regarded as one single appointment.

Elections and Terms of Office

The date of first election to the Board of Directors of each member is presented in the table on page 29. There are no limitations on the term of office.

None of the rules contained in the Articles of Association concerning the appointment of the Chairman, the members of the Remuneration Committee and the independent proxy deviates from those prescribed by law.

[1] Ordinance against Excessive Compensation at Listed Joint-Stock Companies.

Internal Organization

The powers and tasks of the Board of Directors are determined by law and the Articles of Association along with the Organizational Regulations of Conzzeta AG (see further also “Definition of Areas of Responsibility”, page 33 f). The Articles of Association and the Organizational Regulations of Conzzeta AG may be consulted on the company’s website (www.conzzeta.com/Company/Corporate-Governance), the latter not including the annexes.

Chairman of the Board of Directors

The Chairman of the Board of Directors coordinates the work of the Board of Directors, issues invitations to the meetings of the Board of Directors, determines the agenda, prepares for meetings along with the Group CEO and chairs the meetings. He monitors the implementation of resolutions of the Board of Directors and the general meeting.

Board of Directors

The Board of Directors meets as often as required by business activities, but on no less than five occasions each year. Normally, two meetings are held in the first half of the year and three in the second half of the year. During the reporting year, the Board of Directors held five full-day meetings. The Group CEO, the Group CFO and the General Counsel, who also serves as the Secretary to the Board of Directors, are included in meetings of the Board of Directors, unless decided otherwise by the Board of Directors in relation to individual agenda items. In addition, the relevant heads of the business units and other managers and, on occasion, external advisors may also be included. During the reporting year, an external advisor was invited on two occasions in relation to an agenda item, to respectively one and two meetings of the Board of Directors.

Cooperation between the Board of Directors and its Committees

The Board of Directors may establish committees consisting of its members, unless such a right is vested by law in the general meeting. It has established an Audit Committee with tasks relating to finances and auditing and a Human Resources Committee with tasks relating to personnel and remuneration.

The Board of Directors determines the duties of the committees, subject to provisions of law. Overall responsibility for the tasks transferred to the committees remains with the Board of Directors. However, if the Board of Directors has granted a committee decision-making powers in areas that lie outside the non-transferable powers of the Board of

Directors, the committee concerned bears sole responsibility for such decisions. Ordinarily, no specific responsibility for decisions is transferred to the committees. They thus bear responsibility for the preparation of decisions and for the detailed examination of the affairs to be handled by them, and they submit proposals to the Board of Directors or inform the Board of Directors of their conclusions. The committees report on their activities, results and proposals at the next Board of Directors meeting. The Board of Directors is informed immediately of important events. Brief minutes are taken concerning the meetings of the committees and their decisions, which are also presented to the remaining members of the Board of Directors.

Human Resources Committee

The Human Resources Committee consists of those members of the Remuneration Committee appointed to the task in the course of the Annual General Meeting held on April 25, 2017. These are namely Philip Mosimann (Chairman), Werner Dubach and Robert F. Spoerry. The Chairman of the Board of Directors also participates in meetings of the Human Resources Committee as a general rule, as well as the Group CEO and the Group HR manager, in an advisory capacity, albeit it not when it comes to determining their own salaries. With regard to using external advisors, reference is made to page 42 ff. of the Compensation Report.

In addition to the tasks essentially outlined in Article 21 of Conzzeta AG's Articles of Association, the Remuneration Committee, acting in its capacity as the Human Resources Committee, executes other tasks which are all described in the Organizational Regulations. Its tasks essentially comprise the following:

- Presentation of proposals to the Board of Directors concerning rules on the remuneration of the Board of Directors and the Executive Committee;
- Examination of all remuneration as to its permissibility;
- Recommendation to the Board of Directors concerning proposals to the Annual General Meeting on remuneration;
- Proposal to the Board of Directors concerning the annual remuneration of the members of the Board of Directors, the Group CEO and the other members of the Executive Committee;
- Preparation of the Compensation Report and discussion of the report with the auditors; presentation of proposals to the Board of Directors;
- Assessment of share and option plans in addition to bonus plans and other performance-related remuneration with regard to compliance with the provisions of the Articles of Association applicable to such matters, and the payment of variable remuneration in cash or as options and shares to members of the Board of Directors and the Executive Committee; presentation of proposals to the Board of Directors;
- Proposal to the Board of Directors concerning the setting of the principles applicable to the selection procedure for candidates for election to the Board of Directors or the Executive Committee and preparation of the short-list of candidates;
- Preparation of medium- to long-term succession planning for members of the Board of Directors and members of the Executive Committee;
- Recommendation concerning appointments for the attention of the Board of Directors to the Group CEO, Group CFO and the members of the Executive Committee;
- Monitoring of training and staff advancement measures;
- Assessment of managers and internal talent;
- Assessment of staff pension benefits;
- Any recommendations and monitoring of compliance with Group targets in relation to personnel;
- The issuance of guidelines on the acceptance by members of the Executive Committee of appointments outside the Group and the presentation of proposals to the Board of Directors in individual cases.

The Human Resources Committee meets at least twice annually. In the reporting year, three half-day meetings and three meetings lasting for one and a half hours were held. Additional details can be found in the Compensation Report on page 44 ff., as well as the activity report of the Chairman of the Human Resources Committee on page 24.

Audit Committee

The Audit Committee consists of Roland Abt (Chairman), Matthias Auer and Urs Riedener. As a rule, the meetings of the Audit Committee are also attended in an advisory capacity by the Chairman of the Board of Directors, the Group CEO and the Group CFO. Upon invitation by the Chairman, the external auditors and internal auditors of the company may also attend meetings or participate in discussions of individual items on the agenda. The essential tasks of the Audit Committee are described in the Organizational Regulations. They include in particular:

- Examination of and presentation of proposals to the Board of Directors concerning the organization of the accounting, financial control and financial planning systems;

- Critical analysis of individual company and Group financial statements (annual and half-year financial statements). Discussion of these financial statements with the Group CFO, the internal auditors and the external auditors. Presentation of proposals to the Board of Directors concerning these financial statements;
- Assessment of the efficacy and performance of the external auditors and their fee, as well as their independence. Decision regarding the issue of additional mandates to the external auditors other than the auditing mandate; Preparation of the proposal of the Board of Directors to the general meeting regarding the election of the external auditors. Presentation of proposals to the Board of Directors concerning the form of the auditing mandate. Assessment of the reports of the external auditors (including in particular the audit report and the comprehensive report pursuant to Article 728b CO) and the discussion of these reports with the external auditors;
- Assessment of the functional capability of the internal control system, taking account of risk management, compliance and internal auditing. Discussion and establishment of the audit program for the internal auditors. Acceptance of reports from internal auditors and discussion of these reports with the internal auditors. Reporting to the Board of Directors;
- Approval of the method used for assessing acquisitions at the Group level and individual assessment of major acquisitions for presentation to the Board of Directors;
- Assessment of pension plans and the associated risks;
- Assessment of further Group solutions in the financial field such as treasury, taxation and dividend payments by the direct subsidiaries of Conzzeta AG, etc.;
- Assessment of initiatives by the Board of Directors in the area of finance and accounting such as, for example, the achievement of specific financial targets and key performance indicators (KPI); reporting to the Board of Directors on fulfillment of targets.

The Audit Committee meets upon invitation by the Chairman as often as required by business, but on no less than three occasions each year. It normally meets in March, August and November and at these meetings discusses, among other things, any annually recurring issues in accordance with the description of tasks provided above and following a standard agenda. During the reporting year, the Audit Committee held four half-day meetings and one one-hour telephone conference. Additional details can be found in the activity report of the Chairman of the Audit Committee on page 25.

Definition of Areas of Responsibility

The Board of Directors of Conzzeta AG bears responsibility for the overall management, supervision and control of the Group and its management and monitors compliance with the provisions of applicable legislation. Acting on a proposal by the Group CEO, it decides on the strategic targets of the Group and the financial and human resources necessary in order to achieve the targets. In addition, the Board of Directors determines the values and standards of the Group and ensures that duties towards shareholders and other stakeholders are complied with. Specifically, the Board of Directors is vested in particular with the following tasks:

- Overall management of the company and the setting of targets relating to corporate policy and culture, approval of Group strategy and the strategic priorities of individual business units;
- Approval of the strategic and financial targets of the Group and the business units;
- Risk assessment for the Group;
- Decisions on the creation of new business units or the abandonment of existing business units. Approval of significant acquisitions, mergers, sales, or individual projects;
- Adoption of resolutions relating to contracts under which Conzzeta AG acts as a party to mergers, spin-offs, transformations, or transfers of assets under the Mergers Act;
- The organization of the accounting, financial control and financial planning for the Group and the organization of a comprehensive reporting system in line with strategy;
- Approval of the applicable accounting standards, the framework conditions for financial control and the internal control system along with any significant changes to the same;
- Annual assessment and approval of the budget and medium-term planning for the Group and business units;
- Examination and approval of the (annual and half-year) financial statements and Group reporting;
- Compilation of the Annual and the Compensation Report;
- Notification of the court in the event that the company is overindebted;
- Assessment of liquidity with reference to Group goals;
- Determination of the organization and the issuance of organizational regulations for the Group;
- Examination and approval of management principles, Group guidelines and the Group management structure;

- Overall supervision of the persons entrusted with managing the company, including with regard to compliance with laws, the Articles of Association and regulations and the implementation of the resolutions of the Board of Directors and of the general meeting;
- Appointment and removal of members of the Executive Committee;
- Calling of annual and extraordinary general meetings;
- Adoption of resolutions on proposals presented to shareholders;
- Implementation of resolutions adopted by shareholders.

On the basis of the Organizational Regulations, the Board of Directors has delegated the operational management of business to the heads of the business units, who are also members of the Executive Committee, under the leadership of the Group CEO. The heads of the business units are responsible for the comprehensive operational management of their business units. They manage them in accordance with the strategy approved by the Board of Directors, strategic financial planning, and the annual budget. Important transactions that exceed a particular financial threshold must be presented to the Board of Directors in advance for approval, such as in particular decisions concerning the incorporation or sale of subsidiaries, the acquisition or sale of equity interests, restructuring projects, investments, acquisitions, divestments, the purchase and sale of real estate, the conclusion of rental agreements and leases, consultancy contracts, cooperations and strategic partnerships, major projects (e.g. in the area of IT, development, organization) and financial obligations, the instigation of judicial proceedings and the conclusion of settlements, the threshold values for which lie between CHF 3 and 10 million, depending on the transaction.

Information and Control Tools vis-à-vis the Executive Committee

The Conzzeta Group has a well-developed planning and information system. It is built from the bottom up with increasing consolidation. The Board of Directors is informed in writing and orally of the strategies, plans and results of all business units. The Board of Directors receives a consolidated monthly statement containing the key figures on Group level and for the business units and a commentary on the most important occurrences. In addition, the Board of Directors is also provided on a quarterly basis with further detailed reports containing the consolidated accounts for the business units and the Group. Each year the Board of Directors is presented with strategic financial planning and operational annual plans for approval. The Group CEO informs the Board of Directors at every meeting of the current development of the business activities of the Group and the business units along with important developments, projects and risks. The Group CEO also informs the Board of Directors of any deviations from the budget and strategic financial planning based on analyses of the performance of the Group's principal markets as well as measures to ensure that targets are achieved. In an emergency, the Board of Directors is informed immediately.

The Conzzeta Group applies methodological processes, which the Board of Directors uses as a basis for assessing the business outlook and strategic, financial and operational risks. Alongside the financial reports and analyses, these constitute the internal control system and the strategic and operational risk management. The Board of Directors receives an annual report concerning the risk situation drawn up by the Group CEO in consultation with the Group CFO and the General Counsel, which is based on the written risk reports of the business units following the discussions of the same. As regards the risk management process, reference is made to the statements on page 9. In addition, the Board of Directors receives a report on the internal control system, the management letter from the external auditors, the comprehensive report of the external auditors for the Board of Directors each year along with a report on the employee pension funds in Switzerland.

The internal audit function was carried out by the auditing company Deloitte. The internal auditors perform the internal operational audit function within the Group. They report to the Chairman of the Audit Committee. Coordination of the implementation of auditing tasks is delegated to the Group CFO. The internal auditors carry out audits within the Group in accordance with the auditing plan proposed by the Audit Committee and determined by the Board of Directors. The audits cover the following areas on a rolling basis:

- effectiveness of selected operational processes on the level of the Group, business units and selected Group companies, in particular with regard to the requirements of the Group and the business unit concerned;
- effectiveness of governance and risk management requirements and processes;
- effectiveness of internal control processes;
- reliability and comprehensiveness of financial and operational information;
- compliance with provisions of law, the Articles of Association and internal regulations.

The internal auditors draw up reports containing recommendations for the local management and the Audit Committee. The local management states its position regarding the recommendations and, where it agrees with the recommendations, implements corrective measures promptly. If local management rejects a recommendation whilst the internal auditors and the Group CEO wish to pursue it, it is implemented on the instructions of the Audit Committee. During the reporting year, eight internal inspections were carried out by Deloitte. The internal auditors attended two out of the four meetings of the Audit Committee.

The Board of Directors reviews the group strategy each year and deals in depth with key strategic issues at business unit level at regular intervals. The business units present their situation and plans upon invitation by the Board of Directors. Special documents are prepared concerning important individual transactions, which are explained by the persons responsible at the meetings of the Board of Directors.

The Chairman of the Board of Directors also participates in annual strategy meetings of the business units and individual project meetings and visits Group companies nationally and abroad.

With regard to participation by the Group CEO and the Group CFO at meetings of the committees of the Board of Directors, reference is made to page 32 f.

4 Executive Committee


Michael Willome


Bart J. ten Brink


Kaspar W. Kelterborn


Dr. Oliver Pabst


Jakob Rohner


Dr. Burghard Schneider


Barbara Senn


Alex Waser

Members of the Executive Committee

On December 31, 2017, the Executive Committee was composed of the following persons:

Name	Function	In office since
Michael Willome	Group CEO	2016
Bart J. ten Brink	Head of the Foam Materials business unit	2009
Kaspar W. Kelterborn	Group CFO	2006
Dr. Oliver Pabst	Head of the Sporting Goods business unit	2016
Jakob Rohner	Head of the Graphic Coatings business unit	2011
Dr. Burghard Schneider	Head of the Glass Processing business unit	2014
Barbara Senn	General Counsel	2014
Alex Waser	Head of the Sheet Metal Processing business unit	2013

Curriculum Vitae and Other Activities and Vested Interests

Michael Willome

lic. oec. HSG, born in 1966, a Swiss national. He previously worked from 1997 in various management positions at Clariant AG, a Swiss Group in the specialty chemicals sector with global operations. From 2010 onwards, he was responsible there for the global Industrial & Consumer Specialties (ICS) business unit, after serving for 14 years in various management roles in Hong Kong, Canada and Turkey. He previously worked at Novartis in Group Auditing. Michael Willome is a member of the supervisory board of several subsidiaries based in Switzerland, Germany and Austria of the Swedish industrial group Indutrade.

Bart J. ten Brink

Dipl. Ing. VAT Tilburg, born in 1964, a Dutch national. From 1991, he worked for the international foam material manufacturer Recticel N.V. in various management and executive functions. During the last ten years at Recticel N.V., he led both strategic segments of composite foams and sound insulation products, with global responsibility. Between 1995 and 1998, he was in charge of the Nordflex Group Scandinavia (joint venture between Recticel Int. and Shell scandinavia) as technical director and industrial manager. Between 1992 and 1995, he was plant manager at Recticel Industry Buren. Bart J. ten Brink is chairman of the board of directors of EUROPUR, the European Association of Flexible Polyurethane Foam Blocks Manufacturers.

Kaspar W. Kelterborn

lic. oec. HSG, born in 1964, a Swiss national. Between 2003 and mid-2005, he was the chief financial officer and a member of the executive committee at the Unaxis Group. Between 1996 and 2002, he worked for the Clariant Group abroad, performing managerial roles in the areas of finance and controlling, including between 2000 and 2002 as the head of finance at a division with global operations based in Manchester, England; between 1998 and 2000 as chief financial officer for the ASEAN region based in Singapore, and between 1996 and 1998 as country head of finance for Spain and Thailand. Between 1992 and 1995, he worked for Sandoz International Ltd in Switzerland and abroad. Kaspar W. Kelterborn is a member of the board of directors of CPH Chemie + Papier Holding AG, Root.

Dr. Oliver Pabst

Dr. oec. HSG, born in 1966, a German national. From 2006, he was a member of the executive board at Willy Bogner KGaA, Munich, and general manager of various units with strategic and operational responsibility for international business, retail and e-commerce. From 2002 until 2005, he was Managing Partner at Boards & More Holding SA, Montreux. Oliver Pabst started his career in 1993 at McKinsey & Company in Zurich. He is chairman of the supervisory board at Bergfürst AG, Berlin, and a member of the supervisory board at Avenso GmbH, Berlin, and a member of the Board of Directors at Swisscommerce Holding AG, Langenthal.

Jakob Rohner

Dipl. Ing. HTL, MBA, born in 1958, a Swiss national. Between 2009 and 2011, he worked as an advisor to Ivers-Lee AG, Burgdorf. Between 2007 and 2009, he was chief executive officer at Cham Paper Group, Cham. Prior to that, between 2000 and 2006, he also worked as chief executive officer at HTS Suisse SA, Glattbrugg. Between 1993 and 1999, he worked in various management positions at Biberist Paper Mill, which was part of the Metsä-Serla Group.

Dr. Burghard Schneider

Dr.-Ing., born in 1965, a German national. Between 2008 and the time he joined the Conzzeta Group, he worked at the international Felss Group, initially as a managing director of Felss Systems GmbH, and from 2011 also as Chief Marketing and Technology Officer in the management of Felss Holding. He previously worked for ten years in various managerial positions at the German specialty glass manufacturer Schott AG. During this period, he tapped into new technological and regional markets for the company.

Barbara Senn

lic. iur., Attorney-at-Law, LL.M., born in 1967, a Swiss national. She has been General Counsel for the Conzzeta Group since 2010. She previously worked at Georg Fischer AG, Schaffhausen, as a legal adviser and corporate compliance officer (2002 to 2010) and, between 1996 and 2001, as legal counsel at the Rieter Group in Winterthur.

Alex Waser

Automotive engineer HTL, MBA, born in 1967, a Swiss national. Between 2010 until his arrival at the Conzzeta Group, he managed the majority of European markets for Ecolab, a US provider of systems solutions for the food industry, out of its European branch Ecolab Europe GmbH, Wallisellen. Between 1994 and 2010, he worked at the SPX Group, a business offering workshop equipment and diagnostic systems for the automotive industry worldwide. During this time, he performed various management functions in Europe and in the United States, including most recently that of president of Service Solutions for SPX Europe GmbH, Hainburg (Germany), for the Europe, Middle East and Africa regions.

The members of the Executive Committee do not carry out any significant activities outside the Conzzeta Group other than those specified above.

