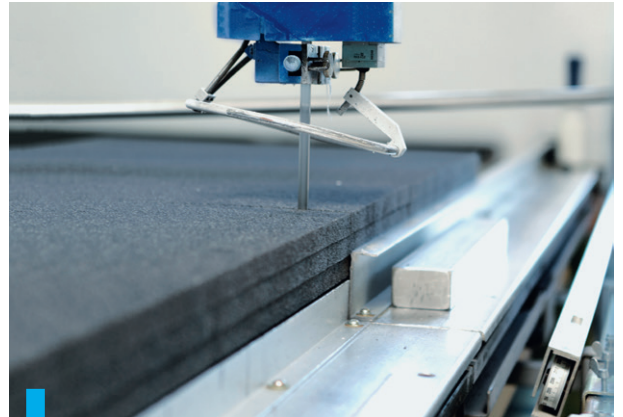


conzzeta



ANNUAL REPORT 2019

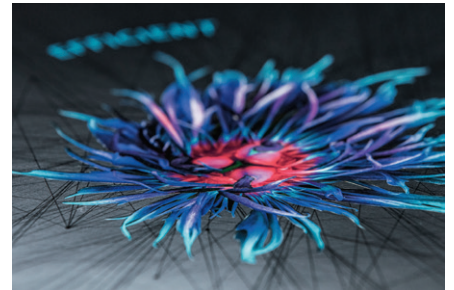


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Key figures - Group

CHF m	2019	2018	Changes
Net revenue	1,573.2	1,782.2	-11.7%
on a comparable basis ¹			-4.9%
Total revenue	1,579.1	1,796.7	-12.1%
Operating result (EBIT)	167.2	146.8	13.9%
adjusted ²	137.3	146.8	-6.5%
as a % of total revenue, adjusted	8.7%	8.2%	50 bp
Group result	136.8	114.8	19.2%
as a % of total revenue	8.7%	6.4%	230 bp
Minority interests	11.1	18.2	-39.1%
Operating free cash flow	40.6	83.4	-51.3%
Cash, cash equivalents and securities	300.9	389.6	-22.8%
Total assets	1,266.0	1,366.2	-7.3%
Shareholders' equity	880.1	926.9	-5.0%
as a % of total assets	69.5%	67.8%	170 bp
Net operating assets (NOA)	550.7	520.1	5.9%
Return on net operating assets (RONOA) ²	20.0%	23.1%	-310 bp
Number of employees on December 31	5,026	5,259	-4.4%
Earnings per class A share, in CHF	60.85	46.76	30.1%
Dividend for class A shares, in CHF	42.00 ³	18.00	133.3%
Dividend for class B shares, in CHF	8.40 ³	3.60	133.3%

¹ At constant exchange rates and adjusted for changes in the scope of consolidation.

² 2019 excluding capital gain of CHF 29.9 million from the divestment of the Glass Processing segment.

³ As proposed by the Board of Directors, including special distribution of CHF 24.00 (class A shares) and CHF 4.80 (class B shares), respectively. Furthermore, a special dividend of CHF 30.00 (class A shares) and CHF 6.00 (class B shares), respectively, was paid in 2019.

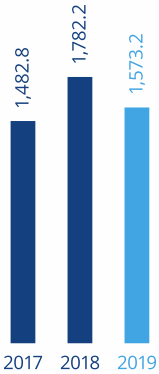
Key figures - Segments

CHF m	2019	2018	Changes
Sheet Metal Processing			
Order intake	929.4	1,002.9	-7.3%
on a comparable basis ¹			-6.5%
Net revenue	936.0	1,013.2	-7.6%
on a comparable basis ¹			-6.4%
Total revenue	941.3	1,032.5	-8.8%
Operating result (EBIT)	121.1	132.5	-8.6%
as a % of total revenue	12.9%	12.8%	10 bp
Chemical Specialties (discontinued segment)			
Net revenue	346.6	382.9	-9.5%
on a comparable basis ¹			-7.9%
Total revenue	341.8	383.0	-10.8%
Operating result (EBIT)	14.2	5.8	144.3%
as a % of total revenue	4.2%	1.5%	270 bp
Outdoor (discontinued segment)			
Net revenue	268.4	253.4	5.9%
on a comparable basis ¹			6.8%
Total revenue	268.4	253.4	5.9%
Operating result (EBIT)	7.5	5.2	42.0%
as a % of total revenue	2.8%	2.1%	70 bp

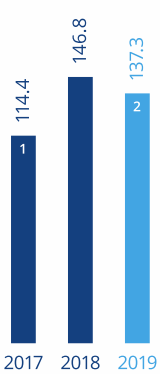
¹ At constant exchange rates and adjusted for changes in the scope of consolidation.

Performance indicators

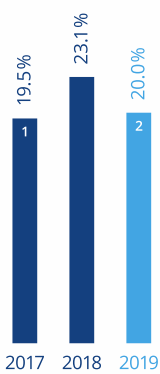
Net sales growth
(Net revenue in CHF m)



Profitability
(EBIT in CHF m)



Capital efficiency
(RONOA)



Financial targets³
(mid-term)

- Net sales growth**
Over 5% growth in net sales
- Profitability**
EBIT margin from 8% to 10%
- Capital efficiency**
Over 15% return on net operating assets (RONOA)

¹ Excluding divestment gain of CHF 8.8 million.

² Excluding divestment gain of CHF 29.9 million.

³ With the announced strategic reorientation, the financial targets will be redefined in due course.



Challenging market environment – focusing for the future

The performance of our businesses was varied in 2019: while the Outdoor segment was able to generate increased revenue, the other segments reported revenue declines due to market factors. Despite this, the Group was able to maintain its operating profit on a comparable basis. The sale of the Glass Processing segment as per the end of March 2019 resulted in a one-off gain of CHF 29.9 million. At the end of 2019, Conzzeta decided to focus on the Sheet Metal Processing segment (Bystronic) and divest its other activities.

The market environment in 2019 was challenging and marked, among other things, by global trade disputes, geopolitical uncertainty, disruptive changes in important industrial sectors, heightened competitive pressure in individual markets and overall unfavorable exchange rate fluctuations. In light of these circumstances, revenue declined by 4.9% on a comparable basis, i.e., excluding changes in the scope of consolidation and at stable exchange rates, while the corresponding operating result remained stable.

Operational improvements

The operating margin increased in all segments in 2019. For the discontinued Outdoor and Chemical Specialties segments, the increase amounted to 190 basis points to 3.6%. Despite this progress, income in both segments is still far too low, which is why we are continuing to work on operational improvements this year, irrespective of the announced focus strategy.

Plans for accelerated growth in the mid-term

By contrast, we are developing a comprehensive strategy for mid-term accelerated growth in the Sheet Metal Processing segment in 2020. Despite a 7.6% decrease in net revenue, Bystronic's operating margin increased by 10 basis points to 12.9% in 2019. Its innovative range of products and services, process improvements and active cost management contributed to the stability of results, as did certain special factors.

The challenging market environment that prevailed in 2019 demonstrated the importance of leading market positions, which are not sufficiently prominent everywhere at Conzzeta. For this reason, Conzzeta announced in August 2019 that it would review measures to accelerate the development of value potential in the segments.

Strategic reorientation

The corresponding analyses led to the announcement on December 9, 2019, that Conzzeta would be focusing on the Sheet Metal Processing segment, in which Bystronic is among the leading global providers. The other activities are to be gradually sold within a year, as far as the market situation permits.

The associated preparatory works have begun and, as at the end of February 2020 with the sale of the Schmid Rhyner business unit, a first partial goal was already achieved. The transaction gives rise to a substantial capital gain, which is taken into account in the dividend proposal of the Board of Directors to the upcoming Annual General Meeting. Bystronic's new strategy is expected to be presented at a Capital Markets' Day probably in fall 2020.

Thanks

On behalf of the Board of Directors, we thank all our employees for their efforts and their support during this challenging transformation process. We are aware that the restructuring of the Group creates a burden in addition to day-to-day activities, and it may also be associated with uncertainty. We have therefore made arrangements to also provide assistance to employees who will be particularly affected.

Outlook

With the announced strategic reorientation, 2020 will be a transition year for Conzzeta. The timing of the sale of both the FoamPartner and Mammut business units remains to be seen. Conzzeta anticipates a difficult economic development due to the consequences of the coronavirus epidemic and is taking appropriate actions. In the current situation it is not possible to provide a concrete financial outlook for 2020. With regard to the continuing business, Conzzeta however expects Bystronic to outperform the relevant market development thanks to its innovative portfolio of products and services.

Zurich, March 2020



Ernst Bärtschi
Chairman of the Board
of Directors



Michael Willome
Group CEO

STRATEGY

Conzzeta is a diversified Swiss group of companies. It stands for innovation, market orientation and an entrepreneurial approach. About 5,000 employees at more than 60 locations worldwide work in the Sheet Metal Processing, Chemical Specialties and Outdoor segments. On December 9, 2019, Conzzeta announced the strategic focusing on the Sheet Metal Processing segment and its plan to divest all its other activities.



Having already completed the sale of the Glass Processing segment on April 1, 2019, Conzzeta announced its intention on August 9, 2019, to accelerate the development of the potential inherent in the remaining business portfolio, taking all options into account, and to decentralize management. This culminated in the announcement on December 9, 2019, that the Group's future focus would be on the Sheet Metal Processing segment (Bystronic), and that its other activities would gradually be sold within a year, as far as the market situation permits. Already on December 20, the conclusion of a binding agreement to sell the Schmid Rhyner business unit as part of the Chemical Specialties segment was announced, which was completed at the end of February 2020.

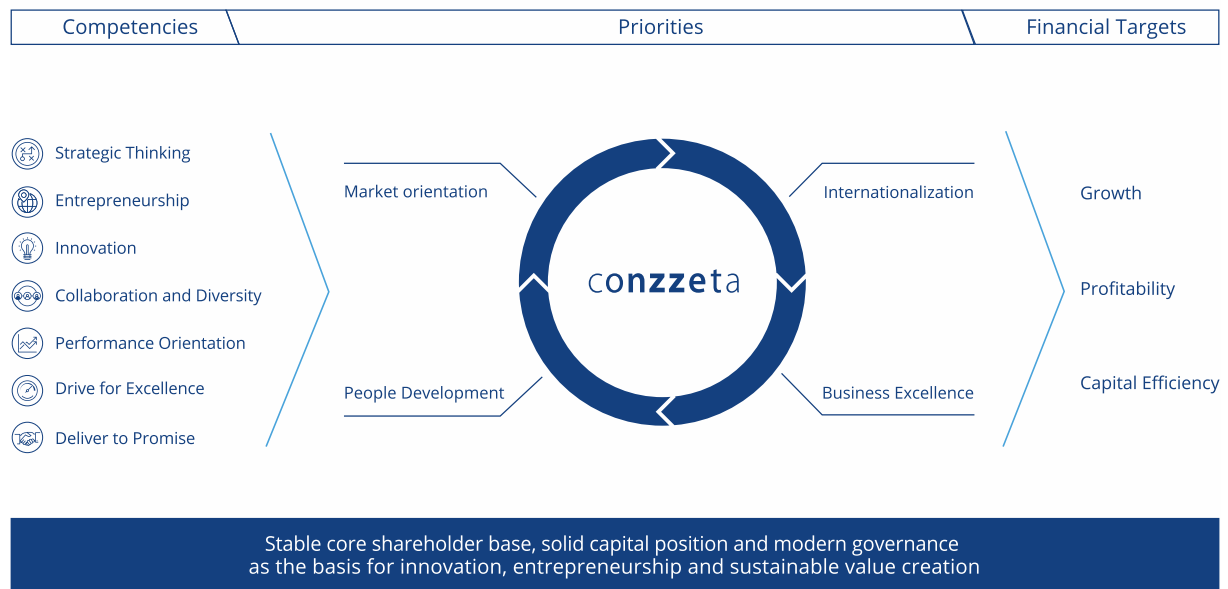
The decision to focus on becoming a technology-oriented industrial company is aimed at concentrating Conzzeta on its own strengths and accelerating the development of the potential created in recent years. With a net revenue share of 59.5% in 2019, Bystronic generated 88.2% of the Group's adjusted operating result. The company is one of the world's leading providers of premium sheet metal processing solutions. It takes care of automating and integrating the entire material and data flow of the cutting and bending process chain. The portfolio includes laser cutting systems, press brakes as well as automation and software solutions, which will play a central role in the global trend toward "smart factories". Comprehensive services complete the portfolio. As Conzzeta's largest business unit by far, it has reported annual average revenue growth of 13.3% since the beginning of 2016. Despite the market-related slowdown in 2019, Bystronic continues to pursue an ambitious growth strategy. With around 3,000 employees worldwide, the company is well set up, operating in numerous markets with an efficient and effective local sales and service organization. Among other things, it has opened up additional market and earnings potential with innovative digital solutions. Bystronic's strategy envisages accelerated growth, with the company intending to position itself even closer to its customers with new technical solutions and services.

According to the announcement of December 9, 2019, the intention is to sell the Chemical Specialties segment (FoamPartner and Schmid Rhyner) and the Outdoor segment (Mammut), which were still part of the Group as at December 31, 2019. In particular, a realistic assessment of Conzzeta’s own capabilities in terms of strategic development and considerations with regard to resource allocation played a role in the decision. Conzzeta’s decision was based on its claim to leading market positions in its target markets in order to ensure profitability and viability on a long-term basis.

The chart “Diversified management” shows the strategic priorities consistently pursued since 2016 and the individual competencies systematically promoted across the Group. These enabled value-generating progress in all business units, which should also pay off during the upcoming transformation process. Conzzeta will continue to rely on these foundations in 2020, a year of transition for the Group, and is planning a Capital Markets’ Day to present Bystronic’s growth strategy, probably in fall 2020. Conzzeta will continue to report on operational progress, including in the discontinued operations, on an ongoing basis.

The expected sales proceeds will further strengthen Conzzeta’s capital position, and it has already been announced that shareholders will participate in the anticipated surplus liquidity, while Bystronic is to remain sufficiently capitalized to implement its growth strategy. Taking into account the sale of Schmid Rhyner after the balance sheet date, the Board of Directors will therefore propose to the upcoming Annual General Meeting a dividend with special distribution (see [Business Review](#)).

Diversified management



Priorities, targets, performance

Priorities

Market orientation

The focus on Bystronic, which was announced in December 2019, is based on a realistic assessment of existing market positions and own capabilities. Bystronic holds a leading market position and has the critical size to make its mark in a dynamic market through innovation and enhance its presence in the growth regions. Ultimately, the other business units lack the access to global markets needed in order to survive in the intensely competitive environment over the long term.

Internationalization

We are hoping to develop Bystronic's potential to a greater extent outside our local European markets. We see significant opportunities, particularly in Asia and America. Since the beginning of 2016, revenue in Asia and America has increased by 77.1% (total increase reported for Bystronic: 64.5%). This included acquisitions in Asia and the strengthening of its sales network in various South-East Asian countries. An assembly & brand experience center is scheduled to be opened in the USA by the middle of 2020.

Employee development

We encourage and support our employees based on the Conzzeta competencies model. In 2019, we continued our Talent Development Program and launched a Senior Leadership Program. This further training program focuses on the topics of digitalization, customer focus and problem-solving skills. We will continue our programs in 2020, a year of transition, fully confident that they will equip our employees with the skills to shape change in a forward-looking way.

Business excellence

With a view to achieving sustainable improvements, we have been developing a Group-wide Business Excellence Program since 2016 based on the Six Sigma model, and have provided education and training to approximately 100 employees. The program includes measures in all business units that will make a significant contribution to results. Despite the Group's announced strategic reorientation, the program will consistently be continued in all business units, albeit with a more decentralized approach.

Financial targets (mid-term)

Net revenue

In the form in which the Group was previously structured, Conzzeta aimed to increase revenue by more than 5% at Group level. Assuming stable exchange rates and excluding changes in the scope of consolidation, revenue fell by 4.9% in 2019, as was expected in a weaker market environment. New medium-term financial targets are envisaged for the period after the sale of the discontinued operations.

Operating result

In the form in which the Group was previously structured, Conzzeta aimed to achieve an EBIT margin of between 8% and 10%. The EBIT margin in 2019 amounted to 8.7%, up from 8.2% in 2018 (not including the capital gain of CHF 29.9 million from the sale of the Glass Processing segment in 2019). New medium-term financial targets are envisaged for the period after the sale of the discontinued operations.

Capital efficiency

Conzzeta is aiming for a RONOA of more than 15%. The RONOA in 2019 was 25.6%, or 20.0% when adjusted for the capital gain from the sale of the Glass Processing segment. RONOA stands for return on net operating assets and is calculated after taxes. New medium-term financial targets are envisaged for the period after the sale of the discontinued operations.

Business Review Group

Margin increase in a challenging environment — focusing on Bystronic

The Conzzeta Group generated net revenue of CHF 1,573.2 million in 2019, down 11.7% from the previous year. On a comparable basis, i.e., at constant exchange rates and adjusted for changes in the scope of consolidation, the decline was 4.9%. The operating result (EBIT) at CHF 167.2 million was 13.9% higher than the previous year, or at the same level on a comparable basis. It includes an extraordinary gain of CHF 29.9 million from the sale of the Glass Processing segment in 2019. Not including this one-off gain, the EBIT margin improved by 50 basis points to 8.7%. At the beginning of December, Conzzeta announced that its strategic focus would shift to the Sheet Metal Processing segment and that it would divest all other activities. The aim is to rapidly develop the Group's existing strengths and unleash value potential.

Financial performance

Conzzeta's annual results for 2019 were strongly impacted by the sale of the Glass Processing segment, which was completed on April 1, 2019. Although the segment did not contribute to revenue or results for three quarters, the sale gave rise to a capital gain of CHF 29.9 million. Reflected in the Group's net revenue were the negative impact of all changes in the scope of consolidation (CHF 91.2 million) and the negative impact from exchange rate fluctuations (CHF 29.7 million). Following on from its 20.2% growth spurt in 2018, Conzzeta had originally forecast that net revenue in 2019 would remain in line with the previous year's figure, not including the sale of the Glass Processing segment, which had already been announced at that time. However, business performance demanded a downgrade of revenue expectations due to geopolitical and macroeconomic developments. This was communicated with the half-year results, whereby the annual profitability targets for 2019 were confirmed, with the operating result being more broadly distributed across the segments and an improved EBIT margin. The annual financial statements are generally in line with these expectations. Order intake in the Sheet Metal Processing segment was 7.3% lower than the previous year (or 6.5% on a comparable basis), with an order book level of CHF 242.3 million at the end of the year (-4.9%).

The challenging market environment in 2019 was marked, among other things, by global trade disputes, geopolitical uncertainty, disruptive changes in important industrial sectors and heightened competitive pressure. These factors affected the individual business areas differently. The Sheet Metal Processing and Chemical Specialties segments experienced the expected slowdown largely due to market conditions, while the Outdoor segment continued to grow despite the strong prior-year basis. At Group level, the first two quarters initially reflected the record high comparative basis of the previous year. In the third quarter, net revenue in the Sheet Metal Processing and Outdoor segments was then subdued, which was followed by a strong fourth quarter. In the Outdoor segment in particular, performance in 2019 would have been even better without the supply problems experienced in the third quarter, the causes of which were partially internal and partially external. On a regional basis, Group net revenue fell by 1.2% in America, 7.3% in Europe and 27.3% in Asia.

The operating result (EBIT) amounted to CHF 167.2 million, up 13.9% from the previous year. Adjusted for the aforementioned capital gain, it was 6.5% lower than the previous year, and at constant exchange rates as well as factoring in changes in the scope of consolidation, it was at the same level as the previous year, despite the decline in revenue. All of the segments contributed to the margin increase, with operational improvements and lower raw material prices having a noticeable positive effect in the Chemical Specialties segment, while the aforementioned supply problems in the Outdoor segment had a negative impact. The Sheet Metal Processing segment proved robust, reporting a margin increase of 10 basis points to 12.9%, despite a 7.6% decline in net revenue. This was due partly to its innovative range of products and services and active cost management, but also to certain non-recurring special factors.

The Group result for 2019 amounted to CHF 136.8 million, 19.2% above the previous year's level (CHF 114.8 million). The capital gain included in the Group result was tax-exempt, which had a favorable effect on the tax rate (18.1%) compared with the previous year (20.4%). At CHF 11.1 million, minority interests were significantly lower than in the previous year. They primarily relate to DNE Laser in China, which was taken over in March 2016. Firstly, its profit in 2019 was lower due to the significant slowdown in business, and secondly, in the second half of 2019, Conzzeta exercised its contractually agreed option to increase its equity holding from 51% to 70%. When adjusted for the capital gain derived from the sale of the glass business, the return on net operating assets was 20.0%, down from 23.1% the previous year, when the level of net operating assets was lower.

Financing, investments and divestitures

In January 2019, Conzzeta announced the sale of the Glass Processing segment to the Helsinki-based Finnish Glaston Group for an enterprise value of EUR 68 million (CHF 78 million), and the sale was completed on April 1. Largely as a result of the inflow of funds associated with this sale, cash and cash equivalents and short-term securities amounted to CHF 389.9 million as per mid-2019, or 7.1% higher than the previous year's figure. Therefore, in September 2019, an extraordinary general meeting approved the proposal of the Board of Directors for the repayment of CHF 62.1 million of excess liquidity reserves in the form of a special dividend. As at the end of 2019, cash and cash equivalents and securities amounted to CHF 300.9 million, down 22.8% from the previous year. The main reasons for this decrease were the aforementioned increase of the equity holding in DNE Laser, as well as the higher dividend payments and lower cash flow from operating activities.

Free cash flow from operating activities reached CHF 40.6 million in 2019, down from CHF 83.4 million the previous year. The decrease was primarily the result of lower business volumes and the increase of net operating assets, particularly within net working capital. Investments in fixed and intangible assets amounted to CHF 69.8 million, down from CHF 72.2 million the previous year. Notable single investments included the extensive renovation of the factory hall at the production site in Niederönz (Switzerland), which was completed in November 2019, the construction of an assembly plant in Elgin (USA) as well as two experience centers in Elgin (USA) and Incheon (Korea) in the Sheet Metal Processing segment, the expansion of the production facilities in Changzhou (China), and the construction of a new processing center for specialty industrial foams in Duderstadt (Germany) in the Chemical Specialties segment. Investments continued to be significantly higher than depreciation, resulting in a sustained high reinvestment rate of 1.8 (previous year 2.0).

Despite the lower level of cash and cash equivalents and securities, Conzzeta's equity ratio stood at 69.5% as at the end of 2019, with total assets down 7.3%, following on from an equity ratio of 67.8% the year before. Conzzeta thus continues to have a solid balance sheet to sustainably support its business development.

Strategic development

Conzzeta strives to achieve leading positions in the markets in which it operates, demanding that all of its business units contribute to achieving the Group's financial aspirations throughout their business cycles, namely by achieving revenue growth of more than 5%, an EBIT margin of 8% to 10% and a return on net operating assets of more than 15%. Despite significant operational improvements in previous years, the disposal of the Glass Processing segment at the beginning of April 2019 was prompted the realization that the potential for sustained growth as part of Conzzeta was limited for structural reasons.

The announcement on December 9, 2019, that the strategic focus would shift to sheet metal processing and that all other activities would be sold was preceded by a careful evaluation of all options, with the aim of accelerating the development of the potential that has been improved in all business units over recent years. The evaluation also included a realistic assessment of existing market positions and development prospects in the individual business areas, taking into account opportunities and risks of disruptive changes as a result of progressive digitalization and globalization. Since the introduction of the explicit internationalization strategy, revenue in the defined growth regions of America and Asia has increased disproportionately (by 49.7%) at Group level since the beginning of 2016. Nevertheless, the challenging market environment that prevailed in 2019 revealed the lack of economies of scale and, in particular, the lack of market access in the growth regions of Asia and North America. Added to this were the segments' one-sided earnings contributions. Although the operating result of the Chemical Specialties and Outdoor segments improved in the reporting year, the Sheet Metal Processing segment, to which 59.5% of Group revenue was attributable, still contributed 88.2% to the Group's adjusted operating result in 2019.

With its new focus on Bystronic, Conzzeta announced an accelerated growth strategy in this dominant business unit, while buyers with suitable, complementary prerequisites are being sought for the other business areas in order to release existing value. The various divestments are to be completed within a year if the market situation permits. The sale of the Schmid Rhyner business unit to the German Altana Group was already announced on December 20, 2019, with the sale being completed at the end of February 2020 and generating a substantial capital gain. Please see the section entitled "[Strategy](#)" for more information on Conzzeta's new strategic direction.

Business excellence and personnel development

Notwithstanding its new strategic direction, Conzzeta remains committed to the four strategic priorities that were introduced in 2016: market orientation, internationalization, business excellence and people development. Accordingly, investments to strengthen the company's presence and capacity to take action in the regions continued to be made in 2019. In a business environment that has become increasingly testing given the still challenging competitive environment and structural currency trends, efforts need to be made in all business units to maintain or improve margins by offering innovative, future-oriented products and solutions that meet the demands of the market.

Conzzeta did not fully achieve the Group's financial aspirations in any of its business units in 2019. This highlights the need for further operational improvements and the importance of strong market positions. This despite very considerable progress having been made in terms of profitability in the reporting year, which was partially attributable to the successful implementation of the Business Excellence (BEX) Program. Since the program was launched in 2016, around 100 employees have received training based on the Six Sigma and lean methods, a Group-wide methodology has been introduced and a portfolio of initiatives has been defined. Given the new situation as far as strategy is concerned, responsibilities are to be gradually returned to the business units. At the same time, goal-oriented execution of the defined initiatives remains a priority, independent of the question of ownership.

Further measures were also implemented in the area of personnel development during the reporting year. The Talent Development Program, which involved employees from all business units and regions, was conducted for a third time in 2019, with the fourth cycle starting in February 2020. The second cycle of the Leadership Program was launched in January 2020 in collaboration with a renowned training partner for the approximately 80 members of the Global Management Team (GMT). The Group competencies rolled out in 2017 as strategically relevant key skills have proven themselves in management training and in practice. Also in 2019, a large proportion of positions that had become vacant were filled with internal candidates.

The clear priorities and the training of specific skills since 2016 have favored operational improvements over recent years and, not least, have also contributed to the value-generating development of the business portfolio. Accordingly, they also form the basis for the implementation of our new strategic direction.

Risk management and corporate responsibility

Conzzeta is committed to value-oriented corporate management with a long-term perspective. The strategic assessment carried out in 2019 addressed the future viability of the individual business operations and their ability to survive. Relevant aspects were also included in the annual risk assessment and the materiality assessment, which was carried out for the first time in 2018. Conzzeta encouraged and will always encourage responsible corporate behavior and a consistent focus on innovation and sustainable customer value, while carefully managing risks, seamlessly adhering to the binding standards of conduct laid down in the Code of Conduct, and appropriately considering the interests of all stakeholder groups.

During the reporting year, for the fourth time, the audit schedule set by the internal audit function established in 2015 was carried out for the full annual cycle. In 2019, 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 and at Group level. It is linked to risk monitoring, plans of action and standardized reporting.

As at the end of 2019, the Group had identified five key risks:

- Competitiveness: missing out on technologies and trends, disruptive changes in new technologies, business models and other areas such as digitization.
- Portfolio risk: unprofitable business areas, strategic misjudgments of markets, missed M&A opportunities and failed acquisitions.
- Geographic expansion: insufficiently aggressive expansion of business in Asia and the US, resulting in continued subcritical mass and lost profits.
- Insufficient maintenance of adequate IT infrastructure and IT security.
- Personnel: losing important executives and key employees at the business unit and Group level in light of the company's strategic reorientation.

As part of the systematic review of environmental, social and governance (ESG) issues, Conzzeta conducted a materiality assessment in 2018 and, as announced, developed a reporting model based on that, the outcomes of which are discussed in the section entitled "Responsibility". They include initial steps in the Outdoor segment towards implementing the sustainability targets published in 2018 as part of the "We Care" strategy, including a reduction of harmful emissions consistent with the requirements of the 2015 Paris Agreement. Conzzeta also provides Mammüt with financial support for the Glacier Initiative, a political push to enshrine CO₂ reduction targets in the Swiss Constitution.

Appropriation of profit

The Group result for 2019 amounted to CHF 60.85 for each class A registered share and CHF 12.17 for each class B registered share, compared with CHF 46.76 and CHF 9.35, respectively in the previous year.

With the inflow of funds from the sale of the Schmid Rhyner business unit, which was completed at the end of February 2020, Conzzeta again has an excess cash position. The Board of Directors had announced that sales proceeds surpassing the needs of Bystronic shall be distributed to shareholders. After an overall assessment, taking into account, among other things, the operating margin expansion in the 2019 financial year and the uncertain environment for 2020 on one hand, and the aforementioned inflow of funds on the other, the Board of Directors proposes to the Annual General Meeting on April 22, 2020, a dividend with a special distribution in the amount of CHF 86.9 million. This comprises a dividend at the previous year's level of CHF 37.3 million and the distribution of excess liquidity reserves of CHF 49.7 million. Subject to the approval of the Annual General Meeting, CHF 42.00 will thus be paid out for each class A registered share and CHF 8.40 for each class B registered share.

Employees

At the end of 2019, the Conzzeta Group had 5,026 employees worldwide, compared with 5,259 the previous year. The decrease is attributable to the sale of the Glass Processing segment with 436 employees. In the other segments, particularly in the Sheet Metal Processing segment, however, the workforce was expanded in the course of 2019. Traditionally, Conzzeta Group companies have participated in apprentice training programs. At the end of 2019, 151 apprentices were in training at 9 locations in a total of 25 disciplines.

The expertise, flexibility 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 2019. Considerable effort will also, however, 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, particularly also in the context of the strategic reorientation of the Group.

Outlook

With the announced strategic reorientation, 2020 will be a transition year for Conzzeta. The timing of the sale of both the FoamPartner and Mammut business units remains to be seen. Conzzeta anticipates a difficult economic development due to the consequences of the coronavirus epidemic and is taking appropriate actions. In the current situation it is not possible to provide a concrete financial outlook for 2020. With regard to the continuing business, Conzzeta however expects Bystronic to outperform the relevant market development thanks to its innovative portfolio of products and services.

SHEET METAL PROCESSING – BYSTRONIC

Solutions for cutting, bending and automation.

The Sheet Metal Processing segment generated net revenue of CHF 936.0 million in 2019 (previous year: CHF 1,013.2 million). On a comparable basis, i.e., at stable exchange rates, revenue declined by 6.4%. The operating result amounted to CHF 121.1 million (CHF 132.5 million), yielding an EBIT margin of 12.9% (12.8%). Factors that contributed to the improved EBIT margin despite the lower sales volume included not only the innovative range of products and services, but also process improvements, active cost management and certain non-recurring special factors in the amount of CHF 6.7 million. The significant decline in revenue in Asia was partially compensated for by sustained growth in America, while revenue in Europe was slightly weaker. Net revenue in the “Cutting” product segment was lower than in the previous year, while revenue increased in the “Bending” and “Service” segments. As expected, the business environment cooled in 2019, and customers showed a declining tendency to invest in individual machines. By contrast, demand for automation solutions and the associated software trended upwards. Order intake was CHF 929.4 million, down 7.3% from the strong year before, and the order book level was CHF 242.3 million (CHF 254.8 million).

In a competitive market subject to constant pricing pressure, investments to enhance market presence continued to be made and the organization was strengthened in preparation for structural growth opportunities. The renovation of a factory hall at the Niederönz site was completed on time in December. The assembly plant and the experience centers in the USA, where visitors can gain on-site insight into the future of smart factories, are scheduled to be opened by the middle of 2020. New sales and service companies were established in South Africa and Thailand over the course of the reporting year. As part of the company’s growth plans in Asia, in 2019 the equity interest in the Chinese company DNE Laser was increased from 51% to 70% and a project was launched to build an experience center and a new office building in South Korea.

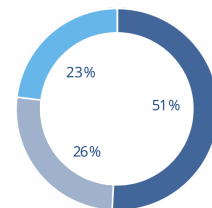
Overview Bystronic

Head: Alex Waser

Presence: worldwide, 32 sales and service companies; 7 development and production sites in Switzerland, Germany, Italy and China; 2 used machinery centers in Romania and the USA.

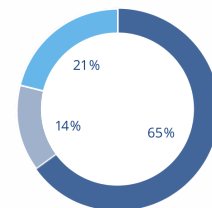
www.bystronic.com

Net revenue by region



- Europe
- Americas
- Asia and Other

Net revenue by product



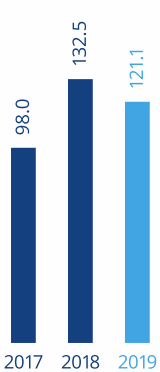
- Cutting
- Bending
- Services

As intended, progress was made in 2019 to build-up of the “Automation” and “Software Services” competence centers with the aim of exploiting the opportunities arising from the digital transformation in connection with the current “World Class Manufacturing” campaign. A roadmap was drawn up for this purpose and collaboration with external partners was intensified. In the context of the new products launched in 2019, the focus in the top customer segment was directed at flexible automation and integrated manufacturing cells with comprehensive software solutions for both machine control and end-to-end production and order management. In the coming years, an offensive product strategy will be adopted to improve the market position in the mid-range price segment through significant growth. This will include the introduction of the next generation of BySmart Fiber cutting systems, which have also been manufactured at the Niederörsz site since September 2019, and not just in China. Starting in 2020, these systems are also intended to be assembled at the new factory in the USA. The products launched in the mid-range price segment also included bending systems and automation solutions. Finally, a new generation of cutting systems was also launched in DNE Laser’s Chinese entry-level product segment, which was in decline and hotly contested in 2019, and initial steps were taken toward developing the export business.

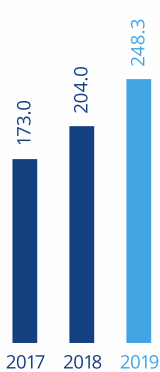
Net revenue
(in CHF m)



EBIT
(in CHF m)



Net operating assets
(in CHF m)



Number of employees



CHEMICAL SPECIALTIES – FOAMPARTNER AND SCHMID RHYNER

Polyurethane foams and print finishing.

The Chemical Specialties segment generated net revenue of CHF 346.6 million in 2019 (previous year: CHF 382.9 million). On a comparable basis, i.e., at stable exchange rates, revenue declined by 7.9%. The operating result amounted to CHF 14.2 million (CHF 5.8 million), yielding an EBIT margin of 4.2% (1.5%). In a generally weaker market environment characterized by across-the-board inventory downsizing by customers and disruptive changes in the automotive sector towards electro-mobility, specific challenges such as the partial realignment of the business in America and competitive pressure in China had an additional negative impact. Accordingly, net revenue declined in all regions and market segments. Thanks to significantly lower raw material costs and internal profitability improvements in the FoamPartner business unit, which was responsible for 86% of the segment’s revenue, the EBIT margin increased despite the decline in revenue. Against this, raw material costs in the Schmid Rhyner business unit were higher than in the previous year, which, coupled with an unfavorable trend in the product mix, impacted its operating result.