Rules Contained in the Articles of Association Relating to the Number of Permitted Activities under Article 12 para. 1 point 1 OaEC

According to Article 28 of the Articles of Association of the company, no member of the Executive Board[2] may accept more than four appointments, including no more than two in companies listed on the stock exchange. Each appointment must be approved by the Board of Directors. These restrictions do not apply to:

- appointments to companies controlled by the company or that control the company;
- appointments taken up by a member of the Executive Board on the instructions of the company. No member of the Executive Board may take up more than ten such appointments; and
- appointments to associations, charitable foundations and staff pension funds. No member of the Executive Board may take up more than ten such appointments.

Appointments mean appointments to the highest management body of a legal entity that must be entered into the Commercial Register or an equivalent foreign register. Appointments to different legal entities under joint control or with the same economic beneficiary are regarded as one single appointment.

[2] The term "Executive Committee" used in the Articles of Association refers to the group of individuals designated in the Annual Report, in the Organizational Regulations, on the website of the Conzzeta Group or elsewhere as the group management.

Management Contracts

Conzzeta AG has not concluded any management contracts with companies or natural persons from outside the Group.

5 Compensation, Shareholdings and Loans

Content and Method for Determining Compensation and Shareholding Programs

Regarding compensation and shareholdings of members of the Board of Directors and the Executive Committee, along with the content of, responsibility for and the procedures for determining compensation and shareholding programs and any loans, credit, or retirement benefits, please refer to the statements in the Compensation Report, pages 42 ff.

Rules contained in the Articles of Association

According to Article 25 of the Articles of Association of Conzzeta AG, the company may pay the members of the Executive Board a performance-related remuneration in addition to their fixed remuneration. The performance-related remuneration paid in any given year may not exceed 150 % of the fixed remuneration for that year.

The performance-related remuneration is determined in accordance with company targets. It takes account in particular of:

a. the achievement of planned targets within the area of responsibility;
b. the further development of the business;
c. staff management and development.

The remuneration of the Board of Directors and the performance-related remuneration of the Executive Board may be paid in cash or through the allocation of shares or options. The shares must be acquired on the market. The remuneration may be paid by the company or by companies controlled by it.

According to Article 24 of the Articles of Association of Conzzeta AG, the company or the companies controlled by it are empowered to pay an additional amount of up to 35 % of the relevant approved overall amount for the duration of the remuneration periods already approved to any member who joins the Executive Board or is promoted within the Executive Board after remuneration has been approved by the general meeting.

According to Article 27 of the Articles of Association of Conzzeta AG, the company or companies controlled by it may arrange for alternative retirement benefits for members of the Executive Board who do not or only partially benefit from Swiss pension funds.

The company or companies controlled by it may grant loans up to the value of the annual remuneration to members of the Executive Board.

The Articles of Association do not contain any rules on loans, credit, or retirement benefits with respect to members of the Board of Directors.

The general meeting has the non-transferable power to approve the remuneration of the Board of Directors and the Executive Board (Article 9 para. 5 of the Articles of Association of Conzzeta AG). According to Article 23 of the Articles of Association, the general meeting approves the proposals of the Board of Directors concerning the maximum overall amounts a) of the direct and indirect remuneration of the Board of Directors for the period until the next ordinary general meeting; b) of the direct and indirect remuneration of the Executive Board for the following financial year.

The Board of Directors may present additional or differing proposals relating to the same period or other periods for approval by the general meeting.

6 Participation Rights of Shareholders

Restrictions on Voting Rights and Representation

Each Class A registered share and each Class B registered share is entitled to one vote at the general meeting of the company (Article 13 para. 1 of the Articles of Association). The shares of Conzzeta AG are not subject to any restrictions on voting rights per the Articles of Association.

Pursuant to Article 689 para. 2 CO, a shareholder may represent his or her own shares at the general meeting or arrange to be represented by a third party. According to Article 9 OaEC, the shareholders may also authorize the independent proxy to exercise their voting rights. In addition, according to Article 13 of the Articles of Association, the Board of Directors issues rules of procedure concerning participation in and representation at the general meeting. The company recognizes only one representative per share.

The Articles of Association of Conzzeta AG do not contain any regulations governing the issue of instructions to the independent proxy or concerning electronic participation at the general meeting.

Quora Stipulated in the Articles of Association

According to Article 11 of the Articles of Association of Conzzeta AG, a resolution by the general meeting requires at least two-thirds of the votes represented and an absolute majority of the nominal value of shares represented for:

– any amendment of the Articles of Association;
– any change to the share capital;
– any restriction or cancellation of the subscription right;
– the dissolution of the company.

Except as provided by Article 704 CO, the general meeting passes all other resolutions and conducts elections by an absolute majority of the votes cast, excluding blank or invalid votes.

Calling of the General Meeting

According to Article 8 of the Articles of Association of Conzzeta AG, invitations to ordinary and extraordinary general meetings are issued no later than 20 days prior to the date of the meeting by the Board of Directors, or as the case may be, by the external auditors, by a notice published in the Swiss Official Gazette of Commerce, which must state the agenda items and the proposals of the Board of Directors, and as the case may be, of the shareholders who have requested that a general meeting be held or that a specific item be placed on the agenda.

Shareholders representing at least 10 % of the share capital may request that a general meeting be called.

Inclusion of Items on the Agenda

Article 8 of the Articles of Association of Conzzeta AG provides that shareholders representing at least 5 % of the share capital may request that a specific item be placed on the agenda. The request must be filed with the company at least 40 days before the general meeting.

Subsequent to the reduction of the share capital approved at the Annual General Meeting of April 29, 2014 (see, in this regard, 2016 Annual Report, “Changes in Capital”, page 25 f., www.conzzeta.com/en/media-center), the Board of Directors considered reducing the percentage threshold required in order to place a certain item on the agenda and arrived at the conclusion that, in view of the shareholder structure of Conzzeta AG, it was not advisable to reduce the threshold.

Entries in the Share Register

According to Article 13 para. 2 of the Articles of Association of Conzzeta AG, the Board of Directors issues rules of procedure concerning participation in and representation at the general meeting. The Board of Directors has resolved to set the cut-off date for participation in a general meeting at five working days before the date of the meeting. The cut-off date is announced in the invitation to the shareholders. No entries may be made in the share register between the cut-off date and the date of the meeting. There are no rules that allow for any exceptions.

7 Change in Control and Defensive Measures

Duty to Offer

According to Article 6 of the Articles of Association of Conzzeta AG, purchasers of shares in the company are not obligated to present a public offer to buy in accordance with Article 135 (1) of the Financial Market Infrastructure Act (FMIA) (opting-out).

Change of Control Clauses

No agreements or plans contain any change of control clauses in favor of the members of the Board of Directors. Regarding the share rights to be granted to certain employees of Conzzeta Group from 2018 (restricted share units; see further Compensation Report, page 44 ff.), a change of control at the level of Conzzeta AG, its merger with an unrelated company or the disposal of the entirety of or a majority of a business unit to an unrelated company would trigger the early transformation of the entitlements over Conzzeta shares, although in the last-mentioned case only for employees whose employment relationship with a company from the Conzzeta Group has ended for this reason or has been transferred to the new owner. The lock-up periods for the Conzzeta shares allocated to the members of the Executive Committee also end under the same circumstances (see further the Compensation Report, page 47 f.).

8 Auditors

Duration of the Mandate and Term of Office of the Chief Auditors

Since 1939, the statutory auditors of Conzzeta AG have been KPMG Ltd, based in Zurich, or its legal predecessor. The chief auditor, François Rouiller, has been responsible for the mandate since financial year 2017. According to Article 730a (2) of the Swiss Code of Obligations, the chief auditor changes every seven years.

Auditing fee

The auditing company KPMG charged the following fees for the reporting year:

- Auditing fees: CHF 1 275 000.
- Additional fees for auditing and consultancy services in connection with acquisitions and tax advice: CHF 247 000.

Information Tools Pertaining to the External Auditors

The Audit Committee established by the Board of Directors for finance and auditing assesses the efficacy, performance, fee and independence of the auditors and presents a report concerning these matters once each year to the Board of Directors. This assessment by the Audit Committee, in particular also in relation to the quality of the inspection work, is made during a discussion conducted following the presentation by the external auditors concerning the interim audit and the audit on the yearly financial statements. The Board of Directors does not carry out any further assessment without cause.

The auditors are invited to the meetings of the Audit Committee where the issues dealt with are relevant. During the reporting year, they participated in three of the four meetings. In particular, the interim audit report, the annual financial statement, the management letter and the comprehensive report to the Board of Directors are discussed between the Audit Committee and the auditors, the first in November and the others in March. The Chairman of the Audit Committee and the Group CFO inform the Board of Directors at the Board of Directors' meeting in March about the auditors' reports, their own assessment of the issues raised and the action to be taken. At its meeting in August, the Audit Committee establishes the key points of the audit along with the auditors for presentation to the Board of Directors.

The Group CFO prepares all of these matters in conjunction with the auditors for discussion by the Audit Committee and approval by the Board of Directors and implements the recommended improvements.

As regards non-audit services, care is taken to ensure that no mandates are placed with KPMG that could result in a conflict of interest with the auditing mandate or impair its independence.

Regarding the information tools available to the internal auditors, reference is made to the comments provided under the title "Information and Control Tools vis-à-vis the Executive Committee" (page 34 f.).

9 Information Policy

According to Article 32 of the Articles of Association of Conzzeta AG, the publication organ of the company is the Swiss Official Gazette of Commerce. In the situations prescribed by law, written notices are sent by the company to the shareholders or beneficial owners registered at the time of the notice by ordinary letter to the service address included in the share register.

The company publishes an annual report for the period ending December 31 and an interim report for the period ending June 30. Interested persons can obtain information at Conzzeta AG's website, via the company's press releases (pull-service: www.conzzeta.com/en/media-center/news-releases) or subscribe to an e-mail distribution list (push-service: www.conzzeta.com/en/media-center). A financial press and analysts' conference is held for media and financial analysts in conjunction with the publication of the Annual Report. The Group accounts drawn up according to Swiss GAAP FER provide an overview that corresponds to the actual circumstances.

The above and further information concerning the company, including next events and contacts, are available on the website www.conzzeta.com (contact data and agenda on the start page).

10 Significant Changes since the Balance Sheet Date

On October 31, 2017, Conzzeta AG announced that, with effect from January 1, 2018, the Board of Directors appointed Dr. Michael Riedel as the new head of the FoamPartner Business Unit and as a member of the Executive Committee. He replaces Bart J. ten Brink, who resigned as head of the FoamPartner Business Unit and as a member of the Executive Committee at the end of 2017.

Compensation Report

The Compensation Report provides an overview of the compensation programs and the method for determining compensation at Conzzeta. It documents the compensation awarded to the Board of Directors and the Executive Committee in financial year 2017.

The report conforms to the relevant provisions of the Ordinance against excessive pay in stock listed companies ("VegüV"), the standards relating to information on corporate governance issued by SIX Swiss Exchange, and the principles of the economiesuisse "Swiss Code of Best Practice for Corporate Governance".

1 Compensation governance

1.1 Shareholder involvement

At the last ordinary Annual General Meeting (AGM) of shareholders on April 25, 2017, the members of the Human Resources (HR) Committee, which was established in 2014, were re-elected by the shareholders. They also adopted the 2016 compensation report presented for a consultative vote and approved the maximum total compensation for the Board of Directors for the 2017/2018 term of office amounting to CHF 1.5 million and for the Executive Committee for the 2018 financial year in the amount of CHF 7.7 million.

At the upcoming ordinary AGM on April 24, 2018, shareholders will be able to adopt a binding vote on the prospective total compensation to be awarded to the Board of Directors and to the Executive Committee, respectively. They will also be able to voice their opinion retrospectively in a consultative vote on this compensation report.

1.2 Duties of the Board of Directors

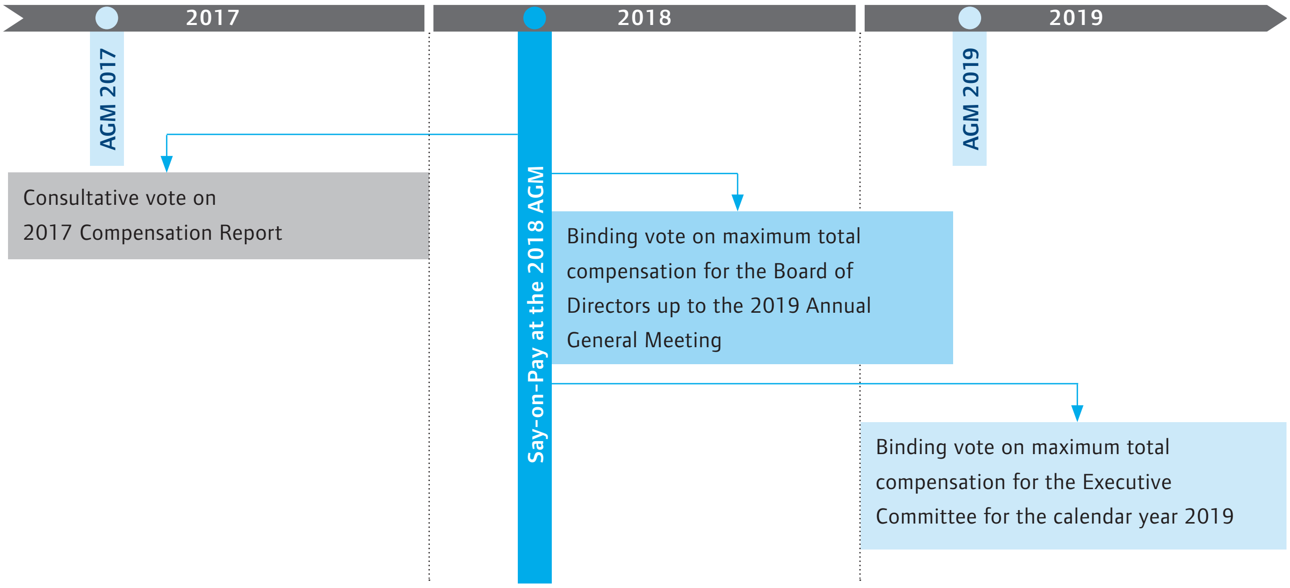
At the request of the HR Committee, the Board of Directors approves the personnel and compensation policy for the Group, and the general terms of employment of the members of the Executive Committee.

At the AGM, the Board of Directors puts forward its own total compensation amount and that of the Executive Committee for approval. It also approves the compensation to be awarded individually to the members of the Board of Directors and Executive Committee, based on the proposal of the HR Committee and with reference to the total compensation amounts agreed at the AGM.

1.3 Duties of the HR Committee

As determined in the Articles of Association and in the Organizational Rules of Conzzeta AG, the HR Committee, which also performs additional tasks in its role as the Personnel Committee (HR Committee), is responsible for preparing the proposals for the attention of the Board of Directors in relation to nomination and compensation matters:

Structure of shareholders' voting on compensation at the 2018 AGM



Nomination:
- Development of the selection criteria for positions on the Board of Directors and on the Executive Committee
- Succession planning for positions on the Board of Directors and on the Executive Committee
- Assessment and encouragement of the executives and talents
- Supervision of the human resources policy and personnel development plans
- Responsibility for the guideline on permissible external mandates for the members of the Executive Committee and preparation of the respective requests to the Board of Directors

Compensation:
- Motion to the Board of Directors on the compensation policy for members of the Board of Directors and of the Executive Committee
- Review of compensation system and related payments, and of their compliance with the provisions of the Articles of Association
- Preparation of motions to the AGM on the maximum total compensation for the Board of Directors and Executive Committee
- Proposal on the compensation of the individual members of the Board of Directors and of the Executive Committee
- Review and assessment of pension plans
- Preparation of the Compensation Report

The final decision on the compensation of the Board of Directors and the Executive Committee within the maximum compensation agreed at the AGM remains with the Board of Directors.

The HR Committee consists of three members of the Board of Directors who are elected individually and annually by the Annual General Meeting of shareholders for a period of one year. At the 2017 Annual General Meeting of shareholders, Philip Mosimann (Chairman), Werner Dubach and Robert F. Spoerry were re-elected as members of the HR Committee.

The HR Committee meets as often as business requires, but at least three times a year. At the start of the year, the HR Committee proposes to the Board of Directors the variable compensation of the Group CEO and the other members of the Executive Committee for the previous financial year based on the assessment of business and individual performance. The Committee also proposes the compensation of the members of the Board of Directors for the term of office completed and presents the Compensation Report to the Board of Directors. The meeting at year-end is dedicated on the one hand to nomination matters such as the succession planning for positions on the Board of Directors and on the Executive Committee, the definition of appropriate selection criteria for such positions and the review of personal development plans. At the same meeting, the (target) compensation amounts for the Group CEO and the other Executive Committee members for the following year are established.

Responsibilities

	CEO	HR Committee	Board of Directors	Annual General Meeting
Compensation policy		proposes	approves	
Total compensation of Board of Directors		proposes	proposes	approves
Compensation of individual members of Board of Directors		proposes	approves	
Total compensation of Executive Committee		proposes	proposes	approves
Individual compensation of CEO		proposes	approves	
Compensation of individual members of the Executive Committee	proposes	proposes	approves	
Compensation Report		proposes	approves	consultative vote

As a general rule, the Chairman of the Board, the Group CEO and the Head of Corporate Human Resources are invited to join the meetings of the HR Committee in an advisory capacity. The HR Committee Chairman may invite other members of the Executive Committee as appropriate. The Chairman of the Board, the Group CEO and other executives do not take part in the discussions concerning their own compensation.

The HR Committee Chairman reports to the Board of Directors on the activities of the Committee after each meeting. The minutes of the Committee meetings are made available to all members of the Board of Directors.

2 HR Committee priorities in 2017

The HR Committee met six times during the 2017 reporting year. Its principal focus was the search for and selection of the CEO for FoamPartner (Foam Materials business unit) and the introduction of a share-based compensation component for the next level of management. Other priorities were the introduction of targeted personnel development initiatives to expand the internal pool of management candidates, an outcome of the 2016 analysis of the Conzzeta Group's succession planning and the development and implementation of Group competencies.

2.1 Recruitment of FoamPartner CEO

Following Bart J. ten Brink's mutually agreed replacement as CEO of FoamPartner and member of the Executive Committee, it was the responsibility of the HR Committee to find a successor. Key requirements were all-encompassing and international management experience in the chemicalindustry and the ability to define and control FoamPartner's strategic direction in accordance with the Group's objectives, while specific experience with integration processes was also regarded as important. In a defined recruitment process and on the recommendation of the HR Committee, the Board of Directors appointed Michael Riedel as the new CEO of FoamPartner and member of the Executive Committee effective January 1, 2018.