In the FoamPartner business unit, work continued steadily on the implementation of the multi-layered measures to realize the medium-term margin potential, with some of those measures having already been defined in 2017 and 2018 following the takeover of Otto Bock Kunststoff and the streamlining of the joint venture structures in Asia and America. The measures include optimization of business processes, modernization of management systems and the investment program to improve production infrastructures in Europe. At the Duderstadt site in Germany, construction work began on a new processing center, which will be opened during the first half of 2020. This will allow parts of production to be relocated, resulting in increased efficiency, and will also enable the planned closure of the Stadtallendorf plant by the middle of 2020. On the product front, considerable efforts were made to enhance profile by means of customized “Best in foam” solutions. Such efforts included the widespread launch of OBoSky® products in the largest market segment, “Mobility”. These products combine high-quality surfaces for vehicle roof lining with the lowest emission levels. The efforts also included the development of new acoustically effective and thermo-insulating solutions for electro-mobility, usually in direct collaboration with renowned automobile manufacturers. Progress was also made with innovative projects in the “Living & Care” and “Specialties” market segments. For example, “Tecciö.science” was introduced, a patented solution which digitally monitors and improves sleep by dynamically controlling mattress firmness. Further product launches included new foam solutions for toner rolls in laser printers and cryogenic insulating solutions for gas liquefaction systems.

Overview FoamPartner

Head: Michael Riedel

Presence: worldwide sales network in 58 countries; 14 production, processing and sales locations in Europe, Asia/ Pacific and America

Overview Schmid Rhyner

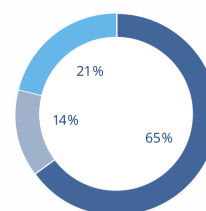
Head: Jakob Rohner

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

www.foampartner.com

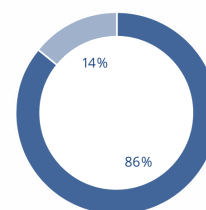
www.schmid-rhyner.com

Net revenue by region



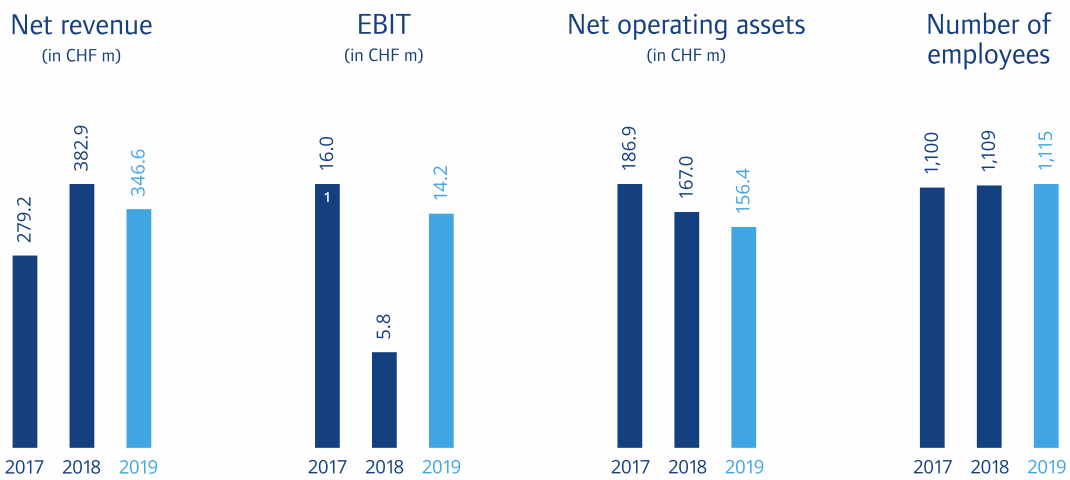
- Europe
- Americas
- Asia and Other

Net revenue by business unit



- FoamPartner
- Schmid Rhyner

Work was also carried out to develop the range of innovative products in the “Coatings” market segment of Schmid Rhyner. For example, suitable “low migration” digital UV coatings were developed and made ready for market, and an environmentally compatible coating was developed as a substitute for film-laminated cardboard, and new tactile effects were introduced to replace “Cast & Cure”. The assessment of options for realizing value potential more quickly, which was announced by the Group in August 2019, quickly led in Schmid Rhyner’s case due to the lack of a critical mass to an evaluation of suitable buyers. A binding agreement for a sale was entered into at the end of December 2019 with the German specialty chemicals’ group Altana, subject to regulatory approval. Altana enjoys far better global market access and will be able to proceed with commercializing the technologies available at Schmid Rhyner significantly more quickly and with greater prospects of success. In FoamPartner’s case as well, the review of options to accelerate the development of the existing potentials revealed value-enhancing opportunities from the expected consolidation of the market. These will be assessed during the course of 2020 with a view to a sale.



¹ Excluding capital gain of CHF 8.8 million.

OUTDOOR – MAMMUT SPORTS GROUP

Clothing and mountaineering equipment.

The Outdoor segment generated net revenue of CHF 268.4 million in 2019 (previous year: CHF 253.4 million). On a comparable basis, i.e. at stable exchange rates, revenue increased by 6.8%. The operating result amounted to CHF 7.5 million (CHF 5.2 million), yielding an EBIT margin of 2.8% (2.1%). The result includes a weak delivery performance in the third quarter with declining sales and loss of earnings due to the processing of defective textiles by a supplier as well as internal difficulties in providing the largely renewed collection across the expanded sales channels. Despite this, revenue for the year increased in all three regions, Europe, America and Asia. The high level of acceptance of the newly launched products as well as the development of digital sales channels as part of the five-year strategic plan started in 2016 had a favorable impact.

The evaluation of options to accelerate development, which was announced by the Group in August 2019, led to the realization that there is significant growth potential, particularly in the target markets outside Europe. Since the Group ultimately does not have the necessary market access outside Europe, a suitable buyer will be sought, who will be able to realize this potential and therefore be able to further strengthen the future viability of the brand. This can be built on the progress made in the ongoing strategy program, which laid the foundations for further profitable growth in the context of changing consumer habits and the ongoing shift from stationary to online stores. To this end, cooperation with specialist retailers was selective strengthened, online channels were expanded and the collection was extensively rejuvenated.

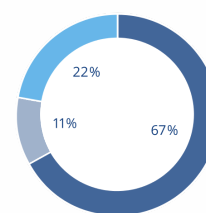
Overview Mammut Sports Group

Head: Oliver Pabst

Presence: worldwide sales network in 40 countries; head office and product development in Seon (Switzerland)

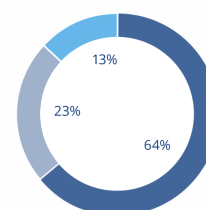
www.mammut.com

Net revenue by region



- Europe
- Americas
- Asia and Other

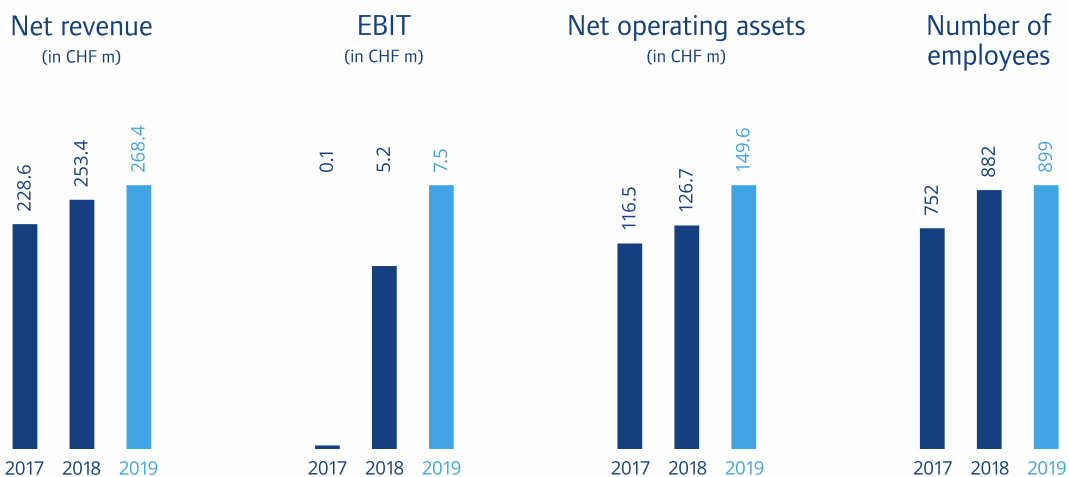
Net revenue by product



- Apparel
- Hardware
- Footware

The progressive implementation of the strategy necessitated special business excellence measures in 2019 to optimize processes, consolidate the transformed organization and to manage the increasing complexity as growth continued. Measures taken in 2019 to expand the scalable business models included the ongoing development of the digital platform strategy and linking consumer-relevant content with commercial offers. To this end, 120 products were fitted with “Mammut Connect” at the end of 2019, which, through NFC technology, allows customers to access comprehensive product information on demand, use additional services or be part of a digital social network. The online store was available in 19 markets at the end of 2019, and Mammut’s presence on digital marketplaces was expanded globally. The streamlining of the monobrand store network also continued, including newly designed and/or additional points of sale.

With innovative products, a consistent pricing strategy and a reduction in the number of styles, the Group managed to further increase the gross margin in 2019 as well. The release of the “Photics” jacket represented, among other things, the launch of the world’s first laser-fused and therefore waterproof quilted down jacket, which received the “ISPO Winner Award”. Innovations introduced to the market also included clothing manufactured from left-over or recycled materials to meet customer demand for environmentally friendly and sustainably produced products, which are also lighter and more versatile in urban areas.



RESPONSIBILITY

Conzzeta ESG roadmap

Conzzeta is in constant pursuit of sustainable value creation. This requires giving adequate consideration to environmental, social and governance (ESG) issues in management processes, as well as transparent communication. An internal review was performed in 2017 as part of a three-stage roadmap adopted by the Executive Committee. On the basis of this, a materiality assessment was prepared in 2018, and the key issues for the Group were published in the [Annual Report 2018](#). The third step, taken in 2019, was to develop an ESG reporting model for these key issues.

Conzzeta’s ESG reporting model

Conzzeta’s ESG reporting model is based on a detailed analysis of all business units and describes the approach to be taken to ensure consistent reporting on each key issue. This involves recording the most important aspects, such as opportunities and challenges, aspirations, the basic managerial approach, and indicators for measuring the actual state of affairs and improvements.

The first phase in the development of the reporting model was to determine, with input from the Executive Committee, the long-term aims and aspiration levels for each key issue. The second phase was to carry out a comprehensive stocktaking in order to identify existing managerial approaches and activities. This also included reviewing data availability for Group-wide ESG indicators. During the third phase, the findings were consolidated and an implementation plan was formulated.

The general managerial approaches for each key issue form an important component of the reporting model. They define the level at which an issue is dealt with: at Group level, or moderated by the Group, or primarily dealt with at the business unit level.

	Material topic	Approach ¹	Aim
Environmental aspects	Energy & Climate Change	2	To reduce greenhouse gas emissions and energy consumption in the organization, the supply chain and the products in order to support the transition to a low-carbon economy.
Environmental aspects	Chemicals in Production	3	To minimize potential hazardous impacts of chemicals.
Environmental aspects	Longevity & Cyclability	3	To lengthen the lifespan of products to the extent technically and economically feasible, and at the same time to continually invest in the transformation to a circular economy.
Social aspects	Product Safety	3	To avoid negative impacts on health and safety caused by products and services, and to promote products with neutral or positive health and safety profiles.
Social aspects	Working Conditions	1 / 3	To increase employee satisfaction and to provide a safe, healthy and attractive work environment.
Social aspects	Diversity & Inclusion	1	To promote diversity and inclusion by increasing or maintaining gender diversity, age diversity and diversity of ethnic/cultural background.
Economic aspects	Innovation	2	To promote sustainable innovation with long-term values for society, the environment and the economy.
Economic aspects	Viability of Business Model	2	To ensure the long-term sustainability of business models by incorporating long-term perspectives and megatrends in strategy determination and decision-making processes.
Economic aspects	Economic Performance	2	To maintain the healthy economic condition of the company.

¹ Approach: 1) Group 2) Moderated by the Group 3) Business units

Outcome

Over the course of the project, the Executive Committee adopted a managerial approach, an aspiration and an aim for each key issue specifically, and agreed on the next steps for implementation. In time, Conzzeta aims to play a pioneering role in the areas of innovation and longevity & recyclability. Additional resources were budgeted in 2020 for the implementation of measures in connection with the broad issue of climate change & energy, including calculation of the CO₂ footprint of selected production facilities of Bystronic and FoamPartner. The Executive Committee also decided to give greater consideration to the issue of longevity & recyclability in product management and innovation processes.

Next steps

Implementation of the ESG reporting model, which should have commenced with this Annual Report 2019, was halted due to the new strategic direction announced on December 9, 2019. As part of reorganizing its priorities, in 2020 the Group plans to review the key issues insofar as they concern Bystronic as an independent business, and to calculate the CO₂ footprint of Bystronic's Niederörsz facility. The discontinued business units have laid solid foundations based on the materiality assessment carried out in 2018 and the detailed reporting model developed in 2019.

Developments within the business units

The Outdoor segment (Mammut) has been involved in sustainability space for many years. The company has been a member of the Fair Wear Foundation for over ten years, and in this context has been publishing a [Social Report](#) since 2009. In addition, the "WE CARE" sustainability strategy was launched in 2018 to ensure greater consideration of social and environmental matters. It involves four key priorities: the protection of natural resources, ethical production, animal welfare and minimizing harmful substances in supply chains and products.

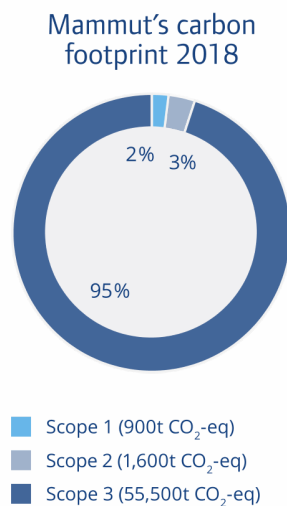
The company also signed the UN Fashion Industry Charter for Climate Action in December 2018. In doing so, Mammut committed to a 30% reduction in CO₂ by 2030. It is also aiming for "net zero emissions" by 2050 – an ongoing strict reduction in CO₂ levels which corresponds with the requirements of the 2015 Paris Agreement. As part of these commitments, Mammut is also working with the Swiss Glacier Initiative with financial assistance from Conzzeta. This initiative is a political push to enshrine CO₂ reduction targets in the Swiss Constitution.

Reduction of harmful emissions

In order to meet its ambitious reduction targets, Mammut calculated its CO₂ footprint in 2019. The process of calculating emissions was carried out with external support in accordance with the Greenhouse Gas Protocol. The process to determine emissions distinguishes between three different categories, which are referred to as scope 1 (direct emissions from sources owned or controlled by the company), scope 2 (indirect emissions from the generation of purchased energy) and scope 3 (indirect emissions from product manufacture and use). The data collected therefore includes CO₂ emissions along the entire value chain and for the entire range of products and services.

For the year 2018, Mammut's CO₂ footprint was 58,000 t of CO₂ equivalents. This corresponds with approximately 15,500 cars driven permanently during a one-year period, or 27,000 times the average annual energy consumption of one household. Around 95% of these emissions were classified as scope 3 emissions, primarily in product manufacture (approximately 72% of the total CO₂ emissions). At around 5%, the level of scope 1 and 2 emissions was low in the overall balance.

Based on these findings, Mammut plans to develop specific and effective measures in the areas of product manufacture and product use by customers in order to reduce scope 3 emissions in 2020.



Corporate Governance

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Corporate Governance

Conzzeta attaches great importance to good Corporate Governance and the provision of detailed information for shareholders. In this section, the Committee Chairmen report on their activities in 2019. These accounts are followed by the Corporate Governance Report based on the Swiss Stock Exchange Directive on Information relating to Corporate Governance as well as the Compensation Report.

Report of the Human Resources Committee



“Focusing the Conzzeta Group.”

Philip Mosimann
Chairman of the Human Resources Committee

Measures for an attractive working environment

The Human Resources Committee, made up of Philip Mosimann (Chairman), Robert F. Spoerry and the newly elected Urs Riedener, met five times during 2019. As a general rule, the Chairman of the Board of Directors, the Group CEO and the Group HR manager also participate in meetings of the Human Resources Committee in an advisory capacity, albeit not when it comes to determining their own salaries.

The more decentralized management of the business units announced in August, followed by the announcement in December of the decision to focus on growth in the Sheet Metal Processing segment, largely determined the activities of the Human Resources Committee. In spite of the reorganization, the forward-looking further education and training of employees continued to be prioritized, and cooperation was further supported. Based on the results of an employee satisfaction survey carried out worldwide in 2019, site-specific action plans were developed in order to make the working environment more attractive and to facilitate the recruitment of talent.

In order to implement the strategic reorientation in the interests of all stakeholder groups, the Human Resources Committee decided to introduce a retention scheme for the Executive Committee, other levels of management and selected specialist staff members. The aim of the scheme is to ensure, for a certain period, the loyalty of employees whose jobs could be jeopardized by the organizational changes, and at the same time offer them a certain degree of security. The scheme sets out criteria which are required to be met in order for an employee to be eligible for payment of the retention bonus. These criteria include being in employment with no notice of termination as at a specified date, the achievement of agreed targets in the 2020 financial year, and active and constructive cooperation in the Group's reorganization.

The compensation budgets for the Board of Directors and the Executive Committee as approved at the 2018 and 2019 Annual General Meetings were adhered to in accordance with the Articles of Association. At the Annual General Meeting in 2020, the shareholders will decide on the future compensation budgets for the Board of Directors and the Executive Committee and voice their opinion on the 2019 compensation report by means of a consultative vote.



Philip Mosimann
Chairman of the Human Resources
Committee

Report of the Audit Committee



“Extensive IT assessment carried out.”

Roland Abt
Chairman of the Audit Committee

“Detailed investigations in the areas of M&A, taxes and IT”

In 2019, the Audit Committee was made up of Matthias Auer and Roland Abt (Chairman). Urs Riedener was a member of the Audit Committee until the Annual General Meeting in April 2019, after which he switched to the Human Resources Committee. Four meetings were held in 2019. The Chairman of the Board, the Group CEO and the Group CFO generally also attend the meetings in an advisory capacity alongside the committee members. Where items of relevance to the external auditors are on the agenda, their representatives are also present.

In addition to addressing the standard topics such as the annual and half-year financial statements, risk management and internal and external auditing, a detailed review was again conducted of selected aspects of financial management.

Conzzeta has become increasingly active in the area of acquisitions and divestments, particularly since the Board of Directors announced its decision in December to focus on Bystronic in future, and to sell its other operations. The Audit Committee assessed the existing standard processes and asked management to further specify the defined stages, obligations and responsibilities and to adjust the relevant reporting. The applicable valuation method was also assessed.

The internal audit function, which is carried out by the accountancy firm Deloitte, performed valuable work again in the reporting year. Seven audits were carried out, and the Audit Committee discussed the findings in detail. It also considered and approved the audit schedule for 2020. The Audit Committee monitors the progress of work by management to address follow-up items identified during the audits.

Conzzeta complied early (starting in the 2016 financial year) with the country-by-country reporting that was recently introduced by the legislator as part of the internationally agreed exchange of information between countries. The Audit Committee made certain that adequate measures to avoid tax risks are being taken.

An IT assessment was carried out for the Conzzeta Group in order to determine how well we are positioned in terms of organization, systems, applications and outsourcing partners. An action plan for each business unit was developed from the findings. The appropriate integration of information technology in all business activities is increasingly critical for success. In order to ensure cyber security, extensive measures were resolved for 2020, which also include Group-wide IT awareness training.

According to Conzzeta's corporate governance rules, tenders would have to be called again by 2020 for the role of external auditor. Given the Group's new strategic direction, the Audit Committee has postponed the tender process in consultation with the Board of Directors until the new structure has been implemented.



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 Swiss Stock Exchange as valid on December 31, 2019, 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.

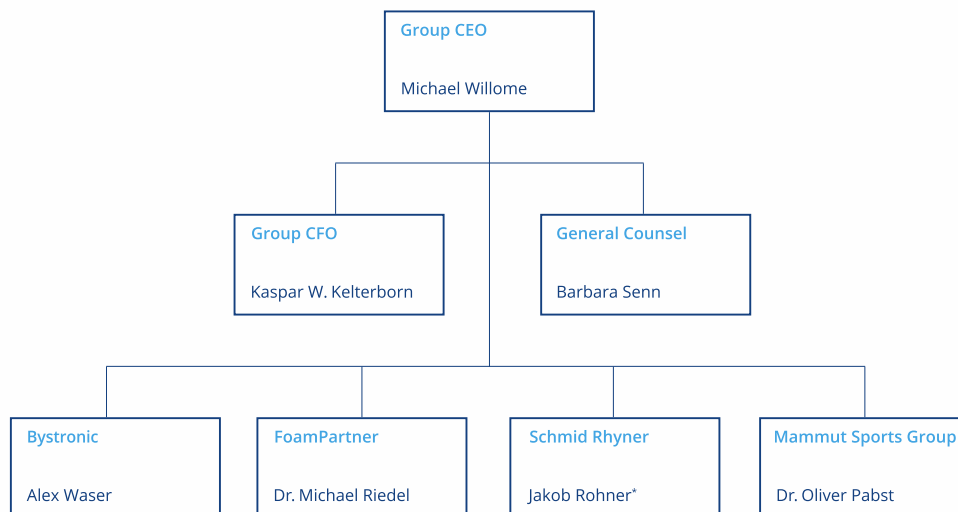
Much of the following information has been taken from the Articles of Association and Organizational Regulations of Conzzeta AG. These two documents may be consulted on the website of Conzzeta AG.

1 Group Structure and Shareholders

1.1 Group Structure

The Conzzeta Group was made up on December 31, 2019, of the four business units Bystronic, FoamPartner, Schmid Rhyner and Mammüt Sports Group. The business unit Bystronic glass was sold effective April 1, 2019, and the business unit Schmid Rhyner was sold effective February 28, 2020 (regarding the latter, see also [Section 10 “Significant Changes since the Balance Sheet Date”](#)). 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 listed in [Section 4.2. 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 Swiss Stock Exchange. The stock market capitalization (Class A registered shares) on December 31, 2019, amounted to CHF 2,112,012,000, while the total capitalization (Class A registered shares and Class B registered shares) amounted to CHF 2,392,920,000.

Organization chart as at December 31, 2019



*Until February 28, 2020.

1.2 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 listed in the Financial Report under [Notes to the Financial Statements of Conzzeta AG](#). During the reporting year, no disclosure reports were made. Previous disclosure reports may be consulted on the website of the Swiss Stock Exchange (<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>). On December 31, 2019, the share of voting rights of the shareholder group Auer, Schmidheiny and Spoerry in Conzzeta AG amounted to 51.138%. Out of this figure, 0.138% relate to treasury shares held by Conzzeta AG.

1.3 Cross-Shareholdings

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

2 Capital Structure

2.1 Capital

According to Article 3 of the Articles of Association of Conzzeta AG, the share capital amounts to CHF 4,140,000, consisting of 1,827,000 Class A registered shares with a nominal value of CHF 2.00 each and 1,215,000 Class B registered shares with a nominal value of CHF 0.40 each. On December 31, 2019, the company did not have any conditional or authorized capital.

2.2 Changes in Capital

There has been no change in the share capital of Conzzeta AG in the last three reporting years.

2.3 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.

2.4 Dividend-Right Certificates

Conzzeta AG has not issued any dividend-right certificates.

2.5 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.

2.6 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.

2.7 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	3,654,000.0	486,000.0	4,140,000.0

3 Board of Directors

3.1 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, 2019, it was composed of eight members¹.

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
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
Michael König ²	Member of the Board of Directors	2019

¹⁾ Werner Dubach was a member of the Board of Directors from 1993 until April 16, 2019.

²⁾ Michael König has been a member of the Board of Directors since April 16, 2019.

3.2 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.



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 the Swiss Management Association (SMG) and a member of the executive committee of the Institute for Marketing at the University of St. Gallen.



Michael König

Dipl. Ing. chemical engineering, University of Dortmund, born in 1963, a German national. Since December 2019 he has been Chief Executive Officer of Elkem ASA, a listed company in Oslo, Norway. From 2016, he was previously Chief Executive Officer of China National Bluestar (Group) Co., Ltd, a Chinese state-owned company with global operations and a registered office in Beijing, the People's Republic of China. Until 2015, he held various management positions at Bayer AG, Leverkusen (Germany), and was a member of the executive board between 2013 and 2015. Michael König has spent more than ten years of his whole career in various positions in the People's Republic of China.



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.



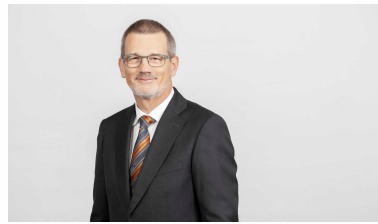
Dr. Matthias Auer

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



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 chairman of the board of directors of Aargau Verkehr AG (AVA), Aarau. 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).



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.

Werner Dubach <https://report.conzzeta.com/2018/en/board-of-directors/> did not stand for reelection to the Board of Directors at the Annual General Meeting of April 16, 2019. The Annual General Meeting elected Michael König as a new member of the Board of Directors.

No member of the Board of Directors has worked in an executive role for the Conzzeta Group within the last four years and 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 (under Financial Report, [Notes to the Financial Statements of Conzzeta AG](#)).

When filling future vacancies, it will continue to ensure that the Board has a diverse composition in terms of experience, knowledge of the sector, geographical origin and gender.

3.3 Rules Contained in the Articles of Association Relating to the Number of Permitted Activities under Article 12 para. 1 point 1 OaEC³

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.

³⁾ Ordinance against Excessive Compensation at Listed Joint-Stock Companies.

3.4 Elections and Terms of Office

The date of first election to the Board of Directors of each member is presented in the table under Section 3.1 "Members of the Board of Directors". 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.

3.5 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", Section 3.6). The Articles of Association and the Organizational Regulations of Conzzeta AG may be consulted on the company's website <https://conzzeta.com/en/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 three half-day and four full-day meetings, one two-day meeting as well as two half-hour telephone conferences. Three members of the Board of Directors were unable to attend one meeting each but two of them were linked in by telephone for an important agenda item. The other members of the Board of Directors were present at all 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, representatives of external advisors were invited to two meetings in relation to various agenda items.

Cooperation between the Board of Directors and its Committees

The Board of Directors may establish committees, 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. After Conzzeta AG announced a more decentralized management and the evaluation of options for the accelerated development of the present potential in all business units in August 2019, the Board of Directors created three additional committees. In connection with the new strategic focus which was announced in December 2019 (see in this regard the details on [Business Review](#)) these committees will accompany the implementation in the business units Bystronic, FoamPartner and Mammut Sports Group.

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 Human Resources Committee and the Audit Committee report on their activities, results and proposals at the next Board of Directors meeting. The Board of Directors is informed immediately of important events. 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 16, 2019. These are namely Philip Mosimann (Chairman), Urs Riedener and Robert F. Spoerry. Urs Riedener was newly elected and replaced Werner Dubach who stepped down from the Board of Directors. 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 the Compensation Report, Section 2, [Priorities in 2019](#).

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 of members of the Executive Committee for the attention of the Board of Directors;
- 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 Human Resources Committee meets at least twice annually. In the reporting year, five meetings each lasting around two hours were held. Additional details can be found in the Compensation Report, Section 2 "[Priorities in 2019](#)" as well as the [Report of the Chairman of the Human Resources Committee](#).

Audit Committee

The Audit Committee consists of Roland Abt (Chairman) and Matthias Auer (as well as Urs Riedener until April 16, 2019). 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 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 three meetings lasting four to five hours and one meeting of just under one hour. Additional details can be found in the [Report of the Chairman of the Audit Committee](#).

BU Committees

During the reporting year, the Board of Directors formed three new committees for the business units Bystronic, FoamPartner and Mammut Sports Group (hereafter "BU Committees"). The three BU Committees each comprise the Group CEO, the Chairman of the Board of Directors, an additional member of the Board of Directors, and other individuals as required. The three committees have consisted of the following members since they were formed:

- Bystronic Committee: Michael Willome (Chairman), Ernst Bärtschi and Roland Abt
- FoamPartner Committee: Michael Willome (Chairman), Ernst Bärtschi and Michael König
- Mammut Committee: Michael Willome (Chairman), Ernst Bärtschi and Urs Riedener

The main responsibilities of the BU Committees are as follows:

- Supporting the new strategic focus of the Conzzeta Group;
- Determining and providing support for all appropriate measures necessary to achieve in a timely fashion the business unit strategy adopted by the Board of Directors, the budget and the strategic financial planning;
- Reviewing progress in implementing the business unit strategy, achievement of the budget, and compliance with the strategic financial planning;
- Assessing the composition of the management of the relevant business unit and its cooperation; and
- Additional responsibilities delegated to them by the Board of Directors.

The BU Committees are to meet at least three times each year starting in 2020. Their meetings will normally also be attended by the head of the business unit and, in relation to individual agenda items, the members of the management of the relevant business unit. The BU Committees have each had a meeting lasting around four hours during the reporting year.

3.6 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. 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 business units 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 the strategic financial planning for the Group and business units;
- Examination and approval of the (annual and half-year) financial statements and Group and business unit 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 threshold values for which lie between CHF 3 and 10 million, depending on the transaction.

3.7 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 along with important developments, projects and risks. The heads of the business units inform the Board of Directors at every meeting of the most important key performance indicators and the development of their business unit, as well as any deviations from the budget and strategic financial planning based on analyses of the performance of the 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 "[Risk Management and Corporate responsibility](#)" in the Business Review. 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, nine internal inspections were carried out by Deloitte. The internal auditors attended three 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. Special documents are prepared concerning important individual transactions, which are explained by the persons responsible at the meetings of the Board of Directors.

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 Section 3.5.

4 Executive Committee

4.1 Members of the Executive Committee

On December 31, 2019, the Executive Committee was composed of the following persons¹:

Name	Function	In office since
Michael Willome	Group CEO	2016
Kaspar W. Kelterborn	Group CFO	2006
Dr. Oliver Pabst	CEO Mammut	2016
Dr. Michael Riedel	CEO FoamPartner	2018
Jakob Rohner ²	CEO Schmid Rhyner	2011
Barbara Senn	General Counsel	2014
Alex Waser	CEO Bystronic	2013

¹ As Head of the Bystronic glass business unit, Dr. Burghard Schneider was a member of the Executive Committee from 2014 to April 1, 2019.

² Until February 28, 2020.

4.2 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.



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 advisor and corporate compliance officer (2002 to 2010) and, between 1996 and 2001, as legal counsel at the Rieter Group in Winterthur.



Dr. Michael Riedel

Dr. rer. nat., born in 1968, a German national. From 2009, he held various positions at Clariant, including as Head of Business Excellence, overseeing the integration of Süd-Chemie, as Head of the EMEA region in the area of “Industrial and Consumer Specialties”, and most recently as Group Head Human Resources. His earlier professional career included management positions in research and development, production and operations at Höchst, Celanese and SGL Carbon.



Kaspar W. Kelterborn

lic. oec. HSG, born in 1964, a Swiss national. Between 2003 and 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, and Suhner Holding AG, Brugg.



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 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.



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.

Upon the closing of the sale of the business unit Bystronic glass to the Finnish Glaston Group on April 1, 2019, Burghard Schneider (<https://report.conzzeta.com/2018/en/executive-committee/>) stepped down from the Conzzeta Executive Committee and left the Group.

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

4.3 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 Board¹ 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.

¹⁾ The term “Executive Board” 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 Executive Committee.

4.4 Management Contracts

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

5 Compensation, Shareholdings and Loans

5.1 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, [Section 1](#) and [4 - 6](#).

5.2 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

6.1 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.

6.2 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.

6.3 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.

6.4 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.

6.5 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

7.1 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).

7.2 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 granted to certain employees of Conzzeta Group (restricted share units; see further [Compensation Report, Section 4.2.3](#)), 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, Section 4.2.3](#)).

8 Auditors

8.1 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. Based on Conzzeta's internal rotation rules according to which tenders for the role of statutory auditors are called every ten to fourteen years a new tender should be made until 2020. Given the Group's new strategic direction, the Audit Committee has postponed the tender process in consultation with the Board of Directors until the new structure has been implemented. The chief auditor, François Rouiller, has been responsible for the mandate since financial year 2017. According to Article 730a (2) CO, the chief auditor changes every seven years.

8.2 Auditing fee

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

- Auditing fees: CHF 1,626,000.
- Additional fees for consultancy services in connection with acquisitions, taxes and transfer pricing: CHF 491,000.

8.3 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](#)", Section 3.7.

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, and reports in February, April and October respectively on the consolidated revenues of the Group and the segments as well as the order intake in the Sheet Metal Processing segment as at the end of the previous quarter. Interested persons can obtain information at Conzzeta AG's website, via the company's press releases (pull-service: <https://conzzeta.com/en/media-center/news-releases/>) or subscribe to an e-mail distribution list (push-service: <https://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 interim report as at June 30 is explained during a telephone conference for analysts on the day it is issued. 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 December 20, 2019, Conzzeta AG announced the sale of the business unit Schmid Rhyner to the German specialty chemicals group Altana. The transaction closed on February 28, 2020. Jakob Rohner stepped down from the Conzzeta Executive Committee and left the Group on that date.

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 for the financial year 2019.

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 Annual General Meeting (AGM) on April 16, 2019, the shareholders elected the members of the Compensation Committee, which was established in 2014. They also adopted the 2018 compensation report presented for a consultative vote and approved the maximum total compensation for the Board of Directors for the 2019/2020 term of office (CHF 1.5 million) and for the Executive Committee for the 2020 financial year (CHF 8.4 million).

At the upcoming AGM on April 22, 2020, 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 on this Compensation Report in a consultative vote.

1.2 Duties of the Board of Directors

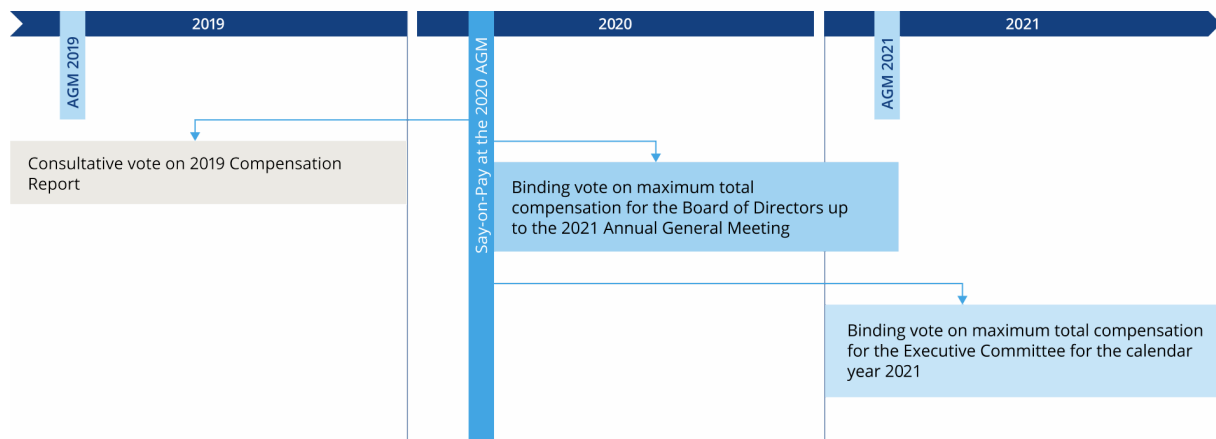
At the request of the Compensation Committee, the Board of Directors approves the personnel and compensation policy for the Group, and the general terms of employment of the members of the Executive Committee.