2.2 Harmonization of the compensation system for the next management level

Promoting a culture of performance and success entails, among other things, a more entrepreneurial way of thinking and aligning the interests of employees with those of the company's shareholders. For this reason and as a means of encouraging employee loyalty, the Board of Directors approved, on the HR Committee's recommendation, the introduction of a share-based long-term incentive plan (LTI) representing no more than 10 % of annual base salary. The members of business unit management and persons in selected Group roles are eligible to participate in the LTI scheme. The first allocation of restricted stock units (RSUs) will be made at the end of March 2018.

The value of the LTI allocation for the aforementioned management level depends on earnings per share (EPS) and may vary between 100 % and 150 % of the target amount. The number of allocated restricted stock units is determined by dividing the calculated monetary value of the LTI (EPS rate of target achievement × LTI target amount) by the average share price in the period from November 1 of the current period to January 31 of the following period. The restricted stock units are subject to a three-year vesting period and will thereafter be converted into Conzzeta AG shares based on a ratio of 1:1. This is conditional upon the employees concerned being in employment at the time of the conversion and allocation of shares, with no period of notice served by either side. Shares will be allocated to employees after the Board of Directors has approved the annual financial statements, and the number of shares allocated will be rounded up to the next whole number. Employees who terminate their employment forfeit their restricted stock units. As a transitional arrangement, eligible employees who were employed at the company prior to July 1, 2017 may convert up to one third of the RSUs allocated in 2018 each year starting in 2019.

In addition to the introduction of the LTI, the existing regulations for eligible employees were reviewed and the existing performance-based cash component was harmonized in the form of a Group short-term incentive plan (STI). The annual STI target amount is usually no more than 20 % of annual base salary. The performance parameters comprise financial targets (KPIs) (75 %) and an individual target (25 %), which are agreed at the beginning of the year during an individual target-setting process. The weighting of the respective targets under the STI for the Executive Committee (see section 4.2) also applies to the STI for members of Group staff and business unit employees, although for the latter, only the financial targets of their own business units are relevant. The financial targets are usually based on the respective budget allowance, and budget variances result in upward or downward adjustments. The amount of the STI payout is therefore based on the extent to which the employee's business unit has achieved its targets and the extent to which the employee achieved his or her individual targets. It may range from 0 % to not more than 30 % (the cap) of base salary.

2.3 Succession planning and personnel development

The key positions within the Conzzeta Group defined in 2016 were periodically reviewed in 2017 as regards succession planning. Despite the introduction of initial targeted personnel development initiatives, there is still a need for action both with respect to direct and medium-term successors. It is hoped that the introduced personnel development initiatives will expand the internal pool of management candidates for key positions within the Conzzeta Group.

In 2017, a two-part Talent Development Program was run for the first time with participants from all business units (module 1 held in February 2017 in Switzerland; module 2 held in June 2017 in Hong Kong). Participants were selected based not only on their individual potential as managers, but also based on skills defined as relevant within the framework of the new Group competencies. The program consists of a personal assessment, individual coaching and the compilation of a further development plan at the end of the second training module. During the program, the participants worked on specific projects in multi-disciplinary teams with the aim of generating concrete results within 100 days. The plan is to run the Talent Development Program annually in the future with 15 to 20 candidates. The candidates for the 2018 program have already been selected, and the first module of the 2018 program was again successfully completed in February.

Since 2017, the Global Management Team (GMT) has been invited once a year to a two-day annual conference. The team includes the members of the Executive Committee, the members of business unit management, the heads of the Group functions and other selected key functions. Starting in 2018, there are plans to launch and run a global leadership program for GMT members. The goal is to promote and develop a shared understanding of leadership at Conzzeta which cuts across the various business divisions.

2.4 Group competencies

In 2017, the Group competencies developed by the Executive Committee were rolled out across all of the business units and incorporated in internal HR processes. The Group competencies are seven strategically relevant key skills (see page 8) which form the basis for the targeted development of a Conzzeta-specific culture of performance and success. Given the existing growth strategy, the Group competencies are of superior importance to ensure that the expectations of the increasingly global customer base can be met or even exceeded with innovative, flexible and timely solutions. The Group competencies have been integrated by the business units in their existing instruments of management, in adapted form where necessary. As far as human resources are concerned, the competencies form the basis for selecting candidates for new positions or for training or upskilling internal employees.

3 Principles of compensation

Compensation of the Executive Committee is awarded on a performance- and results-related basis. Alongside a fixed base salary, the compensation also comprises a variable annual performance-related component in cash (STI) and a long-term, share-based component (LTI) aligned to long-term corporate goals, thus covering the interests of shareholders and management:

- Compensation must be appropriate for and in line with the company's values. These values foster a balanced approach to risk and opportunity with regard to the short- and long-term success of the company.
- Total compensation levels should be attractive and in line with market practice for comparable positions in similar companies.
- Compensation is based on the responsibilities of the role, the skill set required to be successful in the role and on the individual profile of the executive.
- A portion of compensation is linked to ambitious business performance and to the achievement of individual targets.

When determining the target compensation of the Board of Directors and of the Executive Committee, the level of compensation paid by other international industrial companies based in Switzerland is taken into consideration, insofar as these companies are comparable in terms of complexity, size (market capitalization, revenue, number of employees) and geographical reach.

For this purpose, the compensation of the Board of Directors and of the Executive Committee is periodically reviewed on the basis of compensation studies conducted by third party providers, or publicly available data such as the compensation disclosure in the annual reports of the relevant companies.

The financial performance of the company and the relevant businesses, as well as the achievement of individual objectives determined within the annual goal-setting process, influence the compensation effectively paid out to the Group CEO and the other members of the Executive Committee in a given year. In addition, the Board of Directors considers the overall economic and market environment and their impact on business performance, and any special factors as well as additional aspects relevant to individuals.

The compensation awarded to the Board of Directors is aligned to the market situation and the specific responsibilities. In order to guarantee independent supervision, the compensation awarded to Board members does not contain a performance-related component. However, approximately 50 % of the compensation is awarded in the form of restricted shares.

4 Compensation system

4.1 Board of Directors

Compensation for the members of the Board of Directors is based on their term of office and is composed of a base amount that is not results-based, and an additional amount for committee work. The base compensation is paid partly in cash and partly in shares that are subject to a four-year vesting period. In addition to this, BoD members are eligible for additional benefits including flat-rate expenses and social security contributions.

The share-based component is awarded in the form of restricted shares. The number of shares is calculated according to the net payment amount divided by the applicable share price. This is the average price from November 1 to January 31. The shares are usually allocated in April, after the AGM. When shares were allocated in 2017, the method for rounding fractional shares was aligned with the method used for the Executive Committee (rounded up to the next whole number of shares instead of rounding down and paying the difference in cash).

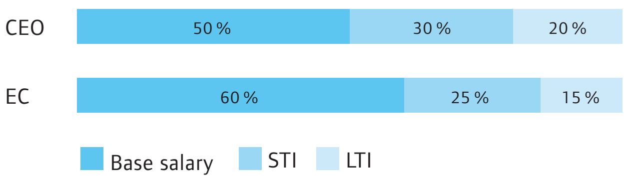
4.2 Executive Committee

The compensation system is based on an annual target income comprised of a base salary, a variable performance-related cash component (short-term incentive plan; STI) and a variable share-based performance-related component (long-term incentive plan; LTI). The breakdown of the total compensation for the Group CEO and the other members of the Executive Committee, assuming a target achievement rate of 100 %, is shown in the diagram on the following page.

The compensation system for the Executive Committee is performance- and results-related and is intended to provide tangible incentives for the Executive Committee to act in line with strategy to generate profitable growth and therefore in harmony with the interests of the shareholders, the owners of the company.

Depending on target achievement, the variable compensation component varies between 0 % up to a maximum of 150 % of the agreed target amounts (cap). The maximum STI here, given a target achievement rate of 150 %, can be 90 % of base salary for the Group CEO and 62.5 % of base salary for the members of the Executive Committee. The maximum amounts for the LTI are 60 % of base salary for the Group CEO and 37.5 % for the members of the Executive Committee.

Breakdown of compensation (with 100 % achievement of targets)



For the financial targets, the target amount is generally the budget allowance and is paid out at 100 % on achievement of targets; for each individual parameter, any deviations from the budget cause upward or downward adjustments in line with a predefined scale, so that payments may vary between 0 % and 150 % (cap).

The assessment of individual performance is based on the achievement of personal targets determined at the beginning of the year. As well as quantitative targets, these may also include qualitative targets of a strategic nature, such as the implementation of important projects in market, project and personnel development, as well as mergers and acquisition activities.

4.2.1 Base salary

The base salary is fixed and is determined on the basis of the following factors:
- Scope and responsibilities of the respective function (job profile)
- Market value of the role (competitiveness)
- Internal peer comparisons (internal equity)
- Individual profile of the incumbent, such as skill set, capabilities, experience and performance

4.2.2 Variable cash compensation (STI)

The performance parameters for the STI comprise 75 % financial targets (KPIs) and a 25 % individual target, which are agreed on an annual basis during the budgeting and individual target-setting process. For members of the Executive Committee with a Group role, the financial performance parameters correspond with the Conzzeta Group's consolidated figures, whereas the financial performance parameters for the heads of the business units are based 25 % on the Group figures and 50 % on the figures for the relevant business unit. The measurement of financial performance covers the following performance parameters (KPIs):
- Total revenue (TR)
- Operating profit (EBIT)
- Ratio of net operating assets to total revenue (NOA / TR)

4.2.3 Long-term incentive (LTI)

The LTI represents 15 % of the target compensation amount (or 20 % in the case of the CEO). Of this, the only performance parameter is the earnings per share (EPS) for the financial year. Depending on the actual figure, the monetary value of the share allocation can vary between 0 % and 150 % (cap) depending on EPS target achievement. The number of shares allocated is the product of the LTI monetary value divided by the average share price from November 1 in the current year to January 31 in the following period, with a reduction allowed of 10 %. To qualify for the share allocation, the recipient must be in employment on the date of the allocation, with no period of notice served by either side. Shares are allocated to employees in March / April after the Board of Directors has approved the annual financial statements, and the number of shares allocated is rounded up to the next whole number.

The shares allocated for the LTI remain restricted for four years. In the event of invalidity, death or termination of the employment relationship following a change of control this vesting period is cancelled.

Performance parameters and target weighting for short-term incentive (STI)

		Financial targets			Personal target
		Total revenue	EBIT	NOA	Individual
Group CEO, Group CFO, General Counsel	Conzzeta	20 %	35 %	20 %	25 %
Business unit heads	Conzzeta	10 %	10 %	5 %	
	Business unit	10 %	30 %	10 %	25 %

Calculation of share allocation (LTI)

Calculated LTI monetary value (LTI target amount x EPS target achievement)	:	Average share price (Nov – Jan), minus 10 %	=	Numbers of shares allocated

4.2.4 Benefits

Members of the Executive Committee participate in the benefit plans available in their country of employment. Benefits consist mainly of retirement plans that are designed to ensure a reasonable standard of living for employees and their family members after retirement or in the event of illness, disability or death.

Members of the Executive Committee with a Swiss employment contract are insured with the standard pension fund available to all Group employees in Switzerland. The fund covers annual income (fixed base salary and variable STI target compensation) up to the maximum amount permitted by law. The benefits go beyond the statutory requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans ("BVG").

Members of the Executive Committee with a foreign employment contract are insured according to the local market practice and legislation.

In addition, members of the Executive Committee are entitled to certain perquisites such as a company car or car allowance and other benefits in kind. Executive Committee members further receive flat-rate expenses in line with the applicable expense regulations approved by the tax authorities.

4.2.5 Contractual provisions

The employment contracts of members of the Executive Committee are concluded for an indefinite period and stipulate a notice period of nine months (12 months for the Group CEO). They do not contain any agreement on severance payments or change-of-control provisions.

4.2.6 Transitional arrangement

With the transition to the new employment contracts effective January 1, 2016, whereby the total compensation awarded to the Executive Committee members became more heavily performance-based, those members who were appointed prior to January 1, 2015 were guaranteed a minimum amount of variable compensation which would diminish over three years. In the third and last year of the transitional arrangement (2017), the minimum amount of variable compensation guaranteed was 30 % of target variable income (STI and LTI).

Under the transitional arrangement, eligible members of the Executive Committee could choose one last time in 2017 between receiving shares or a partial cash payment not exceeding 40 % as their LTI. In 2017, these members of the Executive Committee took 12 % of the LTI target amount in cash.

Compensation system for the Executive Committee

Elements	Description
Fixed base salary	Monthly cash compensation for execution of the role and to attract, retain and motivate executives. Based on the current market price and on the individual executing a leadership role conducive to achieving profitable growth.
Variable cash compensation (STI)	Annual cash compensation to reward achievement of financial results and individual targets within the financial year (short-term incentive; STI).
Long-term incentive (LTI)	The share-based component ensures that compensation is long-term aligned with the interests of shareholders over the long term. The shares are restricted for four years.
Additional benefits	Retirement and insurance plans to establish a reasonable level of income in retirement, further benefits based on market practice (e.g. flat-rate expenses).

5 Compensation of the Board of Directors for the 2017/2018 term of office

At the ordinary Annual General Meeting on April 25, 2017, a maximum total amount of CHF 1.5 million was approved for the Board of Directors for the term of office up to the 2018 Annual General Meeting. This sum covers the fixed base compensation in cash and shares, the additional compensation for committee work, as well as additional benefits, including flat-rate expenses and social security contributions.

For the 2017/2018 term of office, the members of the Board of Directors received total compensation of CHF 1.3 million. This total is lower than the total sum approved and is slightly less than the previous year.

Around 50 % of the base compensation of the Board of Directors will be in the form of shares which will be allocated at the end of April after the 2018 ordinary Annual General Meeting. A total of 537 shares were allocated to members of the Board of Directors for the 2017/2018 term of office. These shares remain restricted for four years. Information on the shareholdings of members of the Board of Directors is outlined on page 106. The new arrangement for the allocation of shares is to round up to the next whole number of shares and then deduct the rounding difference from the cash payment. The rest of the base compensation is awarded in cash together with the compensation for committee work. In addition, each member of the Board of Directors was paid flat-rate expenses of CHF 5 000 per year (CHF 21 600 for the Chairman). The representation allowance for committee chairmen was increased from CHF 15 000 to CHF 20 000 as of the 2017/2018 term of office.

No loans or credits were granted to members of the Board of Directors or related parties in the reporting year. As of December 31, 2017, there were no outstanding loans or credit agreements between the company and the members of the Board of Directors or related parties.

Compensation for members of the Board of Directors for 2017

	Fixed cash component	Share component[1]	Committee work	Additional benefits	Total
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand
Ernst Bärtschi, Chairman	199.4	200.6		45.1	445.1
Roland Abt, Member	44.3	50.7	18.3	16.3	129.6
Matthias Auer, Member	44.3	50.7	10.0	15.4	120.4
Werner Dubach, Member	44.3	50.7	10.0	9.2	114.2
Philip Mosimann, Member	44.3	50.7	18.3	16.3	129.6
Urs Riedener, Member	44.3	50.7	20.0	16.5	131.5
Jacob Schmidheiny, Member	44.3	50.7		8.6	103.6
Robert F. Spoerry, Member	44.3	50.7	10.0	15.4	120.4
Total	**509.5**	**555.5**	**86.6**	**142.8**	**1 294.4**

[1] Shares allocated at a price of CHF 1 034.20 (rounded up to the next whole number of shares)

Compensation for members of the Board of Directors for 2016

	Fixed cash component[1]	Share component[2]	Committee work	Additional benefits	Total
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand
Ernst Bärtschi, Chairman	200.2	199.8		62.6	462.6
Roland Abt, Member	45.4	49.6	15.0	15.9	125.9
Matthias Auer, Member	45.4	49.6	10.0	15.4	120.4
Werner Dubach, Member	45.4	49.6	10.0	9.2	114.2
Philip Mosimann, Member	45.4	49.6	15.0	15.9	125.9
Urs Riedener, Member	45.4	49.6	10.0	15.4	120.4
Jacob Schmidheiny, Member[3]	45.4	49.6	8.3	9.1	112.4
Robert F. Spoerry, Member	45.4	49.6	10.0	15.4	120.4
Total	**518.0**	**547.0**	**78.3**	**158.9**	**1 302.2**

1 Cash compensation incl. rounding difference from share allocation
2 Shares allocated at a price of CHF 740 (rounded down to the next whole number of shares)
3 Committee work ended as of April 30, 2016

6 Compensation of the Executive Committee for 2017

For the 2017 financial year, the members of the Executive Committee received total compensation of CHF 7.0 million compared with CHF 6.7 million the year before. This complied with the maximum total compensation for the Executive Committee of CHF 7.7 million approved at the ordinary Annual General Meeting on April 28, 2016. The increased amount of total compensation reflects the improved financial performance of the Group and to some extent the business units, as well as what the Board of Directors considers to be very good progress with the implementation of strategic initiatives.

Changes in the composition of the Executive Committee make it difficult to make a direct comparison with the previous year. Specifically, when the Group CEO took office as of January 1, 2016, he received compensation for the loss of deferred variable compensation from his previous employer. The compensation included shares valued at CHF 100 000 for 2016, CHF 150 000 for 2017 and CHF 210 000 for 2018. The total amount of CHF 460 000 was credited to the LTI and recognized in the financial year 2016. This explains the significantly

Compensation of the Executive Committee for financial year 2017

	Base salary	STI	LTI[1]	Pension contribution 1st + 2nd pillar	Additional benefits	Total compensation 2017
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand
Executive Committee						
Total compensation of the Executive Committee	3 052.6	1 735.6	1 082.2	813.0	321.9	7 005.3
Highest single amount: Group CEO, M. Willome	681.0	565.9	381.6	196.7	47.0	1 872.2

1 Shares no longer allocated to the head of the "Chemical Specialties" business unit.

Compensation of the Executive Committee for financial year 2016

	Base salary	STI	LTI	Pension contribution 1st + 2nd pillar	Additional benefits	Total compensation 2017
Executive Committee	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousandd	CHF thousand
Total compensation of the Executive Committee[1]	2 925.3	1 338.7	1 376.0	759.9	318.4	6 718.3
Highest single amount: Group CEO, M. Willome[2]	653.0	431.6	751.7	196.9	36.0	2 069.2

[1] Oliver Pabst, new Executive Committee member from September 1, 2016, as successor to Rolf Schmid, CEO Mammut Sports Group, who left the Executive Committee on June 1, 2016.
[2] Includes compensation for the full amount of the share-based compensation from his previous employer lost as a result of the move to Conzzeta.

lower LTI in 2017 and the lower total compensation for the Group CEO. The share number calculations and the share allocations under the compensation arrangement for the Group CEO happen at the same time as the ordinary LTI. However, the relevant shares will remain restricted for only two years and will only be transferred if the Group CEO is in employment at the time, with no period of notice served by either side. 2017 was the first year that the CEO of the Sporting Goods business unit, who was appointed effective September 1, 2016, was included in the total figure for the Executive Committee for the entire year. In addition, no more shares were allocated to the former head of the FoamPartner business unit for the 2017 financial year after his resignation effective December 31, 2017.