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 Compensation Committee and with reference to the total compensation amounts agreed at the AGM.

1.3 Duties of the Compensation Committee

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

Structure of shareholder voting on compensation at the 2020 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 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 Compensation Committee consists of three members of the Board of Directors who are elected individually and annually by the Annual General Meeting for a period of one year. At the 2019 AGM, Philip Mosimann (Chairman, existing member), Urs Riedener (new member) and Robert F. Spoerry (existing member) were elected as members of the Compensation Committee.

The Compensation Committee meets as often as business requires, but at least three times a year. At the start of the year, the Compensation 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 submits the Compensation Report to the Board of Directors for approval. The meeting at year-end deals with 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	Compensation 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 Executive Committee	proposes	proposes	approves	
Compensation Report		proposes	approves	consultative vote

As a general rule, the Chairman of the Board of Directors, the Group CEO and the Head of Corporate Human Resources are invited to join the meetings of the Compensation Committee in an advisory capacity. The Compensation Committee Chairman may invite other members of the Executive Committee as appropriate.

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

2 Priorities in 2019

The composition, the priorities and the activities of the HR Committee are presented in its report in [section 3.5, "Internal Organization"](#). The focus in 2019 was on succession planning, personnel development at management level and personnel-related issues in connection with the strategic reorientation of the Group announced on December 9.

The HR Committee also resolved that all Conzzeta Group companies based in Switzerland must carry out a salary comparison. An external company was commissioned to assist with the review and the certification process.

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, therefore 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, Board of Directors 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 Annual General Meeting.

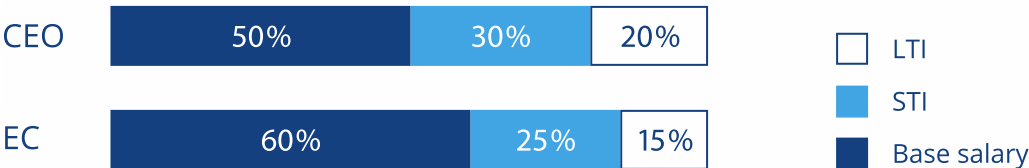
4.2 Executive Committee

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 aggregate compensation for the CEO and the other members of the Executive Committee given 100% achievement of targets is shown in the diagram below.

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 line with the interests of the shareholders, the owners of the company.

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

Breakdown of compensation (assuming target achievement rate of 100%)



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 (KPIs) and 25% individual targets, which are agreed on an annual basis during the budget- and individual target-setting processes. 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 result (EBIT)
- Ratio of net operating assets to total revenue (NOA/TR)

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.

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

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

4.2.3 Long-term incentive (LTI)

Of the variable performance-related target compensation, the LTI represents 15% (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 value, the monetary value of the share allocation can vary between 0% and 150% (cap) according to 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 of 10% allowed. 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 after the Board of Directors has approved the annual financial statements, usually after the Annual General Meeting, 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 canceled.

4.2.4 Additional 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 the employees and their dependents with regard to retirement and the risk of sickness, disability and 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 car allowance and other benefits in kind. Executive Committee members in Switzerland also receive flat-rate expenses in line with the applicable expense regulations approved by the tax authorities.

4.2.5 Employment contract terms

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.

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 practice 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 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 2019/2020 term of office

At the AGM on April 16, 2019, a maximum total amount of CHF 1.5 million was approved for the Board of Directors for the term of office up to the 2020 AGM. 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 2019/2020 term of office, the members of the Board of Directors received total compensation of CHF 1.4 million. This total corresponds with the total sum approved and is higher than the previous year due to additional committees newly created in connection with the strategic realignment and associated additional expenditure. The fixed base compensation of the Board of Directors includes a total of 589 shares, which are blocked for four years. Information on the shareholdings of members of the Board of Directors can be found in the [Notes to the financial statements of Conzzeta AG](#). 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). Michael König received a one-off cash payment of CHF 50,000 for attending meetings and consultations prior to his election as a member of the Board of Directors, which is not allocated to the 2019/2020 term of office.

No loans or credits were granted to members of the Board of Directors or related parties in the reporting year.

Compensation of the Board of Directors for the 2019/2020 term of office

	Fixed cash component CHF thousand	Share component ¹ CHF thousand	Committee work CHF thousand	Additional benefits CHF thousand	Total CHF thousand
Ernst Bärtschi, Chairman	219.0	221.0		42.9	482.9
Roland Abt, Member	49.2	55.8	30.0	18.6	153.6
Matthias Auer, Member	49.2	55.8	10.0	9.7	124.7
Michael König, Member ²	49.2	55.8	10.0	16.3	131.3
Philip Mosimann, Member	49.2	55.8	30.0	10.8	145.8
Urs Riedener, Member	49.2	55.8	20.0	17.4	142.4
Jacob Schmidheiny, Member	49.2	55.8		9.2	114.2
Robert F. Spoerry, Member	49.2	55.8	10.0	16.3	131.3
Total	563.7	611.3	110.0	141.3	1,426.3

¹ Shares allocated at a price of CHF 1,052.15 (rounded up to the next whole number of shares)

² Additional CHF 50'000.00 compensation for introductory phase

Compensation of the Board of Directors for the 2018/2019 term of office

	Fixed cash component CHF thousand	Share component ¹ CHF thousand	Committee work CHF thousand	Additional benefits CHF thousand	Total CHF thousand
Ernst Bärtschi, Chairman	199.3	200.8		41.0	441.1
Roland Abt, Member	44.4	50.6	20.0	16.5	131.5
Matthias Auer, Member	44.4	50.6	10.0	9.2	114.2
Werner Dubach, Member	44.4	50.6	10.0	9.2	114.2
Philip Mosimann, Member	44.4	50.6	20.0	16.5	131.5
Urs Riedener, Member	44.4	50.6	20.0	16.5	131.5
Jacob Schmidheiny, Member	44.4	50.6		8.7	103.7
Robert F. Spoerry, Member	44.4	50.6	10.0	15.4	120.4
Total	510.0	555.1	90.0	132.9	1,288.0

¹ Shares allocated at a price of CHF 829.70 (rounded up to the next whole number of shares)

6 Compensation of the Executive Committee for 2019

For the 2019 financial year, the members of the Executive Committee received total compensation of CHF 7.2 million compared with CHF 8.1 million the year before. This complied with the maximum total compensation for the Executive Committee of CHF 8.2 million approved at the AGM in April 2018.

The target achievement value of the STI for all members of the Executive Committee was between 48.4% and 84.8% and the target value of the reported earnings per share (EPS), which determines the cash value of the share allocation for the 2019 financial year, was 85.6%.

For the 2019 financial year, the members of the Executive Committee will receive 800 shares from the ordinary LTI scheme. The shares will be allocated after the Annual General Meeting at a price of CHF 1,052.15, the average share price from November 1, 2019, to January 31, 2020, with a discount of 10%. Because of the lower LTI target achievement (EPS) and the higher share price, fewer shares were allocated compared with the previous year. The allocated shares will remain restricted for four years. Information on the shareholdings of members of the Executive Committee can be found in the [Notes to the financial statements of Conzzeta AG](#).

In addition, the Board of Directors approved a retention plan for the members of the Executive Committee, business unit management and other specialists in connection with the strategic realignment. However, payment will only be made on the fixed reference date if predefined criteria are met, which include an employment contract without notice of termination, the achievement of agreed annual targets and active participation in the strategic reorientation. For the year 2019, the Group CEO and the heads of the business units still to be divested were awarded a pro rata amount of CHF 0.8 million, allocated to the 2019 financial year and reported in the STI.

As of December 31, 2019, there were no current loan or credit contracts between the company and the members of the Executive Committee or related parties.

Compensation of the Executive Committee for financial year 2019

	Base salary CHF thousand	STI ¹ CHF thousand	LTI CHF thousand	Pension contribution 1 + 2 pillar CHF thousand	Additional benefits CHF thousand	Total compensation 2019 CHF thousand
Executive Committee						
Total compensation of the Executive Committee	3,170.0	2,012.1	853.3	901.1	234.9	7,171.4
Highest single amount: Group CEO, M. Willome	761.1	502.1	290.4	202.2	36.0	1,791.7

¹ Incl. retention bonus of CHF 0.8 million.

Compensation of the Executive Committee for financial year 2018

	Base salary CHF thousand	STI ¹ CHF thousand	LTI ² CHF thousand	Pension contribution 1 + 2 pillar CHF thousand	Additional benefits CHF thousand	Total compensation 2018 CHF thousand
Executive Committee						
Total compensation of the Executive Committee	3'259.4	1'815.9	1'822.4	918.3	248.7	8'064.8
Highest single amount: Group CEO, M. Willome	718.0	500.2	419.8	203.3	36.0	1'877.3

¹ Incl. special allocation to the Head of the business unit Bystronic.

² Incl. setoff of the total compensation paid to the head of the business unit FoamPartner on account of the expired share-based compensation from the previous employer.

Report of the Statutory Auditor to the General Meeting of Shareholders of Conzzeta AG, Zurich

We have audited the remuneration report dated December 31, 2019 of Conzzeta AG for the year ended December 31, 2019. 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 of the Board of Directors for the 2019/2020 term of office”](#) and [“Compensation of the Executive Committee for 2019”](#) 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, 2019 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 13, 2020

Financial Report

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Consolidated income statement – Group

CHF million	Notes	2019	2018
Net revenue	1.2	1,573.2	1,782.2
Changes in inventories and own work capitalized		6.0	14.5
Total revenue		1,579.1	1,796.7
Other operating income	1.2	43.0	8.4
Material expenses	1.3	-738.9	-875.4
Personnel expenses	1.3	-378.9	-404.4
Other operating expenses	1.3	-298.7	-342.2
Depreciation/impairments on property, plant and equipment	2.2	-30.0	-29.8
Depreciation/impairments on intangible assets	2.3	-8.5	-6.5
Operating result (EBIT)	1.1	167.2	146.8
Financial result	3.3	-0.1	-2.6
Result from associated equity holdings			0.1
Result before taxes		167.1	144.3
Income taxes	1.4	-30.3	-29.5
Group result		136.8	114.8
Attributable to Conzzeta AG shareholders		125.8	96.6
Attributable to minority interests		11.1	18.2
Earnings per class A registered share, in CHF	1.5	60.85	46.76
Earnings per class B registered share, in CHF	1.5	12.17	9.35
Diluted earnings per class A registered share, in CHF	1.5	60.85	46.76
Diluted earnings per class B registered share, in CHF	1.5	12.17	9.35

Consolidated balance sheet at December 31 – Group

CHF million	Notes	2019	2018
Cash and cash equivalents	3.1	300.9	339.6
Securities	3.1		50.0
Trade receivables	2.1	226.1	238.2
Prepayments to suppliers		4.5	6.0
Other receivables	2.1	42.1	39.0
Prepaid expenses and accrued income		11.1	13.1
Inventories	2.1	304.2	323.1
Current assets		889.1	1,009.0
Property, plant and equipment	2.2	276.1	268.7
Intangible assets	2.3	28.0	22.1
Financial assets	2.4	59.2	51.5
Deferred tax assets	1.4	13.7	14.9
Non-current assets		377.0	357.2
Assets		1,266.0	1,366.2
Trade payables		129.2	114.1
Advance payments from customers	2.1	54.6	66.2
Short-term financial liabilities		0.1	10.7
Other short-term liabilities	2.1	30.2	23.6
Accrued expenses and deferred income	2.1	84.5	127.8
Short-term provisions	2.5	31.2	37.3
Short-term liabilities		329.8	379.7
Long-term financial liabilities		4.1	4.5
Other long-term liabilities		0.4	0.6
Pension fund liabilities	5.1	1.3	1.9
Long-term provisions	2.5	27.3	33.8
Deferred tax liabilities	1.4	23.1	18.8
Long-term liabilities		56.1	59.6
Share capital	3.2	4.1	4.1
Capital reserves		37.5	99.8
Treasury shares	3.2	-3.9	-4.0
Retained earnings		836.9	802.2
Shareholders' equity excluding minority interests		874.6	902.0
Minority interests		5.5	24.8
Shareholders' equity including minority interests		880.1	926.9
Liabilities and shareholders' equity		1,266.0	1,366.2

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

CHF million	Notes	Share capital	Agio/ capital reserves	Treasury shares	Retained earnings			Total excluding minority interests	Minority interests	Total including minority interests
					Currency translation effects	Value fluctuation financial instruments	Other retained earnings			
At 12/31/2019		4.1	37.5	-3.9	-89.3	0.6	925.7	874.6	5.5	880.1
Group result 2019							125.8	125.8	11.1	136.8
Dividends							-99.2	-99.2	-29.6 ¹	-128.8
Change resulting from hedging transactions	3.6					-0.1		-0.1		-0.1
Acquisition of minority interests	4.1		-61.9					-61.9	-0.8	-62.7
Purchase of treasury shares	3.2			-2.5				-2.5		-2.5
Share-based remuneration										
Contribution	3.2		-2.7	2.6				-0.1		-0.1
Allocation	3.2		2.4					2.4		2.4
Currency translation effects					8.4			8.4		8.4
At 12/31/2018		4.1	99.8	-4.0	-97.6	0.7	899.1	902.0	24.8	926.9
Group result 2018							96.6	96.6	18.2	114.8
Dividends							-33.1	-33.1	-11.2	-44.3
Change resulting from hedging transactions	3.6					0.8		0.8		0.8
Offset goodwill with equity	2.3						-41.8	-41.8	0.8	-41.0
Purchase of treasury shares	3.2			-1.8				-1.8		-1.8
Share-based remuneration										
Contribution	3.2		-1.2	1.7				0.5		0.5
Allocation	3.2		2.2					2.2		2.2
Currency translation effects					-6.1			-6.1	-1.1	-7.2
At 12/31/2017		4.1	98.8	-3.9	-91.5	-0.1	877.4	884.8	18.1	902.9

¹ Dividends to minorities in the amount of CHF 2.4 million are not yet paid as of the balance sheet date.

Consolidated cash flow statement – Group

CHF million	Notes	2019	2018
Group result		136.8	114.8
Depreciation of property, plant and equipment and amortization of intangible assets		38.5	34.6
Impairments of property, plant and equipment and intangible assets		0.1	1.7
Gain on disposal of non-current assets and investments		-32.4	-0.4
Change in provisions and pension fund liabilities		-2.9	
Other non-cash items		-4.3	9.5
Cash flow from operating activities before change in net working capital		135.8	160.2
Change in inventories		-21.7	-30.3
Change in trade receivables		-14.3	6.2
Change in prepayments to suppliers		-0.8	12.4
Change in other receivables, prepaid expenses and accrued income		-3.5	-3.8
Change in trade payables		28.7	-1.1
Change in advance payments from customers		2.1	-10.9
Change in other liabilities, accrued expenses and deferred income		-26.3	11.3
Cash flow from operating activities		100.1	144.0
Investment in property, plant and equipment	2.2	-54.9	-58.9
Divestment of property, plant and equipment		4.3	1.0
Investment in intangible assets	2.3	-14.9	-13.3
Divestment of intangible assets			0.1
Investment in financial assets and securities		-1.5	-2.8
Divestment of financial assets and securities		57.6	13.3
Acquisition of business activities	4.1	-0.2	-41.4
Sale of business activities	4.1	74.3	
Cash flow from investing activities		64.6	-102.0
Cash flow from operating and investing activities		164.7	42.0
Purchase of treasury shares	3.2	-2.5	-1.8
Dividends paid to shareholders Conzzeta AG		-99.2	-33.1
Dividends paid to minority shareholders		-27.2	-11.2
Purchase of minority interests		-62.7	
Change in short-term financial liabilities		-10.5	0.4
Change in long-term financial liabilities		-0.2	-1.1
Change in other long-term liabilities		-0.1	
Cash flow from financing activities		-202.6	-46.8
Effect of currency translation on cash and cash equivalents		-0.8	-4.7
Change in cash and cash equivalents		-38.7	-9.5
Cash and cash equivalents at 1/1		339.6	349.1
Cash and cash equivalents at 12/31		300.9	339.6

Notes to the consolidated financial statements

Information on the report

General information

The consolidated financial statements comprise the separate financial statements of the Group companies of Conzzeta AG at December 31, prepared in accordance with uniform guidelines and in 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 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. Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

The consolidated financial statements were approved for publication by the Board of Directors on March 13, 2020. They are also subject to approval by the Annual General Meeting.

Scope and method of consolidation

The consolidated financial statements include the financial statements of Conzzeta AG and of all companies directly or indirectly controlled by Conzzeta AG, through investments with more than 50% of the votes or by another means, and uniformly managed. These investments are fully consolidated. The share of the minority shareholders in the net assets and net result is disclosed separately. 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. In the event of disparities when the final purchase price is settled in a period later than the reporting period, the goodwill offset in equity is adjusted accordingly. First-time consolidations are included from the date on which control is acquired; deconsolidations from the date on which control is lost. Investments in associates (at least 20%, but less than 50% of the voting rights) are accounted for under the equity method. Securities held as non-current assets are valued at acquisition cost, less any necessary value adjustments.

Currency translation

The consolidated financial statements of Conzzeta AG are presented in Swiss francs (CHF). The financial statements of foreign companies are prepared in their respective functional currencies and translated into Swiss francs for consolidation purposes. The resulting currency effects are recognized directly in equity. Foreign currency gains and losses on long-term, equity-like loans to Group companies are also recorded directly in equity. Following the sale or liquidation of companies, these effects are recycled through the income statement. 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.

Significant estimates made by management

In preparing the Group financial statements, certain assumptions must be made which affect the accounting basis to be used and the amounts reported as assets, liabilities, income and expenses and the presentation of these amounts. The assumptions are set out in the following notes:

- Income taxes – [note 1.4](#)
- Inventories – [note 2.1](#)
- Property, plant and equipment – [note 2.2](#)
- Intangible assets – [note 2.3](#)
- Provisions – [note 2.5](#)

Definition of non-Swiss GAAP FER key figures

Where relevant for the reader, Conzzeta has included specific subtotals, which can be found directly in the relevant table. Conzzeta also uses the key figures operating free cash flow, net operating assets/return on net operating assets (RONOA) and comparable net revenue in its external financial communication. Further details can be found in notes [1.2](#) and [2](#).

Events after the balance sheet date

On December 20, 2019, Conzzeta announced the signing of a binding agreement to sell its business unit Schmid Rhyner to the German specialty chemicals group Altana. Closing of the transaction was on February 28, 2020.

1. Performance

1.1 Segment information

CHF million	Net revenue		Total revenue		Operating result (EBIT)	
	2019	2018	2019	2018	2019	2018
Sheet Metal Processing	936.0	1,013.2	941.3	1,032.5	121.1	132.5
Chemical Specialties (discontinued operations)	346.6	382.9	341.8	383.0	14.2	5.8
Outdoor (discontinued operations)	268.4	253.4	268.4	253.4	7.5	5.2
Glass Processing (discontinued operations)	22.4	133.3	27.8	128.4	31.1	7.6
Total as per segment reporting	1,573.4	1,782.8	1,579.4	1,797.3	173.8	151.1
Other	-0.2	-0.6	-0.2	-0.6	-6.6	-4.3
Total as per income statement	1,573.2	1,782.2	1,579.1	1,796.7	167.2	146.8

CHF million	Net operating assets		Employees	
	2019	2018	2019	2018
Sheet Metal Processing	248.3	204.0	2,987	2,805
Chemical Specialties (discontinued operations)	156.4	167.0	1,115	1,109
Outdoor (discontinued operations)	149.6	126.7	899	882
Glass Processing (discontinued operations)		21.9		436
Total as per segment reporting	554.3	519.6	5,001	5,232
Other	-3.6	0.5	25	27
Total as per income statement	550.7	520.1	5,026	5,259

Discontinued operations

Conzzeta sold the Glass Processing segment to the Finnish company Glaston Corporation effective as of April 1, 2019. The Glass Processing segment is shown under discontinued operations in below overview. Its net revenue, total revenue and operating result for 2019 comprise a 3-month period, whereas the comparison period comprises a 12-month period. Refer to [note 4.1](#) for additional information on the transaction.

On December 9, 2019, Conzzeta announced that the Board of Directors of Conzzeta AG has decided that the Group's future focus will be on the Bystronic business unit. The other business units are to be divested step by step within the period of a year, market conditions permitting. The segments Chemical Specialties and Outdoor are shown under discontinued operations in below overview. All companies in the business unit are affected by the sale. The companies are listed in [note 4.2](#).

On December 20, 2019, Conzzeta announced the signing of a binding agreement to sell its business unit Schmid Rhyner to the German specialty chemicals group Altana. Closing of the transaction was on February 28, 2020.

Additional information to continuing operations and discontinued operations

The following table shows the income statement divided into continuing and discontinued operations. The discontinued operations include the Glass Processing segment until the closing of the transaction effective April 1, 2019, the resulting gain from disposal of CHF 29.9 million that was recorded in the first half of 2019 under "Other operating income", as well as the segments Outdoor and Chemical Specialties.

CHF million	Continuing operations		Discontinued operations		Total Group	
	2019	2018	2019	2018	2019	2018
Net revenue	935.8	1,012.6	637.4	769.6	1,573.2	1,782.2
Changes in inventories and own work capitalized	5.3	19.3	0.6	-4.8	6.0	14.5
Total revenue	941.1	1,031.9	638.0	764.8	1,579.1	1,796.7
Other operating income	10.5	5.7	32.5	2.7	43.0	8.4
Material expenses	-424.1	-481.1	-314.7	-394.3	-738.9	-875.4
Personnel expenses	-222.6	-216.9	-156.3	-187.5	-378.9	-404.4
Other operating expenses	-175.3	-197.3	-123.4	-144.9	-298.7	-342.2
Depreciation/impairments on property, plant and equipment	-11.0	-10.5	-19.0	-19.3	-30.0	-29.8
Depreciation/impairments on intangible assets	-4.2	-3.6	-4.3	-2.9	-8.5	-6.5
Operating result (EBIT)	114.4	128.1	52.7	18.7	167.2	146.8
Financial result	3.9	2.2	-3.9	-4.8	-0.1	-2.6
Result from associated equity holdings				0.1		0.1
Result before taxes	118.3	130.4	48.8	14.0	167.1	144.3
Income taxes	-24.8	-25.4	-5.6	-4.1	-30.3	-29.5
Group result	93.6	105.0	43.3	9.9	136.8	114.8

Accounting principles

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.

Segment	Business unit	Description
Sheet Metal Processing	Bystronic	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.
Chemical Specialties (discontinued operations)	FoamPartner and Schmid Rhyner	The FoamPartner business unit operates worldwide, developing, producing and processing high-grade polyurethane foam materials for the industry and comfort market segments. Schmid Rhyner develops and manufactures print varnishes for the graphics industry. The most important source of revenue in the Chemical Specialties segment is the sale of products to original equipment manufacturers.
Outdoor (discontinued operations)	Mammut Sports Group	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.
Glass Processing (discontinued operations)	Bystronic glass	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.

1.2 Revenue and other operating income

Geographical information

CHF million	2019	2019	2018	2018
Europe	893.3	56.8%	964.0	54.1%
North and South America	322.9	20.5%	327.0	18.3%
Asia and others	356.9	22.7%	491.2	27.6%
Total	1,573.2	100.0%	1,782.2	100.0%

Comparable net revenue

CHF million		
Net revenue 2019	1,573.2	
Changes in Group revenue 2019 due to:		
– currency translation effects	–29.7	–1.7%
– acquisitions	8.8	0.5%
– divestments	–100.0	–5.6%
– changes in quantity and price	–88.2	–4.9%
Total change	–209.0	–11.7%
Net revenue 2018	1,782.2	100.0%

The effects of transactions as part of acquisitions and divestments are recognized 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.

Other operating income

Other operating income includes mainly revenue from sale of materials, waste and scrap, from insurance contracts, and from the sale of property, plant and equipment and investments. The gain from disposal of the business unit Glass Processing of CHF 29.9 million is included in the year under review (refer to [note 4.1](#)).

Accounting principles

Revenue is 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. 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, any sales deductions such as sales bonuses, granted rebates and discounts as well as value adjustments and currency effects on trade receivables. Separable revenue is recognized and measured individually.

1.3 Operating expenses

Material expenses

Material expenses include 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).

In relation to total revenue growth of 12.1%, the decrease in material expenses is disproportionately high at 15.6%. The ratio of material expenses to total revenue (materials ratio) is 46.8%, which is 1.9 percentage points lower than in the previous year. The materials ratio is influenced mainly by changes in inventories of semifinished products, work in progress and finished products. Adjusted for this effect, it is 1.7 percentage points lower than in the previous year. The improvement in the materials ratio can mainly be attributed to a better product mix in the Sheet Metal Processing segment and more favorable purchase conditions in all segments.

Personnel expenses

CHF million	2019	2018
Wages and salaries	308.5	332.5
Social security benefits	59.2	61.8
Other personnel expenses	11.2	10.1
Total	378.9	404.4

The decrease in personnel expenses amounts to 6.4% compared to previous year. Personnel expenses in relation to total revenue increased by 1.5 percentage points and is at 24.0%.

As at the balance sheet date, the number of employees declined by 4.4% over the previous year to 5,026. The decline can be attributed to the divestment of the segment Glass Processing, partly offset by increases in the other segments, particularly in the segment Sheet Metal Processing. The average headcount in the reporting year was 5,086 full-time positions (2018: 5,091).

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, as well as sundry expenses for production, development, sales and administration.

1.4 Income taxes

CHF million	2019	2018
Current taxes on income	25.6	33.4
Deferred taxes	4.7	-3.9
Total	30.3	29.5

Current taxes on income include taxes paid and owed on taxable income of the individual companies.

	Tax rate 2019	Income taxes 2019	Tax rate 2018	Income taxes 2018
Average applicable tax rate and income taxes (before consideration of tax loss carryforwards)	19.7%	33.0	19.7%	28.4
Effects of change in tax loss carryforwards	1.3%	2.2	0.6%	0.9
Average applicable tax rate and income taxes (after consideration of tax loss carryforwards)	21.0%	35.3	20.3%	29.3
Other influences	-2.9%	-5.0	0.1%	0.2
Effective tax rate and income taxes	18.1%	30.3	20.4%	29.5

The expected tax rate of 19.7% (2018: 19.7%) corresponds to the weighted average tax rate in the respective tax jurisdictions. The effective tax rate for the ordinary result before taxes is 18.1% (2018: 20.4%). The decrease results mainly from non-taxable capital gains from the sale of the Glass Processing segment.

Deferred taxes are measured using the announced tax rates for the temporary differences in individual companies. The deferred tax assets from offsettable loss carryforwards and from temporary valuation differences amount to CHF 13.7 million (2018: CHF 14.9 million). In view of uncertainty about the future scope for offsetting, the tax effects from loss carryforwards amounting to CHF 7.5 million (2018: CHF 8.1 million) were not capitalized. This evaluation is based on the projected income tax rates. Deferred tax liabilities amount to CHF 23.1 million (2018: CHF 18.8 million).

The change in tax rates following the adoption of the reform of corporate taxation in Switzerland effective as of January 1, 2020, did not have a material impact on deferred tax assets and liabilities recognized in the balance sheet at year-end.

Significant estimates made by management

In order to determine the amount of current and deferred income tax assets and liabilities, significant estimates need to be made. Some of these estimates are based on the interpretation of existing tax legislation and regulations. Various internal and external factors may have favorable or unfavorable effects on the income tax assets and liabilities. These factors include, but are not limited to, changes in tax laws and regulations, changing interpretations of existing tax laws and regulations, changes in tax rates, and changes in overall levels of pre-tax earnings. Any such changes may impact the current and deferred income tax assets and liabilities recognized in the balance sheet in future reporting periods.

Accounting principles

Income taxes include current and deferred income taxes. Provisions are made for all tax obligations, regardless of their payment date. Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for reporting purposes, using the currently enacted tax rates on an entity level. The change in these deferred taxes is recorded under tax expenditure. The deferred tax assets from offsettable loss carryforwards and from temporary valuation differences are only capitalized when in all probability future taxes on profits can be offset.

1.5 Earnings per share

CHF	2019	2018
Group profit attributable to Conzzeta AG shareholders	125,770,000	96,652,000
Average number of class A registered shares (par value: CHF 2.00)	1,823,881	1,823,990
Average number of class B registered shares (par value: CHF 0.40)	1,215,000	1,215,000
Earnings per class A registered share	60.85	46.76
Earnings per class B registered share	12.17	9.35

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

Accounting principles

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

2. Invested capital

Conzzeta uses net operating assets and operating cash flow as defined below for the management of operating performance:

Net operating assets

CHF million	2019	2018
Inventories	304.2	323.1
Trade receivables	226.1	238.2
Prepayments to suppliers	4.5	6.0
Other receivables, prepaid expenses and accrued income	47.6	46.8
Property, plant and equipment	276.1	268.7
Financial assets (long-term receivables and loans)	19.0	16.5
Intangible assets	28.0	22.1
Trade payables	-129.2	-114.1
Advance payments from customers	-54.6	-66.2
Other liabilities, accrued expenses and deferred income	-112.6	-149.9
Provisions	-58.5	-71.1
Net operating assets (NOA)	550.7	520.1
Net operating assets (NOA), average	535.4	505.4
Operating result	167.2	146.8
Chargeable taxes	-30.3	-29.9
Operating result after taxes	136.9	116.9
Return on net operating assets (RONOA) after tax	25.6%	23.1%

Return on net operating assets (RONOA) after tax is calculated from the operating profit (EBIT) after deduction of the chargeable tax expense in relation to the average net operating assets as of January 1 and the relevant balance sheet date. The chargeable tax expense is calculated by multiplying the operating profit by the effective tax rate.

Operating cash flow

CHF million	2019	2018
Cash flow from operating activities	100.1	144.0
Investment in property, plant and equipment	-54.9	-58.9
Divestment of property, plant and equipment	4.3	1.0
Investment in intangible assets	-14.9	-13.3
Divestment of intangible assets		0.1
Investment in financial assets without securities	-1.5	-2.8
Divestment of financial assets without securities	7.6	13.3
Operational free cash flow	40.6	83.4
as a % of total revenue	2.6%	4.6%
Sale of securities	50.0	
Acquisition of business activities	-0.2	-41.4
Sale of business activities	74.3	
Free cash flow	164.7	42.0

Operating 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 and divestment of business activities and investments.

2.1 Net working capital

Trade receivables

CHF million	2019	2018
Trade receivables (nominal)	238.3	255.1
Value adjustment	-12.2	-16.9
Total	226.1	238.2

For doubtful accounts, individual and overall value adjustments have been deducted. The overall value adjustment is based on the experience of the respective company.

Other receivables

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

Inventories

CHF million	2019	2018
Raw materials and supplies	95.1	105.1
Merchandise for resale	86.1	75.5
Semifinished products and work in progress	31.9	49.1
Finished products	91.2	93.4
Total	304.2	323.1

The inventory of merchandise for resale primarily concerns the Outdoor segment. Overall, the value adjustments on inventories amount to CHF 49.3 million (2018: CHF 58.5 million).

Advance payments from customers

Customer payments on account originate from the companies in the machinery businesses.

Other short-term liabilities

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

Accrued expenses and deferred income

CHF million	2019	2018
Accruals and deferrals for current taxes	8.8	20.5
Accruals and deferrals for personnel expenses	37.7	52.6
Other accruals and deferrals	38.0	54.7
Total	84.5	127.8

Accrued expenses and deferred income show 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.

Significant estimates made by management

In assessing the value of inventories, estimates are based on expected consumption, price trend (lowest value principle) and valuation at lower of cost or net realizable value. The estimates used to determine inventory value adjustments are reviewed on an annual basis and changed as needed. Changes in sales figures or other circumstances (e.g. seasonality) may therefore lead to an adjustment of the book value.

Accounting principles

Trade receivables and other receivables are stated at nominal value, less appropriate value adjustments for debtors' risks.

Inventories are stated at the lower of acquisition or production cost and fair value less cost to sell. Production cost is calculated without imputed interest. Value adjustments are made for inventories that are difficult to realize or slow-moving.

Liabilities are recognized in the balance sheet at par value.

2.2 Property, plant and equipment

CHF million	Factory buildings	Plant and machinery	Fixtures and fittings, vehicles	Assets under construction	Undeveloped real estate	Total property, plant and equipment
Cost at 12/31/2019	261.9	235.8	63.8	57.3	6.7	625.4
Additions	0.6	10.4	10.2	33.4	0.4	54.9
Disposals	-10.0	-6.7	-6.1	-0.4		-23.2
Changes in scope of consolidation	-20.7	-6.8	-6.9			-34.4
Reclassifications	4.4	3.8	0.7	-5.4	-3.5	
Currency translation effects	-4.0	-4.1	-1.1	-1.4	-0.1	-10.7
Cost at 12/31/2018	291.6	239.2	67.0	31.2	9.9	638.9
Additions	5.0	12.8	10.1	30.3	0.7	58.9
Disposals		-6.9	-4.5	-0.2		-11.6
Changes in scope of consolidation	0.8	0.7	0.3			1.8
Reclassifications	1.0	7.3	0.2	-8.5		
Currency translation effects	-4.7	-4.2	-1.1	-0.1	-0.1	-10.2
Cost at 12/31/2017	289.5	229.5	62.0	9.7	9.3	600.0
Accumulated depreciation at 12/31/2019	138.2	169.7	41.4			349.3
Ordinary depreciation	7.6	14.8	7.5			29.9
Impairments		0.2				0.2
Disposals	-7.6	-6.3	-5.9			-19.8
Changes in scope of consolidation	-15.0	-6.1	-5.3			-26.4
Currency translation effects	-1.3	-2.8	-0.7			-4.8
Accumulated depreciation at 12/31/2018	154.5	169.8	45.9			370.2
Ordinary depreciation	7.9	13.9	7.1			28.9
Impairments	0.5	0.3	0.1			0.9
Disposals		-6.5	-4.3			-10.8
Changes in scope of consolidation		-0.1				-0.1
Currency translation effects	-1.4	-3.0	-0.9			-5.3
Accumulated depreciation at 12/31/2017	147.5	165.2	43.9			356.6
Net book value of property, plant and equipment at 12/31/2019	123.7	66.0	22.4	57.3	6.7	276.1
Net book value of property, plant and equipment at 12/31/2018	137.1	69.4	21.1	31.2	9.9	268.7

The additions in property, plant and equipment in 2019 stem mainly from the complete renovation of the factory hall at the production site in Niederönz (Switzerland), the construction of an assembly plant in Elgin (USA) and of two experience centers in Elgin (USA) and Incheon (Korea) in the segment Sheet Metal Processing, as well as from the expansion of the production facilities in Changzhou (China) and the construction of a new converting center for industrial foams in Duderstadt (Germany) in the segment Chemical Specialties.