With consideration of the aforementioned factors, the higher variable compensation paid to the Executive Committee is attributable to significantly improved financial targets at Group level and the progress made towards achieving individual targets. For the purposes of the STI, the average rate of target achievement by all Executive Committee members was 118 %, up from 94 % the previous year. Furthermore, the target amount for reported earnings per share (EPS), which determines the monetary value of the share allocation for the 2017 financial year, was exceeded by 27 %.

For the 2017 financial year, the members of the Executive Committee will receive 1 000 shares. The shares will be allocated at the end of March at a price of CHF 1 034.20, the average share price from November 1, 2017 to January 31, 2018. Despite the significantly higher LTI performance assessment criterion (EPS), fewer shares will be allocated compared to the previous year because the share price has risen considerably. The allocated shares will remain restricted for four years, in other words they will be released in April 2022.

Information regarding shares held by Executive Committee members is outlined on page 107.

As regards payments made to former Executive Committee members, in 2017 the former CEO of the Sporting Goods business unit, who left effective March 1, 2017, was remunerated at standard market rates for consulting services provided in connection with ongoing projects.

No loans or credits were granted to members of the Executive Committee or related parties in the reporting year. As of December 31, 2017, there were no current loan or credit agreements between the company and the members of the Executive Committee or related parties.

KPMG

Report of the Statutory Auditor

To the General Meeting of Shareholders of Conzzeta AG, Zurich

We have audited the remuneration report dated December 31, 2017 of Conzzeta AG for the year ended December 31, 2017. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections «Compensation report for the 2017 financial year in accordance with the Ordinance Against Excessive Compensation in Listed Companies» on pages 49 to 51 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report for the year ended December 31, 2017 of Conzzeta AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Reto Kaufmann
Licensed Audit Expert

Zurich, March 16, 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Financial report

Consolidated financial statements

Financial statements of Conzzeta AG

Commentary on the consolidated financial statements

Acquisitions and divestments

Conzzeta acquired the foam business of Otto Bock in Duderstadt, Germany, for the FoamPartner business unit on September 1, 2017. The transaction is in line with Conzzeta's defined growth strategy and includes the takeover of the entire stake in the joint venture operated by Otto Bock and FoamPartner. It expands the global presence of the FoamPartner business unit and creates additional opportunities for growth, primarily in Asia and North America. The acquired companies increased Group revenues by CHF 53.8 million in 2017.

On July 1, 2017, Conzzeta sold its 51 % stake in Woodbridge FoamPartner Company in Chattanooga, TN, USA. The removal of the joint venture structure enables the FoamPartner business unit to further develop the US market for foam solutions without any contractual constraints. Bystronic (Tianjin) Machinery Co. Ltd. in Tianjin, China, was sold on December 20, 2017, in conjunction with the site optimization in China implemented in the Sheet Metal Processing segment. Revenue adjustments for investments sold in 2017 amounted to CHF 4.8 million in 2017 in comparison with the previous year. The sales resulted in a gain of CHF 10.8 million, which is included in the year-end result under EBIT.

In the prior year, the FoamPartner business unit acquired 100 % of Hydra Sponge in Washington, MO, USA, on January 5, 2016. The Bystronic business unit made two acquisitions. On July 14, 2016, it bought a 51 % stake in DNE Laser in Shenzhen, China, and on November 11, 2016, it purchased 100 % of the shares in FMG in Sulgen, Switzerland. Revenue adjustments for acquisitions made in 2016 amounted to CHF 55.6 million in 2017 in comparison with the previous year.

The impact of the transactions set out above are recognized as acquisition and divestment effects, or as changes in the scope of consolidation. Figures on a comparable basis take account of currency translation effects and changes in the scope of consolidation.

Net revenue

	CHF m	%
Net revenue 2016	1 210.0	100.0
Changes in Group revenue 2017 due to:		
– currency translation effects	–5.5	–0.4
– acquisitions	109.4	9.0
– divestments	–4.8	–0.4
– changes in quantity and price	173.7	14.3
Total change	**272.8**	**22.5**
Net revenue 2017	**1 482.8**	

Group revenue amounted to CHF 1 482.8 million, up 22.5 % on the previous year. The currency effect was –0.4 % and the acquisition and divestment effect 8.6 %. At constant exchange rates and taking into consideration changes in the scope of consolidation, revenue was up 14.3 % on the previous year. In 2017, the Group achieved revenue growth in Asia of 44.1 %, or 23.7 % on a comparable basis. Net revenue in Europe also saw a double-digit increase, but the US business grew proportionately less. The Sheet Metal Processing segment generated growth of 31.5 %, of which the currency and acquisition effect came in at 7.8 %. Comparable growth amounted to 23.7 %. Amid a generally favorable market environment, the strong development seen in the first half of the year continued until the end of the year. Both entry-level products and the new installations with improved performance and automation solutions met with strong demand. On an annual basis, all regions recorded solid double-digit growth rates. The Sporting Goods segment posted a decline in revenue of 1.9 %, or 1.7 % adjusted for currency effects. In the year under review, low-margin revenues and liquidation sales were stripped out if they could not be fully offset by the rise in the share of revenue in higher margin sales channels. Due to the persistently competitive market environment and to changing consumer behavior, wholesale as the main distribution channel generally remained under pressure. The Chemical Specialties segment gained 27.1 %. On a comparable basis, revenue growth was 4.9 %. Net revenue in the FoamPartner business unit was higher across all product segments and in the Europe and Asia regions, while US revenue came in lower. The Schmid Rhyner business unit also saw an increase in net revenue, thanks to specialties in the packaging market. At the same time, the business in Europe and Asia was expanded with leading print-shop groups. The Glass Processing segment notched up revenues of 11.6 %, or 11.8 % adjusted for currency effects. In a generally favorable market environment, business picked up in both the architectural and automotive glass markets in the second half of the year. Thanks to key orders, revenue in both the automotive glass market and in Europe and Asia posted double-digit growth rates on an annualized basis, but revenue in the US was not maintained. The average EUR / CHF exchange rates were 1.4 % higher, while USD / CHF rates remained at the same level as in the previous year.

From 2017, Other operating income will be shown separately. In the previous year, CHF 4.3 million in net revenue was reclassified under Other operating income.

Operating result

	Cost of materials		Personnel expenses		Other operating expenses		Depreciation	
	CHF m	%	CHF m	%	CHF m	%	CHF m	%
Operating expenses 2016	574.2	100.0	304.1	100.0	221.7	100.0	30.7	100.0
Changes in 2017 due to:								
– currency translation effects	– 1.5	– 0.3	0.1		– 0.3	– 0.1		
– acquisitions	66.4	11.6	15.1	4.9	14.7	6.6	2.4	7.8
– divestments	– 3.2	– 0.6	– 0.4	– 0.1	– 0.4	– 0.2	– 0.1	– 0.3
– operational changes	104.9	18.3	20.6	6.8	50.8	22.9	– 3.9	– 12.7
Total change	**166.6**	**29.0**	**35.4**	**11.6**	**64.8**	**29.2**	**– 1.6**	**– 5.2**
Operating expenses 2017	**740.8**		**339.5**		**286.5**		**29.1**	

The cost of materials was CHF 740.8 million, 29.0 % higher than the previous year. This figure contains an acquisition and divestment effect of 11.0 % and a currency translation effect of – 0.3 %. On a comparable basis, in relation to total revenue growth of 15.7 %, cost of materials increased disproportionately by 18.3 %. The cost of materials in relation to total revenue (material rate) is influenced by changes in inventories of semi-finished products, work in progress and finished products. Adjusted for this effect, the material ratio is 1.3 percentage points higher than the previous year. The increases in the Sheet Metal Processing, Glass Processing and Chemical Specialties segments could not be offset by improvements in the Sporting Goods segment. The main reasons were the significantly higher cost of commodities in the Chemical Specialties business unit, which could be only partially passed on to the market through higher prices and with a time lag. The Sheet Metal Processing and Glass Processing segments saw higher materials usage and product-mix-related deferrals.

Personnel expenses were CHF 339.5 million, a year-on-year increase of 11.6 %. This figure includes the acquisition and divestment effect of 4.8 %, but on a comparable basis the increase amounts to 6.8 %. Staff-related restructuring costs in the previous year amounted to CHF 4.5 million. Higher personnel expenses are mainly attributable to workforce expansion in conjunction with growth in the Sheet Metal Processing and Chemical Specialties segments, and the implementation of the strategic plan in the Sporting Goods segment. Owing to the efficiency measures implemented in 2017, personnel costs in the Glass Processing segment were lower than in 2016. The ratio of personnel expenses to total revenue was improved on the previous year due to the ongoing efforts aimed at boosting productivity and efficiency, particularly in the Sheet Metal Processing and Glass Processing segments.

Compared with 2016, Other operating expenses rose 29.2 % to CHF 286.5 million. This figure contains a currency effect of – 0.1 % and an acquisition and divestment effect of 6.4 %. The comparable increase is thus 22.9 %. In the year under review, additional costs were incurred for projects and growth initiatives, particularly in the Sheet Metal Processing and Sporting Goods segments. Overall, Other operating expenses were slightly up on the previous year at 19.1 % of total revenue (2016: 18.3 %).

Depreciation on fixed assets fell by 5.2 %. This figure includes an acquisition and divestment effect of 7.5 %; the adjusted decrease thus amounts to 12.7 %. Taking into consideration the CHF 3.0 million higher impairments in the previous year in connection with the site optimization in China and adaptation of the online sales channel, depreciation is in line with the previous year.

The operating result (EBIT) amounted to CHF 123.2 million, 46.0 % higher than the previous year. This figure contains a currency translation effect of – 0.7 % and an acquisition and divestment effect of 27.8 %. Discounting these effects, EBIT was 18.9 % higher than in the previous year. The Operating result also includes a one-time gain of CHF 8.8 million from the sale of the 51 % stake in the joint venture in the FoamPartner business unit in the US. Restructuring costs totaled CHF 7.9 million in the previous year. Excluding the one-off effect from the sale of the US joint venture, the adjusted EBIT margin stood at 7.6 %. The Sheet Metal Processing segment achieved an operating result of CHF 98.0 million (2016: CHF 63.0 million, including restructuring costs of CHF 4.3 million) and an EBIT margin of 11.2 % (2016: 9.7 %). Operating profit was pushed higher thanks to stronger revenue growth in a favorable business environment particularly for capital goods, and efficiency gains in service provision. The operating result in the Sporting Goods segment amounted to CHF 0.1 million (2016: CHF 1.2 million), with an EBIT margin of 0.1 % (2016: 0.5 %). The decline in revenue due to the elimination of low-margin revenues, liquidation sales and setup costs for implementation of the five-year strategic plan impacted the operating result. The Chemical Specialties segment recorded operating profit of CHF 24.8 million (2016: CHF 23.1 million), with an EBIT margin of 8.8 % (2016: 10.5 %). This result was influenced on the one hand by the sale of the US joint venture and on the other by the fact that the operating EBIT margin from the previous year could not be maintained due to the considerable rise in the cost of raw materials. These could be only partially passed on to the market through higher prices and with a time lag. The Glass Processing segment saw its operating profit rise from CHF 1.0 million in the previous year (after restructuring costs of CHF 3.6 million) to CHF 6.3 million. The EBIT margin was 5.4 % (2016: 0.9 %). This is attributable to both revenue growth and the cost-cutting measures at the Neuhausen location in Germany.

Financial result

Financial income of CHF 6.6 million includes, in addition to interest and investment income, a reversal of valuation adjustments on loans of CHF 1.5 million and CHF 1.5 million in capital gains from the sale of securities held as fixed assets. Financial expenses, in contrast, amounted to CHF 4.6 million and consist primarily of the costs of currency hedging (interest rate differential) for the financing of foreign locations and interest expenses of CHF 3.4 million and a net currency loss of CHF 1.2 million on the valuation of liquid assets, on short-term loans between Group companies, and on other financial assets. The financial result came in at CHF 2.0 million (2016: CHF 0.4 million).

Income taxes and Group result

The expected tax rate fell from 24.7 % to 20.9 %, a drop of 3.8 percentage points, which is mainly attributable to a tax reduction at a Group company in China. The effective tax rate for the ordinary result before taxes was 22.3 %, compared with 24.8 % in the previous year. The reasons for this decrease are the lower tax rate mentioned above and tax-free capital gains. In connection with the US tax reform, deferred tax assets of CHF 1.3 million and CHF 0.6 million in China had to be written off due to a change in the tax rate. Based on the higher amount of Group profit available to the shareholders of Conzzeta AG, earnings per share were up 39.1 % compared with the previous year. Earnings per share was CHF 40.47 (2016: 29.10) for class A registered shares and CHF 8.09 (2016: CHF 5.82) for class B registered shares.

Net operating assets

	2017	2016
	CHF m	CHF m
Inventories	290.1	239.5
Trade receivables	237.0	177.7
Prepayments to suppliers	18.5	13.7
Other receivables, prepaid expenses and accrued income	48.9	26.5
Property, plant and equipment	243.4	199.4
Financial assets (long-term receivables and loans)	24.3	23.7
Intangible assets	15.4	8.4
Trade payables	– 108.8	– 90.5
Advance payments from customers	– 73.6	– 50.5
Other liabilities, accrued expenses and deferred income	– 140.3	– 100.3
Provisions (excluding deferred taxes)	– 64.2	– 46.0
Net operating assets (NOA)	**490.7**	**401.6**
Net operating assets (NOA), average	**446.2**	**407.4**
Operating result	123.2	84.4
Chargeable taxes	– 27.4	– 20.9
Operating result after taxes	**95.8**	**63.5**
Return on net operating assets (RONOA) after taxes [1]	**21.5 %**	**15.6 %**

[1] Return on net operating assets (RONOA) after tax is calculated from the operating profit after deduction of the chargeable tax expense in relation to the average net operating assets as of January 1 and December 31.

Net operating assets amounted to CHF 490.7 million (2016: CHF 401.6 million). The 22.2 % increase is primarily due to acquisition-related additions. When adjusted for currency, acquisition and divestment effects, Net operating assets remains fairly stable. The rise in both net working capital and net investments was offset by additional provisions. Revenue growth in the Sheet Metal Processing segment in particular was responsible for an increase in net working capital. Business volume grew, as did trade receivables, offset by higher trade payables and an increase in accrued expenses and deferred income. As order intake jumped at the end of the year, both inventory and advance payments from customers climbed. Strong revenues in the last quarter pushed also trade receivables in the Glass Processing segment higher, largely offset by an increase in trade payables and in accrued expenses and deferred income. The majority of the additional provisions relate to provisions for warranty claims and legal cases. Property, plant and equipment stood at CHF 243.4 million, a year-on-year increase of 22.1 %. Adjusted for currency, acquisition and divestment effects, property, plant and equipment remained unchanged from the previous year. In addition to replacements, investments were made in various plant expansions and optimizations in the Sheet Metal Processing and Chemical Specialties segments, and store installations in the Sporting Goods segment. For 2017, average net operating assets as a percentage of total revenue amounted to 29.7 % (2016: 33.6 %). This resulted in a return on net operating assets (RONOA) after taxes of 21.5 % (2016: 15.6 %). Adjusted for the one-off effect from the sale of the US joint venture, RONOA stood at 19.5 %.

Cash flow

	2017	2016
	CHF m	CHF m
Cash flow from operating activities	94.1	96.0
Investment in property, plant and equipment	– 29.2	– 19.6
Divestment of property, plant and equipment	1.5	1.8
Investment in financial assets without securities	– 3.1	– 3.2
Divestment of financial assets without securities	10.2	6.1
Investment in intangible assets	– 8.1	– 5.1
Operational free cash flow [1]	**65.4**	**76.0**
Purchase of securities		– 50.0
Sale and redemption of securities		130.0
Acquisition of business activities	– 176.1	– 63.1
Sale of investments	14.7	
Free cash flow	**– 96.0**	**92.9**

[1] Operational free cash flow is calculated on the basis of free cash flow, excluding changes in securities and money market instruments with a term of more than 90 days, and acquisition of business activities and sale of investments. This key indicator serves for management of operating performance.

Operational free cash flow was CHF 65.4 million (2016: CHF 76.0 million). Despite higher Group profit, the build up in net working capital and increased net investments of CHF 28.7 million (2016: CHF 20.0 million) led to a decline. The reinvestment rate climbed to 1.3 from 0.8 in the previous year. In addition, a net payment outflow was made of CHF 161.4 million (2016: CHF 63.1 million) for acquisitions and divestments. In the previous year, a money market instrument with a notice period of more than 90 days resulted in a net cash inflow from investing activities of CHF 80.0 million, which was reclassified to cash and cash equivalents. Free cash flow was CHF – 96.0 million (2016: CHF 92.9 million). In addition to dividend payments of CHF 25.8 million, the purchase of treasury shares for compensation purposes led to a cash outflow. At the end of 2017, the Group had liquid assets of CHF 349.1 million (2016: CHF 469.8 million).

Shareholders' equity

Equity at December 31, 2017, fell 4.1 % to CHF 902.9 million. The decline was largely due to the recognition of goodwill from acquisitions amounting to CHF 116.8 million and to dividend payments of CHF 25.8 million. These were offset by the positive Group result of CHF 97.4 million. The equity ratio fell by 6.8 percentage points to 68.2 %; thus, the Group continues to have a solid financial base.

Number of employees

At the balance sheet date, the number of employees rose 15.1 % over the previous year to 4 717. The increase is largely due to the acquisition of Otto Bock Kunststoff. But headcounts in the Sheet Metal Processing and Sporting Goods segments were also up, while the number of employees in the Glass Processing segment was lower on balance, in line with strategy. The average headcount in the reporting year was 4 328 full-time positions. The average number of full-time positions increased by 1.0 % on a comparable basis. Net revenue per employee rose from CHF 317 200 to CHF 342 600 thanks to the considerable improvement in productivity in the Sheet Metal Processing and Glass Processing segments.

Dividends

The Board of Directors proposes to the Annual General Meeting on April 24, 2018, a dividend of CHF 16 for each class A registered share and a dividend of CHF 3.20 for each class B registered share. In the previous year, a dividend of CHF 11 was paid for each class A registered share and CHF 2.20 for each class B registered share.