Significant estimates made by management

The value of property, plant and equipment is assessed whether there are any indicators that assets may be impaired. Where there are indicators of a loss of value, the realizable value is calculated. If the book value of an asset or the asset's cash-generating unit exceeds the realizable value, an additional depreciation adjustment is made. The calculation of the realizable value includes an estimate of future cash flows, the calculation of the discount rate and the growth rate based on forecast expectations. The actual cash flows may vary from the discounted future cash flows based on these estimates. In addition, useful lives may be shorter or a loss of value may occur due to a change of use if sites are relocated or closed, or if medium-term revenues are lower than expected.

Accounting principles

Land has been 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 machinery	3 to 5 years

2.3 Intangible assets

CHF million	2019	2018
Cost at 12/31	79.2	72.3
Additions	14.9	13.3
Disposals	-1.1	-0.7
Changes in scope of consolidation	-6.5	0.1
Currency translation effects	-0.4	-0.4
Cost at 1/1	72.3	60.0
Accumulated depreciation at 12/31	51.2	50.2
Ordinary depreciation	8.5	5.7
Impairments		0.8
Disposals	-1.1	-0.6
Changes in scope of consolidation	-6.1	
Currency translation effects	-0.3	-0.3
Accumulated depreciation at 1/1	50.2	44.6
Net book value of intangible assets at 12/31	28.0	22.1
Net book value of intangible assets at 1/1	22.1	15.4

The intangible assets mainly comprise software and licenses. Additions include larger software investments to digitalize the business processes of the Sheet Metal Processing segment as well as the Outdoor segment.

Goodwill

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

Theoretical asset register – goodwill

CHF million	2019	2018
Cost at 12/31	248.0	252.2
Changes in scope of consolidation		41.8
Currency translation effects	-4.2	-5.0
Cost at 1/1	252.2	215.4
Accumulated depreciation at 12/31	130.8	86.4
Ordinary depreciation	46.7	44.6
Currency translation effects	-2.4	-1.8
Accumulated depreciation at 1/1	86.4	43.6
Net book value of goodwill at 12/31	117.2	165.8
Net book value of goodwill at 1/1	165.8	171.8

Impact on income statement

CHF million	2019	2018
Operating result (EBIT)	167.2	146.8
EBIT margin in %	10.6%	8.2%
Amortization of goodwill	-46.7	-44.6
Theoretical operating result (EBIT), incl. amortization of goodwill	120.5	102.2
Theoretical EBIT margin in %	7.6%	5.7%
Group result	136.8	114.8
Amortization of goodwill	-46.7	-44.6
Theoretical Group result, incl. amortization of goodwill	90.1	70.2

Impact on balance sheet

CHF million	2019	2018
Equity as per balance sheet	880.1	926.9
Theoretical activation of net book value of goodwill	117.2	165.8
Theoretical equity, incl. net book value of goodwill	997.3	1,092.7
Shareholders' equity in % of total assets	69.5%	67.8%
Theoretical equity, incl. net book value of goodwill in % of total assets	72.1%	71.3%

The change in the scope of consolidation under goodwill in 2018 is a result of the acquisition of a company in the Schmid Rhyner business unit and the purchase of three Italian companies in the Bystronic business unit. In addition, the determination of the final purchase price arising from an acquisition in the business unit FoamPartner resulted in an additional goodwill of CHF 4.1 million in 2017.

Significant estimates made by management

The value of intangible assets (including goodwill) is assessed whether there are any indicators that intangible assets may be impaired. Where there are indicators of a loss of value, the realizable value is calculated. If the book value of an asset or the asset's cash-generating unit exceeds the realizable value, an additional depreciation adjustment is made. The calculation of the realizable value includes an estimate of future cash flows, the calculation of the discount rate and the growth rate based on forecast expectations. The actual cash flows may vary from the discounted future cash flows based on these estimates.

Accounting principles

Intangible assets are amortized using the straight-line method over their economically useful life; normally, this is between three and five years for software and licenses.

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

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. For the shadow accounting, the goodwill is amortized in principle on a straight-line basis over its estimated useful life, normally five years.

2.4 Other financial assets

CHF million	2019	2018
Employer contribution reserves held as assets	37.6	32.7
Long-term receivables and loans	19.0	16.5
Equity holdings in associated companies	0.3	0.4
Securities held as non-current assets	2.3	1.9
Total	59.2	51.5

The statement of the change in the employer contribution reserves held as assets can be found in [note 5.1](#). The long-term receivables and loans comprise long-term hire-purchase business with customers and deposits for rents. A value adjustment amounting to CHF 2.0 million (2018: CHF 3.1 million) was made to financial assets.

Accounting principles

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.

2.5 Provisions and contingent liabilities

CHF million	Guarantee	Litigation	Restructuring	Other	Total provisions
Provisions at 12/31/2019	34.5	7.4	1.6	15.0	58.5
Additions	27.1	2.8	1.7	3.0	34.5
Use	-24.5			-4.3	-28.8
Release	-7.3	-3.6		-2.4	-13.3
Changes in scope of consolidation	-3.9			-0.1	-4.1
Currency translation effects	-0.6			-0.3	-1.0
Provisions at 12/31/2018	43.7	8.2		19.2	71.1
Additions	38.4	1.0		6.5	45.9
Use	-30.9	-1.2	-0.5	-2.2	-34.8
Release	-6.0	-1.2	-0.4	-0.3	-7.9
Reclassifications	-0.1	-0.3		0.4	
Changes in scope of consolidation	1.5			3.6	5.1
Currency translation effects	-1.0			-0.4	-1.4
Provisions at 12/31/2017	41.8	9.9	0.9	11.6	64.2
of which short-term 2019	28.3	0.9	1.6	0.4	31.2
of which short-term 2018	36.7			0.6	37.3

The guarantee provisions are mainly attributable to the Sheet Metal Processing segment. They relate to product sales and are based on past experience. Experience shows the corresponding outflow of funds is evenly spread over the warranty period of one to five years.

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

The additions of restructuring provisions concern the restructuring measures communicated in 2019 in the business unit FoamPartner.

Other liabilities 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. Further other liabilities contain conditional purchase-price obligations from acquisitions and provisions for environmental liabilities. There are land holdings that are contaminated due to previous operating activities and landfilling. These are shown in the register of polluted sites.

Contingent liabilities

In connection with customer financing, repurchase obligations against leasing companies for machinery amount to CHF 22.8 million (2017: CHF 22.7 million).

Significant estimates made by management

The amount of provisions is largely based on an estimate of future costs. The calculation for guarantee claims is based on product sales, contractual agreements and 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.

Accounting principles

Provisions are recognized 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.

3. Financing and risk management

3.1 Cash, cash equivalents and securities

Cash and cash equivalents include cash on hand, postal checking and bank account balances as well as fixed-term deposits with a maximum residual term of 90 days. Securities consists of money market instruments denominated in Swiss francs with a residual term of more than 90 days.

3.2 Shareholders' equity

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 2.00 each and 1,215,000 class B registered shares with a nominal value of CHF 0.40 each.

Treasury shares/share-based compensation

The holding as of December 31, 2019, was 4,187 class A registered shares acquired at an average purchase price of CHF 941 each. At the end of 2018, 4,506 class A registered shares acquired at an average purchase price of CHF 894 each were held. In the reporting year, 2,484 class A registered shares (2018: 2,200 class A registered shares) were acquired at an average transaction price of CHF 1,025 (2018: CHF 826) each for the share-based compensation program. The Board of Directors and members of the Executive Committee received 2,803 class A registered shares (2018: 1,819 class A registered shares) at an average transaction price of CHF 907 (2018: CHF 1,190) each. The monetary value was CHF 2.5 million (2018: CHF 2.2 million). In each case, the transaction price corresponded to the market value.

The base compensation for members of the Board of Directors is paid in cash and shares (approx. 50% each) that are subject to a four-year vesting period. 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 deferred share-based performance component (LTI). Of the variable performance-related target compensation, the LTI represents 15% (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 value, the monetary value of the share allocation can vary between 0% and 150% (cap) according to 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 of 10% allowed. 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. 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 canceled.

Members of business unit management and persons in selected Group roles are eligible to participate in a share-based LTI scheme representing no more than 10% of annual base salary. The first allocation of restricted stock units (RSUs) was made at the end of March 2018. The value of the LTI allocation for the aforementioned level of management 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 monetary value of the LTI (EPS rate of target achievement × LTI target amount) by the average share price 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. 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.

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.

Personnel expenses contain deferred expenses for the reporting year amounting to CHF 2.4 million (2018: CHF 2.2 million) for the share-based component of compensation.

Compensation and shareholdings

The compensation to members of the Board of Directors and Executive Committee is shown in the Compensation Report, which forms an integral part of this Annual Report. Their holdings in Conzzeta AG are disclosed in the [notes to the financial statements of Conzzeta AG](#).

Accounting principles

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.

3.3 Financial result

CHF million	2019	2018
Financial income	6.5	3.2
Financial expenses	-6.6	-5.8
Total	-0.1	-2.6

Financial income includes interest income of CHF 1.6 million (2018: CHF 2.1 million) and a positive performance on the assets of the employer contribution reserves of CHF 4.9 million. In the previous year, a reversal of valuation adjustments on loans of CHF 1.0 million and capital gains from the sale of securities held as fixed assets of CHF 0.1 million were also included.

Financial expenses contain interest of CHF 4.5 million (2018: CHF 3.4 million) and currency losses of CHF 2.1 million (2018: CHF 1.0 million). In the previous year, the negative performance on the assets of the employer contribution reserves of CHF 1.4 million was also included. Interest is primarily due to the cost of currency hedging (interest differences) to finance foreign locations, as well as interest expenses. Currency losses include currency effects from the valuation of liquid assets, short-term loans between Group companies and other financial assets.

3.4 Operational leasing

Maturity of operational leasing contracts at 12/31 in CHF million	2019	2018
Under 1 year	13.7	16.0
1 to 5 years	18.6	30.8
Over 5 years	1.3	3.5
Total	33.6	50.3

3.5 Other commitments and pledged assets

Long-term purchase commitments in the amount of CHF 7.4 million (2018: CHF 0.0 million) secured exclusive supplies at the balance sheet date.

Assets to the value of CHF 3.7 million (2018: CHF 4.0 million) are held with retention of title as security for bank loans. Sureties for rental obligations of franchise stores amount to CHF 0.6 million (2018: CHF 0.8 million).

3.6 Financial risk management

Due to its business activities, the Conzzeta Group is exposed to various financial risks, including currency, credit, liquidity and interest rate risks. The Group's comprehensive risk management policy focuses on the unpredictability of financial markets and aims to minimize any negative impact on the Group's financial position. Risk management is carried out by the Conzzeta Group's finance department in accordance with guidelines approved by the Board of Directors. These guidelines regulate the use of derivatives, as well as the handling of foreign currency risk, interest-rate risk and credit risk. The guidelines are binding upon all Conzzeta Group companies.

Risk	Source	Risk management
Currency risks	Conzzeta operates internationally and is therefore exposed to currency risks, which may affect operating profit and the financial result, as well as the Group's equity.	<ul style="list-style-type: none"> – Where possible, natural hedging is used in the individual groups of companies (purchasing goods in the currency they will be sold in). – Currency risks hedged using derivative financial instruments.
Credit risks arising from business operations and financial transactions	The credit risk is the risk of suffering a financial loss if a customer or counterparty is unable to meet their contractual obligations. Credit risks may arise from receivables, financial assets, credit balances with financial institutions, securities and derivative financial instruments.	<ul style="list-style-type: none"> – Independent ratings of financial institutions periodically reviewed. – Risks of liquid assets further reduced by using different financial institutions instead of a single bank. – Cluster risks of receivables and financial assets reduced through broad geographical distribution and a large number of customers. – Customers' creditworthiness is assessed taking account of specific checks and past experience.
Liquidity risk	A liquidity risk results from the risk of being unable to meet financial obligations when they fall due.	– A prudent liquidity management includes holding sufficient reserves of liquid funds, which are constantly monitored, and the option of financing through lines of credit.
Interest rate risk	Interest rate risk arises from changes in future interest payments due to fluctuations of market interest rates and in interest-related risks due to changes in market value.	– The Conzzeta Group does not have any assets and liabilities that would be substantially affected by significant changes in the interest rate environment.

Currency translation rates

CHF			Year-end exchange rates 2019	Year-end exchange rates 2018	Annual average rates 2019	Annual average rates 2018
Euro area	1	EUR	1.09	1.13	1.11	1.16
USA	1	USD	0.97	0.98	0.99	0.98
Great Britain	1	GBP	1.28	1.26	1.27	1.31
Sweden	100	SEK	10.39	10.99	10.53	11.26
China	100	CNY	13.88	14.31	14.42	14.77
South Korea	100	KRW	0.08	0.09	0.09	0.09
Japan	100	JPY	0.89	0.90	0.91	0.88

Derivative financial instruments

Values at 12/31 in CHF million	2019	2018
Contract or nominal values (gross)	458.6	485.2
Replacement value, positive	5.6	5.3
Replacement value, negative	2.1	1.5

The contracts were entered into as a hedge against exchange risks in various currencies arising from business operations.

Accounting principles

All outstanding derivatives are recognized at market value as at the balance sheet date and shown at gross values under other receivables or other 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.

4. Group structure

4.1 Acquisitions and divestments

Acquisitions and divestments in the reporting year

Conzzeta sold the Glass Processing segment to the Finnish company Glaston Corporation effective as of April 1, 2019. The transaction resulted in a non-taxable gain from disposal of CHF 29.9 million that was recorded under "Other operating income".

CHF million	April 1, 2019
Current assets	57.2
Non-current assets	9.3
Assets	66.4
Short-term liabilities	51.1
Long-term liabilities	1.0
Liabilities	52.0
Net assets divested	14.4
Consideration	63.4
Net assets divested	-14.4
Transaction costs	-4.3
Recycling of currency translation adjustments	-14.8
Gain on disposal	29.9
Consideration	63.4
Transaction costs already paid	-2.9
Cash and cash equivalents disposed of	-5.6
Settlement intercompany receivable/debt	19.4
Net cash flow	74.3

In May 2019, Bystronic Laser AG, Niederönz (Switzerland), exercised an option to purchase an additional 19% share in the capital of Shenzhen DNE Laser Science and Technology Co. Ltd., Shenzhen (China). The closing of the transaction was at August 31, 2019, and led to an increase in the capital share from 51% to 70%. Purchase price of the additional share was CHF 62.4 million and was, including transaction costs of CHF 0.3 million, recognized in equity.

In 2019, the remaining purchase price liability of CHF 0.2 million related to the 2018 acquired company ISATEC GmbH, Wohlenschwil (Switzerland), was settled.

Acquisitions in the previous year

Schmid Rhyner acquired a 100% stake in ISAtec GmbH, Wohlenschwil (Switzerland), effective March 23, 2018. With effect on April 12, 2018, the Bystronic business unit acquired a 100% stake in TTM Laser S.p.A. and Laserway srl., Cazzago San Martino (Italy), as well as a 70% majority stake in the Italian automation specialists Antil S.p.A. based in San Giuliano Milanese (Italy) on July 2, 2018. The acquired companies increased Group revenues by CHF 21.8 million in 2018. Information about the impact of the acquisitions on the balance sheet and cash flow can be found in the table below.

CHF million	2018
Current assets	-25.5
Non-current assets	-4.4
Assets	-29.9
Short-term liabilities	22.6
Long-term liabilities	6.3
Liabilities	28.9
Net assets acquired	-1.0
Less cash and cash equivalents acquired	1.4
Subtotal	0.4
Goodwill	-41.8
Net cash flow	-41.4

4.2 Affiliated companies

Company, domicile	Notes	Country	Company capital	Investment in % direct	Investment in % indirect
Bystronic					
Bystronic Laser AG, Niederörsz		CH CHF	50,000	100	
Bystronic Maschinenbau GmbH, Gotha		DE EUR	3,400,100		100
Bystronic (Tianjin) Laser Ltd, Tianjin		CN USD	12,000,000		100
Shenzhen DNE Laser Science and Technology Co. Ltd, Shenzhen	1	CN CNY	44,600,000		70
FMG Verfahrenstechnik AG, Sulgen		CH CHF	100,000		100
Bystronic Manufacturing Americas, LLC, Elgin, IL		US USD	1,000,000		100
Bystronic Tube Processing S.p.A., Cazzago San Martino		IT EUR	750,000		100
Laserway srl., Cazzago San Martino	2	IT			
ANTIL S.p.A., San Giuliano Milanese		IT EUR	250,000		70
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	6,500,000		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, Niederörsz		CH CHF	200,000		100
Bystronic Korea Ltd, Anyang-si		KR KRW	11,600,000,000		100
Bystronic Polska Sp. z o.o., Raszyn		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	602,420		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, Cranbourne West		AU AUD	100,000		100
Bystronic Hungary Kft, Budaörs		HU HUF	25,000,000		100
Bystronic Vietnam Co. Ltd, Ho Chi Minh City		VN VND	6,600,000,000		100
FoamPartner					
FoamPartner Switzerland AG, Wolfhausen		CH CHF	5,000,000	100	
FoamPartner Leverkusen 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
Swiss-Tex, Inc., Greenville SC	3	US			
FoamPartner Holding AG, Zug		CH CHF	1,000,000		100
FoamPartner Trading (Shanghai) Ltd., Shanghai		CN USD	600,000		100

FoamPartner Polyurethane Materials (Changzhou) Co. Ltd., Changzhou	CN	USD	14,250,000	100
Kureta GmbH, Stadtallendorf	DE	EUR	100,000	100
FoamPartner Singapore Pte. Ltd, Singapore	SG	SGD	100,000	100
FoamPartner Delmenhorst GmbH, Delmenhorst	DE	EUR	500,000	100
FoamPartner Germany GmbH, Duderstadt	DE	EUR	52,000	100
FoamPartner Converting Center GmbH, Duderstadt	DE	EUR	25,000	100
FoamPartner Besitz- und Verwaltungs BmbH, Duderstadt	DE	EUR	420,000	100
FoamPartner Americas, Inc., Wilmington DE	US	USD	0	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 Rhyner Sales AG, Adliswil	CH	CHF	100,000	100

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
Mammut France, Epagny Metz-Tessy	FR	EUR	10,000	100

Bystronic glass

Bystronic Maschinen AG, Bützberg	4	CH		
Bystronic Lenhardt GmbH, Neuhausen-Hamberg	4	DE		
Bystronic Glass Machinery (Shanghai) Co. Ltd, Shanghai	4	CN		
Bystronic Glass UK Ltd, Telford	4	GB		
Bystronic Asia Pte. Ltd, Singapore	4	SG		
LLC Bystronic Steklo RUS, Moscow	4	RU		
Bystronic Glass (Shanghai) Co. Ltd, Shanghai	4	CN		
Bystronic Glass, Inc., Aurora CO	4	US		

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
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¹ Increase investment from 51% to 70% on August 1, 2019

² Liquidated as of December 19, 2019

³ Merger with FoamPartner Americas, Inc., Wilmington DE, on March 25, 2019

⁴ Divested as of April 1, 2019

5. Other notes

5.1 Employee pension plans

CHF million	Balance sheet 12/31/2019	Balance sheet 12/31/2018	Result in personnel expenses 2019	Result in financial income 2019	Result in personnel expenses 2018	Result in financial income 2018
Employer contribution reserves						
Employer-funded pension fund	37.6	32.7		4.9	-0.5	-1.4

There are no waivers of use. No funds were used in the current year (2018: CHF 0.5 million) to purchase pension benefits. The financial result comprises the return on the asset investment.