Consolidated income statement – Group

	Notes	2017 CHF m	2016 CHF m
Net revenue	1	**1 482.8**	**1 210.0**
Changes in inventories of finished goods, work in progress and own work capitalized	4	18.1	0.8
Total revenue		**1 500.9**	**1 210.8**
Other operating income	5	18.2	4.3
Cost of materials	6	–740.8	–574.2
Personnel expenses	7	–339.5	–304.1
Other operating expenses	8	–286.5	–221.7
Depreciation on property, plant and equipment, and financial assets	16, 17	–25.2	–24.9
Depreciation on intangible assets	18	–3.9	–5.8
Operating result (EBIT)		**123.2**	**84.4**
Financial result	9	2.0	0.4
Result from unconsolidated investments		0.1	0.1
Result before taxes		**125.3**	**84.9**
Taxes	10	–27.9	–21.0
Group result		**97.4**	**63.9**
Attributable to Conzzeta AG shareholders		83.7	60.2
Attributable to minority interests		13.7	3.7
Earnings per class A registered share, in CHF	11	40.47	29.10
Earnings per class B registered share, in CHF	11	8.09	5.82
Diluted earnings per class A registered share, in CHF	11	40.47	29.10
Diluted earnings per class B registered share, in CHF	11	8.09	5.82

Consolidated balance sheet at December 31 – Group

	Notes	2017 CHF m	2016 CHF m
Assets			
Cash and cash equivalents		349.1	469.8
Securities	12	50.0	50.0
Trade receivables	13	237.0	177.7
Prepayments to suppliers		18.5	13.7
Other receivables	14	39.5	19.9
Prepaid expenses and accrued income		9.4	6.6
Inventories	15	290.1	239.5
Current assets		**993.6**	**977.2**
Property, plant and equipment	16	243.4	199.4
Financial assets	17	70.9	70.4
Intangible assets	18	15.4	8.4
Fixed assets		**329.7**	**278.2**
Total assets		**1 323.3**	**1 255.4**
Liabilities and shareholders' equity			
Trade payables		108.8	90.5
Advance payments from customers	19	73.6	50.5
Short-term financial liabilities	20	7.2	0.8
Other short-term liabilities	21	38.1	24.4
Accrued expenses and deferred income	22	102.2	75.9
Short-term provisions	23	36.8	27.2
Short-term liabilities		**366.7**	**269.3**
Long-term financial liabilities	20	2.6	3.3
Other long-term liabilities		0.7	0.7
Pension fund liabilities	27	2.8	1.0
Long-term provisions	23	47.6	39.6
Long-term liabilities		**53.7**	**44.6**
Share capital	24	4.1	4.1
Capital reserves		98.8	98.3
Treasury shares	25	–3.9	–1.1
Retained earnings		785.8	833.3
Shareholders' equity excluding minority interests		**884.8**	**934.6**
Minority interests		18.1	6.9
Shareholders' equity including minority interests		**902.9**	**941.5**
Total liabilities and shareholders' equity		**1 323.3**	**1 255.4**

Consolidated cash flow statement – Group

	Notes	2017 CHF m	2016 CHF m
Group result		97.4	63.9
Depreciation of property, plant and equipment and amortization of intangible assets		27.9	26.5
Impairments		1.2	4.2
Gain on disposal of fixed assets and investments		−12.6	−0.7
Change in provisions and pension fund liabilities		16.2	0.6
Other non-cash items		−13.5	−6.5
Cash flow from operating activities before change in working capital		**116.6**	**88.0**
Change in inventories		−27.6	−0.6
Change in trade receivables		−29.9	−28.7
Change in prepayments to suppliers		−4.5	−5.8
Change in other receivables, prepaid expenses and accrued income		−18.4	2.3
Change in trade payables		8.2	16.1
Change in advance payments from customers		20.8	10.9
Change in other liabilities, accrued expenses and deferred income		28.9	13.8
Cash flow from operating activities		**94.1**	**96.0**
Investment in property, plant and equipment	16	−29.2	−19.6
Divestment of property, plant and equipment	16	1.5	1.8
Investment in financial assets and securities	17	−3.1	−53.2
Divestment of financial assets and securities	17	10.2	136.1
Investment in intangible assets	18	−8.1	−5.1
Acquisition of business activities	26	−176.1	−63.1
Sale of investments	26	14.7	
Cash flow from investing activities		**−190.1**	**−3.1**
Cash flow from operating and investing activities		**−96.0**	**92.9**
Purchase of treasury shares	25	−4.3	−1.7
Dividends paid to shareholders Conzzeta AG		−22.8	−20.7
Dividends paid to minority shareholders		−3.0	
Change in short-term financial liabilities	20	6.2	−7.5
Change in long-term financial liabilities	20	−2.8	−3.2
Cash flow from financing activities		**−26.7**	**−33.1**
Effect of currency translation on cash and cash equivalents		2.0	−0.8
Change in cash and cash equivalents		**−120.7**	**59.0**
Cash and cash equivalents at 1/1		469.8	410.8
Cash and cash equivalents at 12/31		349.1	469.8

Consolidated statement of changes in shareholders' equity at December 31 – Group

	Share capital	Agio / capital reserves	Treasury shares	Retained earnings			Total excluding minority interests	Minority interests	Total including minority interests
				Currency translation effects	Other retained earnings	Value fluctuation financial instruments			
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Shareholders' equity									
At 12/31/2015	4.1	98.2	−1.2	−99.6	957.5	0.9	959.9	–	959.9
Group result 2016					60.2		60.2	3.7	63.9
Dividend payment to shareholders Conzzeta AG					−20.7		−20.7		−20.7
Change resulting from hedging transactions						−0.8	−0.8		−0.8
Recognition of goodwill with equity					−63.7		−63.7		−63.7
Minority interests from acquisition								3.3	3.3
Purchase of treasury shares			−1.7				−1.7		−1.7
Share-based payments									
Contribution for 2015		−1.4	1.8				0.4		0.4
Allocation for 2016		1.5					1.5		1.5
Currency translation effects				−0.5			−0.5	−0.1	−0.6
At 12/31/2016	**4.1**	**98.3**	**−1.1**	**−100.1**	**933.3**	**0.1**	**934.6**	**6.9**	**941.5**
Group result 2017					83.7		83.7	13.7	97.4
Dividend payment to shareholders Conzzeta AG					−22.8		−22.8		−22.8
Dividend payment to minority shareholders								−3.0	−3.0
Change resulting from hedging transactions						−0.2	−0.2		−0.2
Recognition of goodwill with equity					−116.8		−116.8		−116.8
Purchase of treasury shares			−4.3				−4.3		−4.3
Share-based payments									
Contribution for 2016		−1.1	1.5				0.4		0.4
Allocation for 2017		1.6					1.6		1.6
Currency translation effects				8.6			8.6	0.5	9.1
At 12/31/2017	**4.1**	**98.8**	**−3.9**	**−91.5**	**877.4**	**−0.1**	**884.8**	**18.1**	**902.9**

Notes to the consolidated financial statements

General principles

The consolidated financial statements comprise the financial statements of the Group companies of Conzzeta AG at December 31, prepared in accordance with uniform guidelines and compliance with Swiss GAAP FER and Swiss law. With the exception of derivative financial instruments, which are measured at fair value, the consolidated financial statements 2017 are based on historical costs. The same accounting and valuation principles have been used as in the previous year. The principle of individual valuation has been applied to assets and liabilities.

From 2017, Other operating income will be shown separately. In the previous year, CHF 4.3 million in net revenue was reclassified under Other operating income. Detailed information about this item can be found in note 5.

Consolidation principles

Scope and method of consolidation

The consolidated financial statements include the financial statements of Conzzeta AG and its subsidiaries (Group companies) directly or indirectly controlled through more than 50 % of voting rights or by other means and under common management. These investments are fully consolidated. The share of minority shareholders in net assets and the net result is disclosed separately. Investments with 50 % of the voting rights are consolidated pro-rata-based on the interest held. Intragroup receivables and payables and expenses and income are offset against each other, and intragroup profits have been eliminated. The assets and liabilities of companies included in consolidation for the first time are measured at fair value. Goodwill arising from this revaluation is offset against equity. First-time consolidations are included from the date on which control is acquired; deconsolidations from the date on which control is relinquished. Investments in associated companies (at least 20 %, but less than 50 % of the voting rights) are accounted for under the equity method at year-end. Other minority interests are valued at acquisition cost, less any necessary provisions for diminution in value.

A list of the consolidated companies and associated companies can be found on page 91 ff.

Foreign currency translation

The financial statements of foreign Group companies are prepared in their respective functional currencies and translated into Swiss francs as follows:

- balance sheets at year-end exchange rates
- income statements at annual average rates
- cash flow statements at annual average rates

The resulting translation differences, as well as foreign currency gains and losses on long-term, equitylike loans to Group companies, are taken directly to the consolidated shareholders' equity.

All gains and losses resulting from foreign currency transactions and adjustments to foreign currency balances at the balance sheet date are recognized in the income statement.

Accounting and valuation policies

Cash and cash equivalents

Cash and cash equivalents include cash on hand, postal checking and bank account balances and time deposits with a residual term of 90 days or less.

Securities

Securities include time deposits with a residual term of more than 90 days. They are measured at nominal value.

Receivables

Trade receivables and other receivables are shown at invoiced amounts, less appropriate provisions for debtors' risks. Specific provisions for bad debts are accounted for where required.

Inventories

Inventories are shown at the lower of acquisition or production cost and fair value less cost to sell. Production cost is calculated without imputed interest. Discounts are recognized as purchase price reductions. Provisions are made for inventories that are difficult to realize or slow-moving.

Property, plant and equipment

Land is valued at acquisition cost less impairment adjustments. Other tangible fixed assets are valued at acquisition or production cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset. Estimated useful lives are as follows:

Factory buildings	30 to 40 years
Plant and machinery	5 to 12 years
Tools, fixtures and fittings, vehicles	2 to 8 years
IT hardware and office equipment	3 to 5 years

As a result of the Group's diversified business activities, it has a broad range of fixed assets, and the useful lives of property, plant and equipment vary.

Financial assets

Financial assets are valued at acquisition cost, less appropriate provisions for value adjustments. Also recognized in the financial assets are employer contribution reserves not subject to renounced use.

Intangible assets

Intangible assets include the formulas, licenses, trademarks and software acquired from third parties. In principle, these are amortized using the straight-line method over their economically useful life; normally, this is between three and five years for software and licenses.

The goodwill resulting from acquisitions is offset against retained earnings at the time of acquisition. On divestment of a business activity, the goodwill offset against equity at an earlier date is transferred to the income statement. The effects of theoretical capitalization and depreciation, including any impairments from valuation assessments, are shown in note 18. For the shadow accounting, the goodwill is amortized in principle on a straight-line basis over its estimated useful life, normally five years.

Impairment of assets

The value of assets is assessed at regular intervals. Where there are signs of loss of value, the realizable value is reassessed. If the book value exceeds the realizable value, an additional depreciation adjustment is made.

Liabilities

Liabilities are usually recognized in the balance sheet at invoiced amounts.

Provisions

Provisions are formed when an event likely to give rise to an obligation occurs prior to the balance sheet date, and the amount involved and / or the settlement date are uncertain, but can be estimated. This obligation can have legal or factual grounds.

Net revenues / revenue recognition

Revenues are recognized when goods or products are delivered or a service performed, and the benefits and risks as well as the power of disposal are transferred to the buyer. Whether the benefits and risks were transferred on delivery is assessed separately for each sales transaction. If the installation of the product at the recipient's premises is an essential contract component, the revenue is not recognized until the installation is concluded. Longer-term orders are recognized using the completed-contract method. The net revenue corresponds to the expected equivalent value of the service rendered, net of sales and value-added tax, sales deductions such as sales bonuses, granted rebates and discounts, value adjustments and currency effects on trade receivables. Separable revenues are recognized and measured individually; for example, the sale of products and related services. Revenues are only recognized when the amounts involved can be reliably determined.

Deferred taxes

Expected tax on the valuation differences between Group and tax values is set aside at the respective applicable income tax rates for the companies. Movements in the deferred tax provision are included in the tax position in the income statement. The active deferred taxes from recognized loss carryforwards as well as temporary valuation differences are only capitalized when in all probability future taxes on profits can be offset.

Employee pensions

The pension obligations of Group companies related to retirement, death and disability benefits are based on the local rules and customs in each country. Regular contributions are paid to government bodies, autonomous pension funds and insurance companies. The pension and benefit payments and outstanding benefits during the accounting period and the regular contributions to the various pension funds are charged to the income statement. The private pension plans are principally those existing in Switzerland. They serve to build up retirement assets for conversion into fixed pensions, with additional risk benefits. These are valued and presented in accordance with the standards of Swiss GAAP FER 16. Any actual economic impact of the pension funds on the company is calculated at the balance sheet date. An economic benefit is capitalized when it is to be used for the future pension expense of the company. An economic obligation is recognized as a liability when the requirements for the formation of a provision are met. Freely available employer contribution reserves are shown as assets. The difference between the annual economic benefits and obligations and the change in the employer contribution reserves are recognized in the income statement.

Research and development

Research and development costs are fully charged to the income statement.

Derivative financial instruments

Currency and interest rate hedges are used against some currency and interest rate risks arising from business operations. All outstanding derivatives are recognized at market value on the balance sheet date and shown at gross values under other receivables or other short-term liabilities.

Value changes on derivatives for hedges of recognized underlying transactions are shown like the underlying transaction. Value changes on derivatives for hedges of future cash flows will be shown directly in equity until completion of the underlying transaction. At the time of recognition of the underlying transaction the gain or loss recorded in equity will be transferred to the income statement.

Treasury shares / share-based compensation

Treasury shares are recognized at cost at the time of acquisition. The holding of treasury shares is disclosed as a negative item in equity. Upon resale, the profit or loss is allocated directly to the capital reserves.

Share-based compensation for members of the Board of Directors and Executive Committee is measured at cost at the grant date and charged to personnel expenses in the period in which the service is rendered.

Additional notes to the consolidated financial statements

1 Segment information

For the purposes of segment reporting the revenues of the economically similar FoamPartner and Schmid Rhyner business units are grouped together in a single reporting segment. Given that this aggregated reporting segment is characterized by similar value drivers (e.g. innovation, life cycle, raw materials used) and risk factors, the informative value of the disclosed key figures per segment is not adversely affected.

The five business units are grouped in the following reporting segments:

Segment	**Business unit**
Sheet Metal Processing	Bystronic
Sporting Goods	Mammut Sports Group
Chemical Specialties	FoamPartner and Schmid Rhyner
Glass Processing	Bystronic glass
Other	Corporate and eliminations

The following summary describes the business activities and main sources of revenue:

In the Sheet Metal Processing segment, Bystronic is a global manufacturer of laser cutting machinery and press brakes. The company also offers automation systems and integrated software solutions as well as maintenance and support services. The most important source of revenue is the sale and installation of machinery and spare parts and the provision of maintenance and other services.

In the Sporting Goods segment, Mammut Sports Group develops, produces and markets equipment for mountaineering, climbing and winter sports worldwide. Its offering includes technical hardware, clothing and footwear. The most important source of revenue is the sale of such products. Products are sold mostly through specialist retailers as well as Mammut’s own stores and digital sales channels.

The FoamPartner business unit operates worldwide, developing, producing and processing high-grade polyurethane foam materials for the industry and comfort market segments. The Schmid Rhyner business unit develops and manufactures print varnishes for the graphical industry. The most important source of revenue in the Chemical Specialties segment is the sale of products to original equipment manufacturers.

In the Glass Processing segment, Bystronic glass is a global manufacturer of machinery and systems for processing flat glass in the architectural and automotive glass market sectors. The company’s offering ranges from individual machines via spare parts and service to complete production lines. The most important source of revenue is the sale and installation of machinery, systems and spare parts, and the provision of maintenance and other services.

Net revenues by segment	2017 CHF m	2017 %	2016 CHF m	2016 %
Sheet Metal Processing	856.1	57.7	650.9	53.8
Sporting Goods	228.6	15.4	232.9	19.2
Chemical Specialties	279.2	18.8	219.7	18.2
Glass Processing	119.3	8.1	106.9	8.8
Net revenues as per segment reporting	**1 483.2**		**1 210.4**	
Other	– 0.4		– 0.4	
Net revenues as per income statement	**1 482.8**	**100.0**	**1 210.0**	**100.0**

Total revenues by segment	2017 CHF m	2017 %	2016 CHF m	2016 %
Sheet Metal Processing	874.0	58.2	646.9	53.4
Sporting Goods	228.6	15.2	231.4	19.1
Chemical Specialties	281.3	18.8	220.8	18.2
Glass Processing	117.4	7.8	112.1	9.3
Total revenues as per segment reporting	**1 501.3**		**1 211.2**	
Other	– 0.4		– 0.4	
Total revenues as per income statement	**1 500.9**	**100.0**	**1 210.8**	**100.0**

Operating result by segment	2017 CHF m	2017 in % TR	2016 CHF m	2016 in % TR
Sheet Metal Processing	98.0	11.2	63.0	9.7
Sporting Goods	0.1	0.1	1.2	0.5
Chemical Specialties	24.8	8.8	23.1	10.5
Glass Processing	6.3	5.4	1.0	0.9
Operating result as per segment reporting	**129.2**		**88.3**	
Other	– 6.0		– 3.9	
Operating result as per income statement	**123.2**	**8.2**	**84.4**	**7.0**

Net operating assets (NOA) by segment	2017 CHF m	2017 %	2016 CHF m	2016 %
Sheet Metal Processing	173.0	35.3	159.0	39.6
Sporting Goods	116.5	23.7	108.1	26.9
Chemical Specialties	186.9	38.1	112.7	28.1
Glass Processing	23.1	4.7	19.3	4.8
NOA as per segment reporting	**499.5**		**399.1**	
Other	–8.8		2.5	
NOA as per balance sheet	**490.7**	**100.0**	**401.6**	**100.0**

Net operating assets (NOA) include the operating current and fixed assets (not including cash, cash equivalents and securities, non-operating financial assets and deferred tax assets) less operating liabilities (not including financial liabilities and deferred tax liabilities).

Net revenue by geographic area	2017 CHF m	2017 %	2016 CHF m	2016 %
Switzerland	122.9	8.3	109.9	9.1
Europe	666.7	45.0	561.9	46.4
North and South America	264.4	17.8	244.7	20.2
Asia and others	428.8	28.9	293.5	24.3
Total	**1 482.8**	**100.0**	**1 210.0**	**100.0**

2 Changes in the scope of consolidation

Purchase and disposal of investments in the reporting year

On September 1, 2017, the FoamPartner business unit acquired the Otto Bock foam business in Duderstadt, Germany. The transaction included the acquisition of the entire stake in the joint venture operated by Otto Bock and FoamPartner in China since 2005. The acquired companies increased Group revenues by CHF 53.8 million in 2017. Information about the impact of the acquisitions on the balance sheet and cash flow can be found in note 26.

On July 1, 2017, Conzzeta sold its 51 % stake in Woodbridge FoamPartner Company in Chattanooga, TN, USA, and on December 20, 2017, it sold its entire holdings in Bystronic (Tianjin) Machinery Co. Ltd. in Tianjin, China. Revenue adjustments for investments sold in 2017 amounted to CHF 4.8 million in 2017 in comparison with the previous year. Information about the impact of these sales on the balance sheet and cash flow can be found in note 26.

Purchase and disposal of investments in the previous year

The FoamPartner business unit acquired 100 % of Hydra Sponge in Washington, MO, USA, on January 5, 2016. The Bystronic business unit made two acquisitions. On July 14, 2016, it bought a 51 % stake in DNE Laser in Shenzhen, China, and on November 11, 2016, it purchased 100 % of the shares in FMG in Sulgen, Switzerland. Revenue adjustments for acquisitions made in 2016 amounted to CHF 55.6 million in 2017 in comparison with the previous year.

3 Currency translation rates

			Year-end exchange rates 2017	Year-end exchange rates 2016	Annual average rates 2017	Annual average rates 2016
			CHF	CHF	CHF	CHF
Euro area	1	EUR	1.17	1.07	1.11	1.09
USA	1	USD	0.98	1.02	0.99	0.99
Great Britain	1	GBP	1.32	1.25	1.27	1.35
Sweden	100	SEK	11.89	11.24	11.51	11.56
China	100	CNY	14.99	14.67	14.55	14.91
South Korea	100	KRW	0.09	0.08	0.09	0.09
Japan	100	JPY	0.87	0.87	0.88	0.90

4 Changes in inventories of finished goods, work in progress and own work capitalized

The change in inventory is due to the change in inventories of finished products, semifinished products and work in progress.

5 Other operating income

	2017	2016
	CHF m	CHF m
Sales of materials, waste and scrap	1.0	0.3
Income from insurance contracts	0.6	0.7
Gains on disposal of property, plant and equipment	0.4	0.8
Gains on disposal of investments	10.8	
Other operating income items	5.4	2.5
Total	**18.2**	**4.3**

The gain from the disposal of investments is due to the sale of holdings in Woodbridge FoamPartner Company in Chattanooga, TN, USA and Bystronic (Tianjin) Machinery Co. Ltd. in Tianjin, China.

6 Cost of materials

Cost of materials summarizes the overall cost of raw materials, intermediates and supplies, as well as merchandise held for resale and expenses for third-party manufacturing, handling or processing of the Group's products (external services).

7 Personnel expenses

	2017	2016
	CHF m	CHF m
Wages and salaries	277.8	248.1
Social security benefits	52.2	46.3
Other personnel expenses	9.5	9.7
Total	**339.5**	**304.1**

In addition to contributions to state pension plans, social security benefits include the contributions to pension funds described in note 27 on page 88.

Basic remuneration for members of the Board of Directors is paid in cash and shares (approx. 50 % each), which are restricted for a period of four years. For members of the Executive Committee, there is a share-based performance component (LTI) that is deferred for four years. A detailed description of the share-based compensation is given in note 25 on page 86f.

8 Other operating expenses

Other operating expenses include the cost of repairs and maintenance on property, plant and equipment, sales provisions, expenses for guarantees, assembly, transport and energy, and sundry expenses for production, development, sales and administration.

9 Financial result

	2017	2016
	CHF m	CHF m
Financial income	6.6	4.1
Financial expenses	– 4.6	– 3.7
Total	**2.0**	**0.4**

Financial income contains interest income of CHF 1.7 million (2016: CHF 0.8 million), the book gain on the assets of the employer contribution reserves of CHF 1.9 million (2016: CHF 0.8 million), a reversal of provisions for loans of CHF 1.5 million (2016: CHF 2.5 million) and CHF 1.5 million in capital gains from the sale of securities held as fixed assets.

Financial expenses contain interest of CHF 3.4 million (2016: CHF 1.5 million) and currency losses of CHF 1.2 million (2016: CHF 2.2 million). Interest expenses are primarily due to the cost of currency hedging (interest differences) to finance foreign locations and interest charges. Currency losses include currency gains and losses on the valuation of liquid assets, on short-term loans between Group companies, and on other financial assets.

10 Taxes

	2017	2016
	CHF m	CHF m
Current taxes on income	27.0	23.2
Deferred taxes	0.9	– 2.2
Total	**27.9**	**21.0**

Current taxes on income include taxes paid and owed on taxable income of the individual companies in accordance with local tax laws. The taxable results of subsidiaries belonging to the fiscal unit in Germany are transferred to Conzzeta Holding Deutschland AG as the parent company. Deferred taxes are calculated individually per taxable entity using the announced tax rate.

	Tax rate 2017	Income taxes 2017	Tax rate 2016	Income taxes 2016
	in %	CHF m	in %	CHF m
Average applicable tax rate and income taxes as a proportion of ordinary earnings (before consideration of tax loss carryforwards)	20.9	26.2	24.7	20.9
Effects of change in tax loss carryforwards	–	–	– 1.4	– 1.1
Average applicable tax rate and income taxes as a proportion of ordinary earnings (after consideration of tax loss carryforwards)	20.9	26.2	23.3	19.8
Other influences	1.4	1.7	1.5	1.2
Effective tax rate and income taxes as a proportion of ordinary earnings	22.3	27.9	24.8	21.0

Deferred taxes are measured using the announced tax rates for the temporary differences in individual companies. The deferred tax assets from recognized loss carryforwards and temporary differences amount to CHF 11.5 million (2016: CHF 14.0 million). In view of uncertainty about the future scope for offsetting, the tax effects from loss carryforwards amounting to CHF 8.4 million (2016: CHF 7.1 million) were not capitalized. This evaluation is based on the projected income tax rates.

The expected tax rate fell from 24.7 % to 20.9 %, a drop of 3.8 percentage points, which is mainly attributable to a tax reduction at a Group company in China. The effective tax rate for the ordinary result before taxes was 22.3 %, compared with 24.8 % in the previous year. The reasons for this decrease are the lower tax rate mentioned above and tax-free capital gains. In connection with the US tax reform, deferred tax assets of CHF 1.3 million and CHF 0.6 million in China had to be written off due to a change in the tax rate.

11 Earnings per share

	2017	2016
	CHF m	CHF m
Group profit attributable to Conzzeta AG shareholders	83 667 000	60 213 000
Average number of class A registered shares (par value: CHF 2)	1 824 159	1 826 212
Average number of class B registered shares (par value: CHF 0.40)	1 215 000	1 215 000
Earnings per class A registered share	**40.47**	**29.10**
Earnings per class B registered share	**8.09**	**5.82**

Earnings per share class were calculated as the proportion of net income attributable to the Conzzeta AG shareholders, based on their portion of the share capital and the average number of shares outstanding (issued shares less treasury shares).

In the reporting year, as in the previous year, there was no dilution of earnings.

Consolidated balance sheet

12 Securities

Securities consists of money market instruments denominated in Swiss francs with a residual term of more than 90 days.

13 Trade receivables

	2017	2016
	CHF m	CHF m
Trade receivables	254.4	192.0
Provision	– 17.4	– 14.3
Total	**237.0**	**177.7**

For doubtful accounts, individual and overall value adjustments have been deducted. The general allowances made are based on the experience of the respective company.

14 Other receivables

Other receivables largely consist of recoverable value-added tax, other tax credits, receivables from compensation payments and the positive market values of outstanding derivative financial instruments at the balance sheet date.

15 Inventories

	2017	2016
	CHF m	CHF m
Raw materials and supplies	92.1	72.8
Merchandise for resale	66.5	60.8
Semifinished products and work in progress	47.5	39.3
Finished products	84.0	66.6
Total	**290.1**	**239.5**

The inventory of merchandise for resale primarily concerns the Sporting Goods segment. Overall, the value adjustments on inventories amounted to CHF 55.1 million (2016: CHF 52.2 million).

16 Property, plant and equipment

	Undeveloped real estate	Factory buildings	Plant and machinery	Fixtures and fittings, vehicles	Assets under construction	Total property, plant and equipment
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Cost						
At 12/31/2015	6.1	269.0	206.3	57.3	1.8	540.5
Currency translation effects		–1.1	–1.2	–0.3		–2.6
Changes in scope of consolidation		2.2	3.5	1.0		6.7
Additions	0.2	0.7	10.8	6.4	1.5	19.6
Disposals		–0.1	–9.0	–5.9		–15.0
Reclassifications		0.6	1.1		–1.7	–
Cost at 12/31/2016	**6.3**	**271.3**	**211.5**	**58.5**	**1.6**	**549.2**
Currency translation effects	0.1	8.0	7.0	1.6	0.3	17.0
Changes in scope of consolidation	2.9	7.9	8.2	1.2	1.1	21.3
Additions		2.4	10.8	7.7	8.3	29.2
Disposals		–0.2	–9.5	–6.8		–16.5
Reclassifications		0.1	1.5	–0.2	–1.6	–0.2
Cost at 12/31/2017	**9.3**	**289.5**	**229.5**	**62.0**	**9.7**	**600.0**
Accumulated depreciation						
At 12/31/2015	–	134.2	161.2	42.6	–	338.0
Currency translation effects		–0.4	–0.7	–0.2		–1.3
Changes in scope of consolidation			2.2	0.3		2.5
Ordinary depreciation		7.1	9.3	5.9		22.3
Impairments		0.2	1.7	0.1		2.0
Disposals		–0.1	–8.0	–5.6		–13.7
Accumulated depreciation at 12/31/2016	**–**	**141.0**	**165.7**	**43.1**	**–**	**349.8**
Currency translation effects		2.7	5.0	1.1		8.8
Changes in scope of consolidation		–3.4	–7.7	–0.3		–11.4
Ordinary depreciation		7.3	10.6	6.1		24.0
Impairments		0.1	0.2	0.5		0.8
Disposals		–0.2	–8.6	–6.6		–15.4
Accumulated depreciation at 12/31/2017	**–**	**147.5**	**165.2**	**43.9**	**–**	**356.6**
Net book value of property, plant and equipment at 12/31/2016	**6.3**	**130.3**	**45.8**	**15.4**	**1.6**	**199.4**
Net book value of property, plant and equipment at 12/31/2017	**9.3**	**142.0**	**64.3**	**18.1**	**9.7**	**243.4**

The change in the scope of consolidation includes fixed assets assumed and sold through the acquisition and sale of businesses in the Sheet Metal Processing and Chemical Specialties segments. Additions under Plant and machinery, Fixtures, fittings and vehicles and Property, plant and equipment under construction include larger investments at the production sites in Niederönz, Switzerland, and Gotha, Germany, in the Sheet Metal Processing segment and at Changzhou, China, in the Chemical Specialties segment. The figure for Fixtures, fittings and vehicles includes additional larger expenditures in the Sporting Goods segment on monobrand stores, factory outlets and shop-in-shop facilities.

17 Financial assets

	2017	2016
	CHF m	CHF m
Non-consolidated investments	0.4	0.3
Long-term receivables and loans	24.3	23.7
Securities held as fixed assets	0.1	2.2
Employer contribution reserves held as assets	34.6	30.2
Active deferred taxes	11.5	14.0
Total	**70.9**	**70.4**

The long-term receivables and loans comprise long-term hire-purchase business with customers, loans to third parties and deposits for rents. A value adjustment amounting to CHF 4.2 million (2016: CHF 5.5 million) was made to financial assets. Depreciation of CHF 0.4 million (2016: CHF 0.6 million) has been charged to the current period. A provision for loans in the amount of CHF 1.5 million (2016: CHF 2.5 million) was reversed.

The statement of the change in the employer contribution reserves held as assets can be found in note 27, Employee pension funds, on page 88, and the statement of the change in deferred tax assets in note 10, Taxes, on page 77 f.

18 Intangible assets

Software, licenses and other rights

	2017	2016
	CHF m	CHF m
Cost		
At 1/1	50.4	46.2
Currency translation effects	0.6	– 0.1
Changes in scope of consolidation	2.3	0.1
Additions	8.1	5.1
Disposals	– 1.6	– 0.9
Reclassifications	0.2	
Cost at 12/31	**60.0**	**50.4**
Accumulated depreciation		
At 1/1	42.0	37.2
Currency translation effects	0.5	– 0.1
Changes in scope of consolidation	– 0.2	
Ordinary depreciation	3.9	4.2
Impairments		1.6
Disposals	– 1.6	– 0.9
Accumulated depreciation at 12/31	**44.6**	**42.0**
Net book value of intangible assets at 1/1	**8.4**	**9.0**
Net book value of intangible assets at 12/31	**15.4**	**8.4**

The change in the scope of consolidation includes intangible assets assumed and sold through the acquisition and sale of businesses in the Sheet Metal Processing and Chemical Specialties segments. Additions include larger software investments to digitize the business processes of the Sheet Metal Processing segment and the development of an online sales channel in the Sporting Goods segment.

Goodwill

The goodwill resulting from acquisitions is offset against equity at the time of acquisition. For the shadow accounting in accordance with Swiss GAAP FER, the goodwill is amortized in principle on a straight-line basis over its estimated useful life, normally five years.

The change in the scope of consolidation under goodwill is a result of the acquisition of the foam business of Otto Bock in Duderstadt, Germany, and the takeover of the entire stake in the joint venture operated by Otto Bock and FoamPartner in China since 2005. The assets and liabilities assumed have been measured at fair value (provisionally). Further information about the acquired net assets can be found in note 26.

Theoretical activation of goodwill would have the following effects on the consolidated financial statements:

Theoretical asset register – goodwill

	2017	2016
	CHF m	CHF m
Cost		
At 1 / 1	95.0	31.3
Currency translation effects	3.6	
Changes in scope of consolidation	116.8	63.7
Cost at 12 / 31	**215.4**	**95.0**
Accumulated depreciation		
At 1 / 1	18.8	9.1
Currency translation effects	1.4	– 0.2
Ordinary depreciation	23.4	9.9
Accumulated depreciation at 12 / 31	**43.6**	**18.8**
Net book value of goodwill at 1 / 1	**76.2**	**22.2**
Net book value of goodwill at 12 / 31	**171.8**	**76.2**

Impact on income statement

	2017	2016
	CHF m	CHF m
Operating result	123.2	84.4
EBIT margin in %	8.2 %	7.0 %
Amortization of goodwill	– 23.4	– 9.9
Theoretical operating result (EBIT), incl. amortization of goodwill	99.8	74.5
Theoretical EBIT margin in %	6.6 %	6.2 %
Group result	97.4	63.9
Amortization of goodwill	– 23.4	– 9.9
Theoretical Group result, incl. amortization of goodwill	74.0	54.0

Impact on balance sheet

	2017	2016
	CHF m	CHF m
Equity as per balance sheet	902.9	941.5
Theoretical activation of net book value of goodwill	171.8	76.2
Theoretical equity, incl. net book value of goodwill	1 074.7	1 017.7
Equity as % of total assets	68.2 %	75.0 %
Theoretical equity, incl. net book value of goodwill as % of total assets	71.9 %	76.4 %

19 Advance payments from customers

Customer payments on account originate from the companies in the Machinery and Systems Engineering business area.

20 Financial liabilities

	Book value	Amount in foreign currency		Maturity	Interest rate
	CHF m	Foreign currency	million		%
Financial liabilities					
Bank current account	0.7			short-term	3,3
Bank current account	0.1	JPY	10.0	short-term	0,5
Bank loan	3.3	USD	3.3	long-term	1,1
Financial liabilities 12/31/2016	**4.1**				
of which short-term	0.8				
Bank current account	0.6	USD	0.7	short-term	8.8
Bank current account	1.9	GBP	1.5	short-term	1.3
Bank current account	0.1	JPY	10.0	short-term	0.5
Bank current account	4.6	KRW	5 000.0	short-term	3.1
Bank loan	2.6	KRW	2 900.0	long-term	3.9
Financial liabilities 12/31/2017	**9.8**				
of which short-term	7.2				

The CHF 5.7 million increase in financial liabilities is due in part to higher bank borrowing by foreign locations and to short-term current account overdrafts. The financial liabilities are recorded at par value.

21 Other short-term liabilities

Other short-term liabilities includes taxes owed, social security contributions and negative market values of derivative financial instruments outstanding at the balance sheet date.

22 Accrued expenses and deferred income

	2017	2016
	CHF m	CHF m
Accruals and deferrals for current taxes	13.7	10.2
Accruals and deferrals for personnel expenses	40.9	30.3
Other accruals and deferrals	47.6	35.4
Total	**102.2**	**75.9**

Accrued expenses and deferred income shows all expenses and income determined on an accrual basis. Other accruals and deferrals contains commissions, volume discounts, assembly and maintenance services, and goods and services obtained from third parties but not yet invoiced.

23 Provisions

	Deferred taxes	Guarantees	Restruc-turing	Litigation	Other provisions	Total provisions
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Provisions						
At 12/31/2015	19.3	22.4	3.0	9.2	8.4	62.3
Currency translation effects		−0.4	−0.1			−0.5
Changes in scope of consolidation	0.5	0.8				1.3
Additions	1.7	31.0	5.1	1.5	1.1	40.4
Amounts used		−24.6	−2.2	−0.8	−2.0	−29.6
Amounts reversed	−0.8	−3.0	−0.1	−2.8	−0.4	−7.1
Provisions at 12/31/2016	**20.7**	**26.2**	**5.7**	**7.1**	**7.1**	**66.8**
of which short-term		21.2	5.7	0.1	0.2	27.2
Currency translation effects	0.1	1.0	0.1	0.1	0.3	1.6
Changes in scope of consolidation	1.3	0.1			1.6	3.0
Additions	1.7	52.3		3.6	3.6	61.2
Amounts used		−31.9	−3.1	−0.8	−0.8	−36.6
Amounts reversed	−3.6	−5.9	−1.8	−0.1	−0.2	−11.6
Provisions at 12/31/2017	**20.2**	**41.8**	**0.9**	**9.9**	**11.6**	**84.4**
of which short-term		35.2	0.9	0.2	0.5	36.8

The provisions are divided into deferred taxes, guarantees, restructuring, litigation and other provisions.

The guarantee provisions are found mainly in the Sheet Metal Processing and Glass Processing segments. They relate to product sales and are based on past experience. In addition to the flat-rate calculation, individual provisions for incurred or reported claims are taken into account based on an assessment by management. Experience shows the corresponding outflow of funds is evenly spread over the warranty period of one to five years.

The use and reversal of restructuring provisions concern restructuring measures communicated in the previous year for the Sheet Metal Processing segment in China and the Glass Processing segment in Germany.

The provisions for litigation are essentially cases concerning controversial contracts, intellectual property rights and employment law, where the timing of the outflow of funds is uncertain since it depends on the outcome of negotiations or legal proceedings.

The other provisions mainly comprise commitments arising from the normal conduct of business. The composition of these commitments is varied and includes provisions for onerous contracts on purchase commitments from framework purchasing contracts, provisions for seniority and anniversary premiums, and provisions for old age that do not qualify as pension obligations. The timing of the future outflow of funds relating to these items is also uncertain. This item also contains provisions for environmental liabilities. There are land holdings which contain waste or noxious materials due to previous operating activities and landfilling. These are shown in the register of polluted sites. Where liability-related, future-based costs arise on legal or factual grounds, an appropriate provision is formed to cover the estimated costs.

24 Share capital

The share capital of CHF 4.1 million is divided into 1 827 000 class A registered shares with a nominal value of CHF 2 each and 1 215 000 class B registered shares with a nominal value of CHF 0.40 each.