CHF million	Surplus/ deficit 12/31/2019	Economic benefit/ obligation 12/31/2019	Economic benefit/ obligation 12/31/2018	Currency translation effect/ Change in scope of consolidation/ use	Change to prior-year- affecting result in reporting period	Contributions to be allocated to reporting period	Current service cost in personnel expenses 2019	Current service cost in personnel expenses 2018
Economic benefit/ obligation and current service cost								
Employer-funded pension fund	5.9							
Pension funds without surplus/deficit						12.1	12.1	12.8
Pension funds with deficit	-0.9	-0.9	-1.5		-0.6	0.7	0.1	0.8
Pension funds without own assets		-0.4	-0.4			0.8	0.8	1.2
Total	5.0	-1.3	-1.9		-0.6	13.7	13.1	14.8

In the previous year, the surpluses/deficits amounted to CHF 3.6 million and the contributions to be allocated to the reporting period were CHF 14.7 million.

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

Accounting principles

The pension obligations of Group companies related to retirement, death and disability benefits are based on the rules and customs in each country. Regular contributions are paid. 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. Private pension plans in Switzerland serve to build up retirement assets for conversion into fixed pensions, with additional risk benefits. Any actual economic impact of the pension funds on the company is calculated at the balance sheet date. An economic benefit is only capitalized when this is to be used for the future service cost 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 annually determined economic benefits and obligations and the change in the employer contribution reserves are included in the income statement.

5.2 Related-party transactions

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

CHF million	2019	2018
Trade receivables	1.1	0.8
Net revenue	3.3	3.4
Commission expenses	1.7	1.9

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 31 December 2019 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.

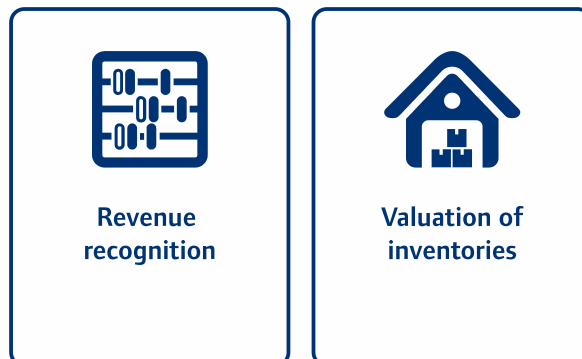
In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with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



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.



Revenue recognition

Key Audit Matter

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.

Our response

During our audit, we analysed 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 31 December 2019 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 2020 and by retrospectively comparing actual sales deductions with the estimates of prior year.
- In the business area Sheet Metal 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 regarding revenue recognition, refer to [section 1.2](#) in the notes to the consolidated financial statements.



Valuation of inventories

Key Audit Matter

As at 31 December 2019, inventories amounted to CHF 304.2 million (CHF 323.1 million as at 31 December 2017), 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:

Sheet Metal Processing

- For semi-finished products, work in progress and finished goods with a high proportion of value creation, the determination of the current production costs involves judgement and depends on the progress of the order fulfillment.
- Moreover, finished goods bear the risk that production costs exceed their net realisable value (lower of cost or market).
- Further management judgement is required for spare parts with longer turnover periods.

Outdoor

- 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 of value adjustments as a significant risk.

Our response

During our audit, we analysed 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 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 in samples.
- The valuation at lower of cost or net realisable 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.

Outdoor

- 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 regarding valuation of inventories refer to the following [section 2.1](#) in the notes to the consolidated financial statements.

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, 13 March 2020

Income statement – Conzzeta AG

CHF 1,000	2019	2018
Income from equity holdings	77,600	54,500
Income from the sale of equity holdings	16,878	
Financial income	7,633	7,311
Income	102,111	61,811
Financial expenses	-4,339	-2,442
Personnel expenses	-1,527	-1,556
Other operating expenses	-5,982	-4,159
Direct taxes	-6	-24
Expenses	-11,854	-8,181
Net income	90,257	53,630

Balance sheet at December 31 – Conzzeta AG

CHF 1,000	2019	2018
Cash and cash equivalents	249,984	228,033
Securities		50,000
Other accounts receivable		
due from third parties	5,959	5,432
due from equity holdings	1,156	461
Prepaid expenses and accrued income	522	920
Current assets	257,621	284,846
Financial assets		
Receivables from equity holdings	466,252	416,673
Equity holdings	211,901	230,901
Fixed assets	678,153	647,574
Assets	935,774	932,420
Interest-bearing liabilities		
due to third parties	1	
due to equity holdings	39,459	28,767
Other payables		
due to third parties	2,475	1,423
due to associates	147	92
due to equity holdings	1,977	1,372
Accrued expenses and deferred income	1,355	1,414
Short-term liabilities	45,414	33,068
Share capital	4,140	4,140
Legal capital reserves		
Reserve from capital contributions	72	72
Other capital reserves	97,470	97,564
Legal retained earnings	13,409	13,409
Voluntary retained earnings	650,000	650,000
Retained earnings	129,207	138,194
Treasury shares	-3,938	-4,027
Shareholders' equity	890,360	899,352
Liabilities and shareholders' equity	935,774	932,420

Notes to the financial statements – Conzzeta AG

Principles

General

The financial statements 2019 of Conzzeta AG have been prepared in accordance with the provisions of the Swiss Code of Obligations. The significant valuation policies applied, over and above those required by law, are described in the following.

The financial statements were approved for publication by the Board of Directors on Friday, March 13, 2020. They are also subject to approval by the Annual General Meeting.

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 hedges are used against currency 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.

Information on the income statement and balance sheet items

Income

The dividend payments by the subsidiaries were determined in relation to available retained earnings and capital requirements. The divestment of Bystronic Maschinen AG resulted in a gain from the sale of equity holdings of CHF 16.9 million. The financial income comprises the interest income on accounts receivable from equity holdings of CHF 7.5 million (2018: CHF 5.8 million) and interest income from third parties amounting to CHF 0.1 million (2018: CHF 0.3 million). In the previous year, this position also contained the reversal of provisions for loans of CHF 1.0 million, gains on securities of CHF 0.1 million and currency gains on liquid assets and on accounts receivable from equity holdings of CHF 0.1 million.

Expenses

Financial expenses are the result of interest on liabilities towards equity holdings of CHF 0.4 million (2018: CHF 0.4 million), interest on short-term bank loans of CHF 0.1 million (2018: CHF 0.1 million), the cost of currency hedging (interest rate differences) for balance sheet items in foreign currencies of CHF 3.6 million (2018: CHF 2.0 million) and currency losses on liquid assets and on accounts receivable from equity holdings of CHF 0.2 million. 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 consist of current account bank balances, the majority of which are in Swiss francs. Other accounts receivable due from third parties include recoverable input tax and withholding tax of CHF 0.4 million (2018: CHF 0.2 million) and a balance of CHF 5.6 million (2018: CHF 5.3 million) from exchange rate hedges due from banks. Other accounts receivable from equity holdings include a balance of CHF 0.9 million (2018: CHF 0.5 million) from exchange rate hedges against equity holdings and accounts receivable from equity holdings of CHF 0.3 million.

Fixed assets

The financial investments comprise securities held as a long-term investment. In the year under review, accounts receivable from equity holdings grew by CHF 49.6 million. Equity holdings fell by CHF 19.0 million due to the sale of Bystronic Maschinen AG.

Liabilities

Other payables include mainly debts of CHF 2.1 million (2018: CHF 1.4 million) resulting from exchange rate hedges owed to banks, debts of CHF 2.0 million (2018: CHF 1.4 million) resulting from exchange rate hedges against equity holdings and trade payables of CHF 0.4 million.

Shareholders' equity

The share capital of CHF 4.1 million (2018: CHF 4.1 million) is divided into 1,827,000 class A registered shares and 1,215,000 class B registered shares. At the end of 2018, 4,506 class A registered shares acquired at an average purchase price of CHF 894 each were held. In the reporting year, 2,484 class A registered shares were acquired at an average transaction price of CHF 1,025 each for the share-based compensation program. The Board of Directors received 669 class A registered shares at an average transaction price of CHF 914 each. A total of 2,134 class A registered shares were sold to Group companies at an average transaction price of CHF 904 each for allocation to members of the Executive Committee and other members of the management team. In each case, the transaction price corresponded to the market value. The holding as of December 31, 2019 was 4,187 class A registered shares acquired at an average purchase price of CHF 941 each.

Further information

Full-time positions

Conzzeta AG has no employees.

Contingent liabilities

CHF 1,000	2019	2018
Sureties and guarantee obligations for subsidiaries	69,946	84,865
Effective obligations	8,084	20,387

Equity holdings

See [note 4.2 to the consolidated financial statements](#) for details of equity holdings. The voting shares correspond to the capital shares.

Significant shareholders

		2019	2018
Auer, Schmidheiny and	Capital rights	29.1%	29.1%
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, 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

Number	Class A registered shares 12/31/2019	Class A registered shares 12/31/2018	Class B registered shares 12/31/2019	Class B registered shares 12/31/2018
Board of Directors				
E. Bärtschi, Chairman	1,596	1,354		
R. Abt, Member	257	196		
M. Auer, Member	28,681	28,620	1,008	1,008
M. König, Member				
P. Mosimann, Member	933	872		
U. Riedener, Member	257	196		
J. Schmidheiny, Member	129,369	129,308	1,220	1,220
R. F. Spoerry, Member	12,501	12,440	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.

Number	Class A registered shares 12/31/2019	Class A registered shares 12/31/2018	Class B registered shares 12/31/2019	Class B registered shares 12/31/2018
Executive Committee				
M. Willome, Group CEO	1,687	1,181		
K. W. Kelterborn, Group CFO	884	691		
O. Pabst, Head of the Mammut Sports Group business unit	393	201		
M. Riedel, Head of the FoamPartner business unit	396	78		
J. Rohner, Head of the Schmid Rhyner business unit	562	434		
B. Senn, General Counsel	416	292		
A. Waser, Head of the Bystronic business unit	943	578		

Compensation paid to members of the [Board of Directors](#) and [Executive Committee](#) is shown in the Compensation Report.

Share-based compensation

The base compensation for members of the Board of Directors is paid in cash and shares (approx. 50% each) that are subject to a four-year vesting period. 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 2019, a total of 669 class A registered shares were allocated to the Board of Directors for the previous year. The CHF 0.6 million valuation was based on a share price of CHF 914 each. Personnel expenses contain deferred expenses for the reporting year amounting to CHF 0.4 million (2018: CHF 0.4 million) for the share-based component of compensation.

Events after the balance sheet date

On December 20, 2019, Conzzeta announced the signing of a binding agreement to sell its business unit Schmid Rhyner to the German specialty chemicals group Altana. Closing of the transaction was on February 28, 2020.

Proposed appropriation of available earnings – Conzzeta AG

CHF	2019
The Board of Directors proposes to the Annual General Meeting on April 22, 2020, that the total sum available for appropriation, consisting of:	
Net income	90,257,433
Retained earnings carried forward from previous year	38,949,368
Retained earnings	129,206,801
Treasury shares (held directly)	3,938,193
Total sum available for appropriation	125,268,608
be appropriated as follows:	
Dividend of CHF 42.00, including special distribution of CHF 24.00 per class A registered share	76,734,000
Dividend of CHF 8.40, including special distribution of CHF 4.80 per class B registered share	10,206,000
Total dividend	86,940,000
Retained earnings to be carried forward	42,266,801

If this proposal is approved, the dividend distribution for the 2019 reporting year will be:

CHF	Gross dividend	35% withholding tax	Net dividend
Per class A registered share	42.00	14.70	27.30
Per class B registered share	8.40	2.94	5.46

The dividend will be paid out with the value date of Tuesday, April 28, 2020.

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 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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, 13 March 2020

Five-year summary

		2019	2018	2017	2016	2015
Segment Sheet Metal Processing						
Net revenue	CHF m	936.0	1,013.2	856.1	650.9	568.9
Operating result (EBIT)	CHF m	121.1	132.5	98.0	63.0	55.4
Net operating assets	CHF m	248.3	204.0	173.0	159.0	162.1
Segment Chemical Specialties						
Net revenue	CHF m	346.6	382.9	279.2	219.7	203.8
Operating result (EBIT)	CHF m	14.2	5.8	24.8	23.1	18.5
Net operating assets	CHF m	156.4	167.0	186.9	112.7	110.9
Segment Outdoor						
Net revenue	CHF m	268.4	253.4	228.6	232.9	234.9
Operating result (EBIT)	CHF m	7.5	5.2	0.1	1.2	0.1
Net operating assets	CHF m	149.6	126.7	116.5	108.1	113.6
Segment Glass Processing						
Net revenue	CHF m	22.4	133.3	119.3	106.9	118.7
Operating result (EBIT)	CHF m	31.1	7.6	6.3	1.0	6.4
Net operating assets	CHF m		21.9	23.1	19.3	23.1
Consolidated income statement						
Net revenue	CHF m	1,573.2	1,782.2	1,482.8	1,210.0	1,126.1 ¹
Operating result (EBIT)	CHF m	167.2	146.8	123.2	84.4	75.9 ¹
Group result	CHF m	136.8	114.8	97.4	63.9	59.3
Consolidated balance sheet						
Current assets	CHF m	889.1	1,009.0	993.6	977.2	950.9
Non-current assets	CHF m	377.0	357.2	329.7	278.2	270.8
Short-term liabilities	CHF m	329.8	379.7	366.7	269.3	213.7
Long-term liabilities	CHF m	56.1	59.6	53.7	44.6	48.1
Shareholders' equity	CHF m	880.1	926.9	902.9	941.5	959.9
Total assets	CHF m	1,266.0	1,366.2	1,323.3	1,255.4	1,221.7
Shareholders' equity as % of total assets	%	69.5	67.8	68.2	75.0	78.6
Net operating assets/employees						
Net operating assets	CHF m	550.7	520.1	490.7	401.6	413.3
Employees 12/31	Number	5,026	5,259	4,717	4,098	3,479
Ø employees in full-time positions	Number	5,086	5,091	4,328	3,814	3,425
Net revenue per full-time position	CHF thousand	309.3	350.1	342.6	317.2	328.8
Personnel expenses per full-time position	CHF thousand	74.5	79.4	78.4	79.7	82.8
Share information						
Share capital	CHF m	4.1	4.1	4.1	4.1	4.1
Number of shares issued at 12/31						
Class A registered shares	Number	1,827,000	1,827,000	1,827,000	1,827,000	1,827,000
Class B registered shares	Number	1,215,000	1,215,000	1,215,000	1,215,000	1,215,000
Market prices of class A registered share						
High	CHF	1,174.00	1,320.00	1,067.00	747.00	696.17
Low	CHF	714.00	731.00	721.00	570.00	536.96

Year-end		CHF	1,156.00	769.00	1,016.00	720.00	639.00
Total dividend		CHF m	149.0 ²	39.3	33.1	22.8	20.7
Key indicators per share							
Earnings	per class A registered share	CHF	60.85	46.76	40.47	29.10	28.65
	per class B registered share	CHF	12.17	9.35	8.09	5.82	5.73
Cash flow from operating activities	per class A registered share	CHF	48.43	69.65	45.52	46.37	41.93
	per class B registered share	CHF	9.69	13.93	9.10	9.27	8.39
Shareholders' equity	per class A registered share	CHF	423.37	436.71	428.00	451.70	464.15
	per class B registered share	CHF	84.67	87.34	85.60	90.34	92.83
Gross dividend	per class A registered share	CHF	72.00 ³	18.00	16.00	11.00	10.00
	per class B registered share	CHF	14.40 ⁴	3.60	3.20	2.20	2.00

¹ Net revenue and operating result of the spin-off Real Estate business unit were eliminated for 2015.

² As proposed by the Board of Directors CHF 86.9 million (including special distribution of CHF 49.7 million) and special dividend of CHF 62.1 million.

³ As proposed by the Board of Directors CHF 42.00 (including special distribution of CHF 24.00) and special dividend of CHF 30.00.

⁴ As proposed by the Board of Directors CHF 8.40 (including special distribution of CHF 4.80) and special dividend of CHF 6.00.

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