25 Treasury shares / share-based compensation

At the end of 2016, 1 540 class A registered shares at an average transaction price of CHF 690 each were held. For the share-based compensation program of the Board of Directors and Executive Committee, 4 600 class A registered shares were acquired at an average transaction price of CHF 941 each, and 2 015 class A registered shares were allocated at an average transaction price of CHF 911 each. In each case, the transaction price corresponded to the market value. The holding at December 31, 2017, was 4 125 class A registered shares acquired at an average purchase price of CHF 952 each.

Basic remuneration for members of the Board of Directors is paid in cash and shares (approx. 50 % each), which are restricted for a period of four years. Neither discounts nor performance components are taken into consideration when calculating the share allocation of the Board of Directors. The calculation is based on the average share price for the three months from November 1 to January 31.

For members of the Executive Committee, there is a share-based performance component (LTI) that is deferred for four years. During the blocking period, participants are not permitted to sell, assign, transfer, pledge or otherwise encumber the allocated shares. This variable performance-related compensation component amounts for the Group CEO to 20 % and for the other members of the Executive Committee to 15 %. In the case of the LTI, 88 % (2016: 85 %) of the LTI target amount was allocated in shares for fiscal 2017, respectiveley 12 % was paid out in cash for the last time as part of the transitional arangement.

The number of shares allocated to the Executive Committee is calculated on the basis of the average share price (between November 1 and January 31), contingent on the earnings per share (EPS) of the reporting year. Members of the Executive Committee are granted a discount of 10 %.

The value of the share-based, performance-related component and the corresponding number of shares (LTI) are determined by the Board of Directors in the year following completion of the respective financial statement.

In 2017, a total of 2 015 class A registered shares were allocated to the Board of Directors and the Executive Committee for the previous year. The CHF 1.8 million valuation was based on a share price of CHF 911 each. Personnel expenses contain deferred expenses for the reporting year amounting to CHF 1.6 million (2016: CHF 1.5 million) for the share-based compensation component.

Consolidated cash flow statement

26 Acquisition and divestment of business activities and investments

	2017 Purchase	2017 Disposal	2016 Purchase	2016 Disposal
	CHF m	CHF m	CHF m	CHF m
Current assets	– 54.7	7.2	– 28.1	
Fixed assets	– 38.3	2.9	– 4.6	
Short-term liabilities	17.5	– 1.0	20.4	
Long-term liabilities	10.8		0.6	
Minority interests			3.3	
Net assets acquired or divested	**– 64.7**	**9.1**	**– 8.4**	**–**
Plus / less cash and cash equivalents	5.4	– 5.2	9.0	
Subtotal	**– 59.3**	**3.9**	**0.6**	**–**
Goodwill	– 116.8		– 63.7	
Result from disposal of investments		10.8		
Net cash flow	**– 176.1**	**14.7**	**– 63.1**	**–**

The cash outflow is a result of the acquisition of the Otto Bock foam business in Duderstadt, Germany. In 2017, cash inflows arose from the sale of holdings in the Woodbridge FoamPartner Company in Chattanooga, TN, USA, and in Bystronic (Tijanin) Machinery Co. Ltd. in Tianjin, China. The cash outflow in the previous year is accounted for by the acquisition of a 51 % stake in DNE Laser in Shenzhen, China, and the takeover of Hydra Sponge in Washington, MO, USA, and FMG in Sulgen, Switzerland.

Further information

27 Employee pension funds

	Balance sheet 12/31/2017	Additions 2017	Balance sheet 12/31/2016	Result in financial income 2017	Result in financial income 2016
	CHF m	CHF m	CHF m	CHF m	CHF m
Employer contribution reserves					
Employer-funded pension fund	34.6	2.5	30.2	1.9	0.8

There are no waivers of use. One Group company contributed CHF 2.5 million to the pension plan in the current year. The financial result comprises the return on the asset investment.

	Surplus / deficit 12/31/2017	Economic benefit / obligation 12/31/2017	Economic benefit / obligation 12/31/2016	Currency translation effect / Change in scope of consolidation	Change to prior-year-affecting result in reporting period	Contributions to be allocated to reporting period	Current service cost in personnel expenses 2017	Current service cost in personnel expenses 2016
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Economic benefit / obligation and current service cost								
Employer-funded pension fund	5.4							
Pension funds without surplus / deficit						10.8	10.8	10.5
Pension funds with deficit	–1.6	–1.6	–0.6	0.1	0.9	0.6	1.5	0.6
Pension funds without own assets		–1.2	–0.4	0.8		1.0	1.0	0.1
Total	**3.8**	**–2.8**	**–1.0**	**0.9**	**0.9**	**12.4**	**13.3**	**11.2**

In the previous year, the surpluses / deficits amounted to CHF 4.6 million and contributions allocated to the reporting period were CHF 11.2 million.

It is not planned to use the free reserves of the employer-funded pension fund for the economic benefit of the Group.

28 Contingent liabilities

In connection with customer financing, repurchase obligations against leasing companies for machinery amount to CHF 20.2 million (2016: CHF 16.0 million). Assets to the value of CHF 4.3 million (2016: CHF 2.6 million) are held with retention of title as security for bank loans. Sureties for rental obligations of franchise stores amount to CHF 1.1 million (2016: CHF 1.3 million).

29 Other commitments

Commitments not recognized in the balance sheet comprise operational leasing contracts with a period of notice longer than one year.

Maturity of operational leasing contracts at 12/31	2017	2016
	CHF m	CHF m
Under 1 year	15.7	11.9
1 to 5 years	34.8	26.5
Over 5 years	3.9	3.9
Total	**54.4**	**42.3**

In addition, long-term purchasing commitments in the amount of CHF 8.2 million (2016: CHF 10.6 million) secure exclusive supplies.

30 Derivative financial instruments

Values at 12/31	2017	2016
	CHF m	CHF m
Contract or nominal values (gross)	500.6	244.6
Replacement value, positive	6.9	2.5
Replacement value, negative	15.3	1.9

The contracts were entered into as a hedge against exchange risks in various currencies arising from business operations. In addition to these currency hedges, an interest rate hedging transaction is outstanding for a loan with a contract value of CHF 8.0 million (2016: CHF 8.5 million) and a negative replacement value of CHF 0.1 million (2016: CHF 0.2 million). The change in value of derivative instruments for hedging underlying transactions still outstanding as per the balance sheet date is recognized like the underlying transaction, and value changes on hedge transactions relating to future cash flows are recognized directly in equity, resulting in neither profit nor loss.

31 Related-party transactions

Transactions with related parties consist of normal business transactions under normal market conditions with an associated company acting as commercial agent and distributor.

	2017	2016
	CHF m	CHF m
Trade receivables	1.1	1.2
Trade payables	0.2	
Net revenue	2.1	2.2
Commission expenses	1.5	1.5

32 Compensation and shareholdings

The compensation paid to members of the Board of Directors and the Executive Committee is explained in the remuneration report on pages 49 ff. Their holdings in Conzzeta AG are disclosed in the notes to the financial statements of Conzzeta AG on page 106 f.

33 Events after the balance sheet date

The consolidated financial statements were approved for publication by the Board of Directors on March 16, 2018. They are also subject to approval by the Annual General Meeting.

On March 14, 2018, Conzzeta announced the complete acquisition of ISAtec GmbH, a company based in Wohlenschwil (Switzerland). ISAtec is a leading expert in the development and production of silver and gold coatings, and has previously produced metallic coatings for the Schmid Rhyner business unit. By acquiring ISAtec GmbH, Schmid Rhyner is safeguarding the technology. The transaction is planned to be concluded in the coming weeks.

List of consolidated companies by business unit

Company, domicile	Notes	Country		Company capital	Investments in % direct	Investments in % indirect
Bystronic						
Bystronic Laser AG, Niederönz		CH	CHF	50 000	100	
Bystronic Maschinenbau GmbH, Gotha		DE	EUR	3 400 100		100
Bystronic (Tianjin) Machinery Co. Ltd, Tianjin	1	CN				
Bystronic (Tianjin) Laser Ltd, Tianjin		CN	USD	12 000 000		100
Shenzhen DNE Laser Science and Technology Co. Ltd, Shenzhen		CN	CNY	44 600 000		51
FMG Förderanlagen AG, Sulgen	2	CH				
FMG Verfahrenstechnik AG, Sulgen		CH	CHF	100 000		100
Bystronic, Inc., Elgin IL		US	USD	250 000		100
Bystronic Scandinavia AB, Rosersberg		SE	SEK	200 000		100
Bystronic France SAS, Les Ulis		FR	EUR	2 500 000		100
Bystronic Italia S.r.l., Bovisio Masciago		IT	EUR	900 000		100
Bystronic Deutschland GmbH, Heimsheim		DE	EUR	52 000		100
Bystronic (Shanghai) Co. Ltd, Shanghai		CN	USD	5 500 000		100
Bystronic Ibérica S.A., San Sebastián de los Reyes		ES	EUR	262 000		100
Bystronic Mexico S.A. de C.V., Apodaca		MX	MXN	2 500 000		100
Bystronic Austria GmbH, Linz		AT	EUR	300 000		100
Bystronic do Brasil Ltda., Colombo PR		BR	BRL	9 000 000		100
Bystronic Pte. Ltd, Singapore		SG	SGD	2 500 000		100
Bystronic Benelux B.V., Hardinxveld-Giessendam		NL	EUR	18 151		100
Bystronic UK Ltd, Coventry		GB	GBP	1 200 000		100
Bystronic Sales AG, Niederönz		CH	CHF	200 000		100
Bystronic Korea Ltd, Anyang-si		KR	KRW	11 600 000 000		100
Bystronic Polska Sp. z o.o., Sekocin Nowy		PL	PLN	1 000 000		100
Bystronic Czech Republic s.r.o., Brno		CZ	CZK	6 000 000		100
Bystronic Laser India Private Ltd, Pune		IN	INR	34 130 000		100
Bystronic Lazer ve Su Isinlari Makineleri Sanayi ve Ticaret Limited Sirketi, Istanbul		TR	TRY	660 000		100
Bystronic Japan Ltd, Tokyo		JP	JPY	60 000 000		100
Bystronic Canada Ltd, Mississauga ON		CA	CAD	100 000		100
OOO Bystronic Laser, Moscow		RU	RUB	30 000 000		100
S.C. Bystronic Laser S.R.L., Brasov		RO	RON	3 277 000		100
Bystronic International Laser Ltd, New Taipei City		TW	TWD	5 000 000		100
LLC Bystronic Ukraine, Kyiv		UA	UAH	172 245		100
Bystronic Australia Pte. Ltd, Victoria		AU	AUD	100 000		100
Bystronic Hungary Kft, Budapest		HU	HUF	25 000 000		100
Bystronic Vietnam Co. Ltd, Ho Chi Minh City	3	VN	VND	6 600 000 000		100

Notes:
1 Sale on December 20, 2017.
2 Merger with FMG Verfahrenstechnik AG, Sulgen, on April 27, 2017.
3 Formation on December 20, 2017.

Company, domicile	Notes	Country		Company capital	Investments in % direct	Investments in % indirect
Mammut Sports Group						
Mammut Sports Group AG, Seon		CH	CHF	25 000 000	100	
Mammut Sports Group GmbH, Wolfertschwenden		DE	EUR	500 000		100
Mammut Sports Group, Inc., Williston VT		US	USD	51		100
Mammut Ajungilak AS, Oslo		NO	NOK	2 000 000		100
Mammut Sports Group Japan Inc., Tokyo		JP	JPY	30 000 000		100
Mammut UK Ltd, Macclesfield		GB	GBP	1 000		100
Mammut Korea, Inc., Seoul		KR	KRW	1 250 000 000		100
Mammut Outdoor Equipment (Beijing) Co. Ltd, Beijing		CN	USD	1 500 000		100
Mammut Sports Group Asia Ltd, Hong Kong		HK	HKD	100 000		100
FoamPartner						
Fritz Nauer AG, Wolfhausen		CH	CHF	5 000 000	100	
Reisgies Schaumstoffe GmbH, Leverkusen		DE	EUR	1 000 000		100
Frina Mousse France S.à r.l., Wittenheim		FR	EUR	117 386		100
Büttikofer AG, Gontenschwil		CH	CHF	250 000		100
Swisstex, Inc., Greenville SC		US	USD	2 023 640		100
Foampartner-Bock AG, Zug	4	CH	CHF	1 000 000		100
Foampartner-Bock Trading (Shanghai) Ltd, Shanghai	4	CN	USD	600 000		100
Foampartner-Bock Polyurethane Materials (Changzhou) Co. Ltd, Changzhou	4	CN	USD	14 250 000		100
Woodbridge FoamPartner Company, Chattanooga TN	5					
Kureta GmbH, Stadtallendorf		DE	EUR	100 000		100
FoamPartner Singapore Pte. Ltd, Singapore		SG	SGD	100 000		100
Benien Produktionstechnik GmbH, Delmenhorst		DE	EUR	550 000		100
FoamPartner Holding Inc., Wilmington DE		US	USD	1 500 000		100
Hydra Sponge Co., Washington MO		US	USD	1		100
Otto Bock Kunststoff GmbH, Duderstadt	6	DE	EUR	52 000		100
Otto Bock PUR Life Science GmbH, Duderstadt	6	DE	EUR	25 000		100
Otto Bock Kunststoff Besitz- und Verwaltungs GmbH, Duderstadt	6	DE	EUR	420 000		100
Otto Bock Polyurethane Technologies Inc., Rochester Hills MI	6	US	USD	250 000		100
Schmid Rhyner						
Schmid Rhyner AG, Adliswil		CH	CHF	1 200 000	100	
Schmid Rhyner (USA), Inc., Marlton NJ		US	USD	1 800 000		100
Schmid Rhnyer Sales AG, Adliswil		CH	CHF	100 000		100

Notes:
4 Acquisition of 50 % on September 1, 2017.
5 Sale of 51 % on July 1, 2017.
6 Acquisition on September 1, 2017.

Company, domicile	Notes	Country		Company capital	Investments in % direct	Investments in % indirect
Bystronic glass						
Bystronic Maschinen AG, Bützberg		CH	CHF	100 000	100	
Bystronic Lenhardt GmbH, Neuhausen-Hamberg		DE	EUR	2 050 000		100
Bystronic Glass Machinery (Shanghai) Co. Ltd, Shanghai		CN	EUR	4 300 000		100
Bystronic Glass UK Ltd, Telford		GB	GBP	700 000		100
Bystronic Asia Pte. Ltd, Singapore		SG	SGD	1 000 000		100
Bystronic Glass do Brasil Máquinas para Vidros Ltda., Indaiatuba SP		BR	BRL	3 494 779		100
OOO Bystronic Steklo RUS, Moscow		RU	RUB	64 975 930		100
Bystronic Glass (Shanghai) Co. Ltd, Shanghai		CN	USD	1 900 000		100
Bystronic Glass, Inc., Aurora CO		US	USD	250 000		100
Holding and Management Companies						
Conzzeta Holding Deutschland AG, Leverkusen		DE	EUR	6 000 000	100	
Conzzeta Grundstücksverwaltungs GmbH, Leverkusen		DE	EUR	50 000		100
Conzzeta Vermögensverwaltungs GmbH & Co. KG, Leverkusen		DE	EUR	100 000		100
Conzzeta Management AG, Zurich		CH	CHF	100 000	100	
Associated Companies						
Mammut Sports Group Austria GmbH, Steyr		AT	EUR	363 400		25.1

Statutory Auditor's Report

To the General Meeting of Conzzeta AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Conzzeta AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 64 to 93) give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

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

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

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

Revenue recognition

Valuation of inventories

Takeover / acquisition of the foam material business of Otto Bock

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.

KPMG

Revenue recognition

Key Audit Matter	Our response
Revenue represents the basis for assessing Conzzeta's performance and is thus at the center of the company's targets. Therefore, the pressure that may arise to achieve revenue targets leads to an increased risk with respect to recognizing revenue in the proper period. With its diversified businesses, different aspects are of relevance for Conzzeta: when it comes to revenue from the sale of goods and products, judgment is used to determine the recognition in the proper period based on the relevant contractual terms. The business area glass processing is subject to additional judgment when determining the appropriate point in time for recognizing revenue due to the complexity of the installation process.	During our audit, we analyzed the process established to determine revenue recognition and assessed whether goods sold were recorded in the appropriate accounting period. We identified the key controls relevant for revenue recognition and tested them for their operating effectiveness on a sample basis. Moreover, we performed the following audit procedures to assess the correctness of revenue recognition in the business areas described. — Testing of the accuracy of revenue recognition as at December 31, 2017 by reconciling invoices with bills of delivery. — Critically assessed sales margins and deviations to prior year for major product groups and compared reported results with our expectations, based on inquiries of management and challenge of the analyses presented. — Assessing the completeness and accuracy of sales deductions by inspecting credit notes issued in 2018 and by retrospectively comparing actual sales deductions with the estimates of prior year. — In the business area sheet metal and glass processing, we tested the transfer of risks and rewards based on the estimates for installation costs to be incurred and by comparing actual costs to those of prior year.

For further information on revenue recognition refer to page 70 Accounting and valuation policies, section Revenue recognition.

KPMG

Valuation of inventories

Key Audit Matter	Our response
As at December 31, 2017, inventories amounted to CHF 290.1 million (CHF 239.5 million as at December 31, 2016), representing one of the most significant assets. Proper valuation of inventories is therefore of importance for the overall understanding of the consolidated financial statements. The valuation of inventories is affected by specific risks in the following business areas:	During our audit, we analyzed and assessed the process applied to the measurement of inventories. For this purpose, we identified the relevant controls relevant and tested their effectiveness on a sample basis. Moreover, we performed the following audit procedures to assess the adequacy of the inventory valuation in the business areas as follows:
Sheet metal and glass processing — For semifinished products, work in progress and finished goods with a high proportion of value creation, the determination of the current production costs involves judgment and depends on the progress of the order fulfillment. — Moreover, finished goods bear the risk that production costs exceed their net realizable value (lower of cost or market). — Further management judgment is required for spare parts with longer turnover periods.	Sheet metal and glass processing — In order to assess cost of inventory we particularly verified the calculation of production costs, performed an analysis of differences between standard and actual costs, and reviewed the calculations of average cost prices and their standard costs. Among other things, we used data analytics. — The valuation at lower of cost or net realizable value was tested by using data analytics, comparing production costs with actual sales prices, net of distribution costs to be incurred, before and after the balance sheet date. — In order to assess the inventory of spare parts considered to be difficult to sell or with long turnover periods, we particularly tested the calculation of the value adjustments and the appropriateness of the assumptions used.
Sporting goods — Amounts for value adjustments essentially depend on management's assumptions regarding future fashion trends and seasonal customer behavior in the outdoor industry. We consider the estimation uncertainty relating to the amount of the value adjustments as a significant risk.	Sporting goods — We evaluated the adequacy of the process to identify obsolete inventories, considering their seasonality and expectations regarding fashion trends, and challenged the basic principles and assumptions used to measure inventories. — We also retroactively tested the assumptions used and analyzed deviations from the estimates. — We tested the mathematical accuracy of the calculation of the value adjustments as well as the completeness of the underlying data.

For further information on valuation on inventories refer to the following:

Page 69 Accounting and valuation policies, section Inventories

Page 79 Additional notes to the consolidated financial statements, no. 15: Inventories

Takeover / acquisition of the foam material business of Otto Bock

Key Audit Matter

In 2017, Conzzeta finalized its acquisition of the foam material business of Otto Bock with net sales of about EUR 130 million in 2016. This is a significant transaction for the Group.

When accounting for an acquisition, Swiss GAAP FER requires the net assets to be measured at fair value. If the consideration paid exceeds the total acquired net assets, the residual amount is considered as goodwill. This goodwill in the amount of CHF 116.6 million is offset against equity. The theoretical impact of recognizing goodwill as an asset and related potential impairments is disclosed in the notes.

There are inherent uncertainties in determining the fair values of net assets and definitive acquisition costs. Especially the valuation of tangible and intangible non-current assets, parts of current assets and provisions require management to make assumptions and estimates. Moreover, the final acquisition price depends on certain balance sheet and income statement ratios.

Our response

During our audit we performed the following audit procedures, among others, in regard to the acquisition of the foam material business from Otto Bock:

- We read the relevant parts of the share purchase agreement in order to understand the relevant terms and conditions of the transaction and its impact on the company's accounting.
- We reconciled the payments made with the agreement and the bank statements.
- We verified the acquired net assets and their valuation at the time of the acquisition.
- Whenever necessary, we appointed one of our own specialists to assess the adequacy of the valuation methods used and the related assumptions.
- Moreover, we reconciled the amounts of the purchase price allocation with the opening balance sheet and considered the adequacy of related disclosures in the consolidated financial statements.
- We inquired from management about any relevant terms and conditions in the purchase agreement pertaining to the acquisition price or any possible value adjustments to the goodwill recognized.

For further information on the acquisitions, refer to the following sections of the notes to the consolidated financial statements:

Page 70 Accounting and valuation policies, section Intangible assets
Page 74 Changes in the scope of consolidation and discontinuing operations, no. 2: Changes in the scope of consolidation
Page 82 Additional notes to the consolidated financial statements, no. 18: Intangible assets/Goodwill
Page 87 Additional notes to the consolidated financial statements, no. 26: Acquisition and divestment of business activities

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Reto Kaufmann
Licensed Audit Expert

Zurich, March 16, 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Income statement – Conzzeta AG

	2017	2016
	CHF 1 000	CHF 1 000
Income		
Income from equity holdings	49 000	82 000
Financial income	6 695	5 131
Total income	**55 695**	**87 131**
Expenses		
Financial expenses	– 1 675	– 1 204
Personnel expenses	– 1 523	– 1 300
Other operating expenses	– 4 544	– 3 142
Direct taxes	– 30	– 6
Total expenses	**– 7 772**	**– 5 652**
Net income	**47 923**	**81 479**

Balance sheet at December 31 – Conzzeta AG

	2017	2016
	CHF 1 000	CHF 1 000
Assets		
Cash and cash equivalents	244 744	382 583
Securities	50 000	50 000
Other accounts receivable		
due from third parties	6 989	2 673
due from equity holdings	1 396	1 667
Prepaid expenses and accrued income	90	98
Current assets	**303 219**	**437 021**
Financial assets		
Receivables from equity holdings	388 860	197 517
Other financial assets from third parties	6 000	7 994
Equity holdings	230 901	230 901
Fixed assets	**625 761**	**436 412**
Total assets	**928 980**	**873 433**
Liabilities and shareholders' equity		
Interest-bearing liabilities		
due to third parties	2 599	
due to equity holdings	29 995	11 883
Other payables		
due to third parties	15 451	2 366
due to associates	290	290
due to equity holdings	1 267	2 226
Accrued expenses and deferred income	919	884
Short-term liabilities	**50 521**	**17 649**
Share capital	4 140	4 140
Legal capital reserves		
Reserve from capital contributions	72	72
Other capital reserves	97 117	96 746
Legal retained earnings	13 409	13 409
Voluntary retained earnings	600 000	550 000
Retained earnings	167 648	192 480
Treasury shares	– 3 927	– 1 063
Shareholders' equity	**878 459**	**855 784**
Total liabilities and shareholders' equity	**928 980**	**873 433**

Notes to the financial statements – Conzzeta AG

Accounting and valuation principles

General

The financial statements 2017 of Conzzeta AG have been prepared in accordance with the provisions of Swiss law on accounting and financial reporting (Art. 32, Swiss Code of Obligations). The significant valuation policies applied, over and above those required by law, are described in the following.

Waiver of cash flow statement and additional information in the Notes

Conzzeta AG draws up consolidated accounts in conformity with a recognized accounting standard (Swiss GAAP FER). Therefore, in the present financial statements the company has abstained, in accordance with the legal requirements, from providing notes with additional information about interest-bearing liabilities and auditing fees, as well as from presenting a cash flow statement.

Financial assets

The financial investments comprise securities held as a long-term investment. Loans granted in foreign currencies are valued at year-end exchange rates.

Derivative financial instruments

Currency and interest rate hedges are used against some currency and interest rate risks arising from business operations. All outstanding derivatives are recognized at market value on the balance sheet date and shown at gross values under other receivables or other short-term liabilities. Changes in the value of derivatives used to hedge recognized underlying transactions are reported in the income statement, as is the underlying transaction.

Interest-bearing liabilities

Interest-bearing liabilities are shown at par value.

Treasury shares

Treasury shares are recognized at cost at the time of acquisition. The holding of treasury shares is disclosed as a negative item in equity. Upon resale, the profit or loss is allocated directly to the capital reserves.

Share-based compensation

Share-based compensation for members of the Board of Directors is measured at cost at the grant date and charged to personnel expenses in the period in which the service is rendered.

Additional information on the financial statements and balance sheet

Income

Income from equity holdings for the year under review stood at CHF 49.0 million (2016: CHF 82.0 million). The dividend payments by the subsidiaries were determined in relation to available retained earnings and capital requirements. A capital dividend was paid out in the previous year. Financial income came in at CHF 6.7 million (2016: CHF 5.1 million) and comprises the interest income on accounts receivable from equity holdings of CHF 3.5 million (2016: CHF 2.0 million), interest income from third parties amounting to CHF 0.2 million (2016: CHF 0.2 million), a reversal of provisions for loans of CHF 1.5 million (2016: CHF 2.5 million), gains on securities of CHF 1.4 million, and currency gains on liquid assets and accounts receivable from equity holdings of CHF 0.1 million (2016: CHF 0.4 million).

Expenses

Financial expenses of CHF 1.7 million (2016: CHF 1.2 million) are the result of interest on liabilities towards equity holdings, short-term bank loans and the cost of currency hedging (interest rate differences) for balance sheet items in foreign currencies. Personnel and other operating expenses include current administration expenses, the cost of organizing the Annual General Meeting, the production of the annual report, project costs, taxes on capital, as well as fees to the Board of Directors.

Current assets

Liquid assets of CHF 244.8 million (2016: CHF 382.6 million) consist of current account bank balances, the majority of which are in Swiss francs. Securities include time deposits denominated in Swiss francs with a residual term of more than 90 days. Other accounts receivable due from third parties include recoverable input tax, a balance of CHF 6.9 million (2016: CHF 2.6 million) from exchange rate hedges due from banks, and a balance of CHF 1.4 million (2016: CHF 1.7 million) from exchange rate hedges against equity holdings. Prepaid expenses and accrued income includes deferred expenses.

Fixed assets

The financial investments comprise securities held as a long-term investment. Most Group financing is handled by the holding company. In the year under review, accounts receivable from equity holdings grew by CHF 191.3 million to CHF 388.9 million. At CHF 230.9 million, the balance sheet item Equity holdings is unchanged from the previous year.

Liabilities

Interest-bearing liabilities towards third parties are short-term current account overdrafts. Other payables to third parties contain, in addition to short-term payables to social security funds, mainly debts of CHF 15.4 million (2016: CHF 2.3 million) resulting from exchange rate hedges owed to banks, and debts of CHF 1.3 million (2016: CHF 2.2 million) resulting from exchange rate hedges against equity holdings. Accrued expenses and deferred income includes accrued expenses.

Shareholders' equity

The share capital of CHF 4.1 million (2016: CHF 4.1 million) is divided into 1 827 000 class A registered shares and 1 215 000 class B registered shares. Due to a capital contribution, voluntary retained earnings increased in the reporting year by CHF 50.0 million to CHF 600.0 million. At the end of 2016, 1 540 class A registered shares were held at an average purchase price of CHF 690 each. For the share-based compensation program of the Board of Directors and Executive Committee, 4 600 class A registered shares were acquired at an average transaction price of CHF 941 each and 2 015 class A registered shares were allocated at an average transaction price of CHF 911 each. In each case, the transaction price corresponded to the market value. The holding as of December 31, 2017, was 4 125 class A registered shares acquired at an average purchase price of CHF 952 each.

Further information

Full-time positions

Conzzeta AG has no employees.

Contingent liabilities

	2017	2016
	CHF 1 000	CHF 1 000
Sureties and guarantee obligations for subsidiaries	97 140	124 753
Effective obligations	19 135	13 867

Equity holdings

See overview on page 91 ff. The voting shares correspond to the capital shares.

Significant shareholders

		2017	2016
		%	%
Auer, Schmidheiny and	Capital rights	29.1	29.0
Spoerry shareholder group	Voting rights	51.1	51.1

The Auer, Schmidheiny and Spoerry shareholder group comprises Dr. Matthias Auer, Ruth Byland-Auer, Martin Byland, Caliza Holding AG, Marina Marti-Auer, Marina Milz, Adrian and Annemarie Herzig-Büchler, Sven and Rosmarie Mumenthaler-Sigrist, Jacob Schmidheiny, Margrit Schmidheiny, Jacob and Margrit Schmidheiny, Felix Schmidheiny, Helen Schmidheiny, Kathrin Spoerry, Christina Spoerry, Heinrich Spoerry-Niggli, Lotti Spoerry and Robert F. Spoerry.

Shareholdings held by members of the Board of Directors, Executive Committee and related persons

	Class A registered shares 12/31/2017	Class A registered shares 12/31/2016	Class B registered shares 12/31/2017	Class B registered shares 12/31/2016
	Number	Number	Number	Number
Board of Directors				
E. Bärtschi, Chairman	1 160	890		
R. Abt, Member	147	80		
M. Auer, Member	28 571	28 504	1 008	1 008
W. Dubach, Member	7 459	7 392		
P. Mosimann, Member	823	756		
U. Riedener, Member	147	80		
J. Schmidheiny, Member	129 259	129 192	420	420
R. F. Spoerry, Member	12 391	12 324	148	148

M. Auer, J. Schmidheiny and R. F. Spoerry hold further registered shares under a shareholder agreement within the Auer, Schmidheiny and Spoerry shareholder group.

	Class A registered shares 12/31/2017	Class A registered shares 12/31/2016	Class B registered shares 12/31/2017	Class B registered shares 12/31/2016
	Number	Number	Number	Number
Executive Committee				
M. Willome, Group CEO	758	162		
B. J. ten Brink, Head of the FoamPartner business unit	335	262		
K. W. Kelterborn, Group CFO	545	364		
O. Pabst, Head of the Mammut Sports Group business unit	57			
J. Rohner, Head of the Schmid Rhyner business unit	337	217		
B. Schneider, Head of the Bystronic glass business unit	242	155		
B. Senn, General Counsel	237	203		
A. Waser, Head of the Bystronic business unit	460	332		

Compensation paid to members of the Board of Directors and Executive Committee is shown in the Compensation Report on pages 49 ff.

Share-based compensation

Basic remuneration for members of the Board of Directors is paid in cash and shares (approx. 50 % each), which are restricted for a period of four years. Neither discounts nor performance components are taken into consideration when calculating the share allocation of the Board of Directors. The calculation is based on the average share price for the three months from November 1 to January 31.

In 2017, a total of 739 class A registered shares were allocated to the Board of Directors for the previous year. The CHF 0.7 million valuation was based on a share price of CHF 995 each. Personnel expenses contain deferred expenses for the reporting year amounting to CHF 0.4 million (2016: CHF 0.4 million) for the share-based component of compensation.

Events after the balance sheet date

The financial statements were approved for publication by the Board of Directors on March 16, 2018. They are also subject to approval by the Annual General Meeting.

Proposed appropriation of available earnings – Conzzeta AG

	2017	2016
	CHF	CHF
The Board of Directors proposes to the Annual General Meeting on April 24, 2018, that the total sum available for appropriation, consisting of:		
Net income	47 922 737	81 479 429
Retained earnings carried forward from previous year	119 724 853	111 000 849
Retained earnings	**167 647 590**	**192 480 278**
Treasury shares (held directly)	3 926 701	1 063 033
Total sum available for appropriation	**163 720 889**	**191 417 245**
be appropriated as follows:		
Dividend of CHF 16 per class A registered share (2016: CHF 11)	29 232 000	20 097 000
Dividend of CHF 3.20 per class B registered share (2016: CHF 2.20)	3 888 000	2 673 000
Transfer to the voluntary retained earnings	50 000 000	50 000 000
Retained earnings to be carried forward	84 527 590	119 710 278

If this proposal is approved, the dividend distribution for the 2017 reporting year will be:

	Gross dividend	35 % withholding tax	Net dividend
	CHF	CHF	CHF
Per class A registered share	16.00	5.60	10.40
Per class B registered share	3.20	1.12	2.08

The dividend will be paid out with the value date of April 30, 2018.

KPMG

Statutory Auditor's Report

To the General Meeting of Conzzeta AG, Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Conzzeta AG, which comprise the balance sheet as at December 31, 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 101 to 107) for the year ended December 31, 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller Licensed Audit Expert Auditor in Charge	Reto Kaufmann Licensed Audit Expert

Zurich, March 16, 2018

Further information

Five-year summary

		2017	2016	2015	2014	2013
Segment Sheet Metal Processing						
Net revenue	CHF m	856.1	650.9[1]	568.9[1]	580.7	560.1
Operating result	CHF m	98.0	63.0	55.4	54.3	51.6
Net operating assets	CHF m	173.0	159.0	162.1	166.5	191.2
Segment Sporting Goods						
Net revenue	CHF m	228.6	232.9[1]	234.9[1]	249.9	247.0
Operating result	CHF m	0.1	1.2	0.1	20.8	20.9
Net operating assets	CHF m	116.5	108.1	113.6	131.9	112.5
Segment Chemical Specialties						
Net revenue	CHF m	279.2	219.7[1]	203.8[1]	219.2	192.6
Operating result	CHF m	24.8	23.1	18.5	23.8	20.0
Net operating assets	CHF m	186.9	112.7	110.9	116.4	93.3
Segment Glass Processing						
Net revenue	CHF m	119.3	106.9[1]	118.7[1]	109.5	132.3
Operating result	CHF m	6.3	1.0	6.4	– 5.1	– 6.2
Net operating assets	CHF m	23.1	19.3	23.1	30.5	34.7
Consolidated income statement						
Net revenue	CHF m	1 482.8	1 210.0[1]	1 126.1[1]	1 195.7	1 194.0
Operating result	CHF m	123.2	84.4	75,9[1]	104.3	89.7
Extraordinary result	CHF m			– 0.6	– 23.7	3.0
Group result	CHF m	97.4	63.9	59.3	61.4	75.4
Consolidated balance sheet						
Current assets	CHF m	993.6	977.2	950.9	1 074.7	973.6
Fixed assets	CHF m	329.7	278.2	270.8	376.4	360.8
Short-term liabilities	CHF m	366.7	269.3	213.7	252.9	253.0
Long-term liabilities	CHF m	53.7	44.6	48.1	65.4	72.6
Shareholders' equity	CHF m	902.9	941.5	959.9	1 132.8	1 008.8
Total assets	CHF m	1 323.3	1 255.4	1 221.7	1 451,1	1 334.4
Shareholders' equity as % of total assets	%	68.2	75.0	78.6	78.1	75.6
Net operating assets / employees						
Net operating assets	CHF m	490.7	401.6	413.3	517.4	507.0
Employees at year-end	Number	4 717	4 098	3 479	3 337	3 548
Average employees in full-time positions	Number	4 328	3 814	3 425	3 500	3 584
Net revenue per full-time position	CHF thousand	342.6	317.2[1]	328.8[1]	341.6	333.1
Personnel expenses per full-time position	CHF thousand	78.4	79.7	82.8	85.2	80.2

[1] From 2017, Other operating income will be shown separately and is not included in Net revenue anymore. 2016 and 2015 have been adjusted accordingly. In addition, Net revenue and the Operating result of the spun-off Real Estate business unit were eliminated for 2015. The years from 2014 to 2013 have not been adjusted.

			2017	2016	2015	2014	2013
Share information							
Share capital		CHF m	4.1	4.1	4.1	5.2	46.0
Number of shares issued at 12/31							
Class A registered shares		Number	1 827 000	1 827 000	1 827 000	456 750	406 000
Class B registered shares		Number	1 215 000	1 215 000	1 215 000	303 750	270 000
Market prices of class A registered share							
High		CHF	1 067.00	747.00	696.17	716.52	381.86
Low		CHF	721.00	570.00	536.96	367.99	295.04
Year-end		CHF	1 016.00	720.00	639.00	637.76	373.58
Total dividend		CHF m	33.1[2]	22.8	20.7	25.9	41.4[3]
Key indicators per share							
Earnings	per class A registered share [4]	CHF	40.47	29.10	28.65	31.00	39.19
	per class B registered share [4]	CHF	8.09	5.82	5.73	6.20	7.84
Cash flow from	per class A registered share [4]	CHF	45.52	46.37	41.93	52.49	60.11
operating activities	per class B registered share [4]	CHF	9.10	9.27	8.39	10.50	12.02
Shareholders'	per class A registered share [4]	CHF	428.00	451.70	464.15	547.24	548.23
equity	per class B registered share [4]	CHF	85.60	90.34	92.83	109.45	109.65
Gross dividend	per class A registered share	CHF	16.00[2]	11.00	10.00	50.00	90.00[3]
	per class B registered share	CHF	3.20[2]	2.20	2.00	10.00	18.00[3]

[2] As proposed by the Board of Directors.
[3] Payment by means of a reduction of the share capital through par value reduction.
[4] For better comparability, the figures 2014 and earlier have been adjusted retroactively to take account of the 1:4 share split in 2015.

Information for investors

2018

Tuesday, April 24	Ordinary General Meeting at the Zurich Marriott Hotel
Monday, April 30	Payment of dividends
Friday, August 10	Half-year results as at June 30, 2018

2019

Wednesday, March 20	Year-end results as at December 31, 2018
Tuesday, April 16	Ordinary General Meeting at the Zurich Marriott Hotel

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Ticker symbols

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Further information about the company, calendar dates and contacts can be found at www.conzzeta.com.

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