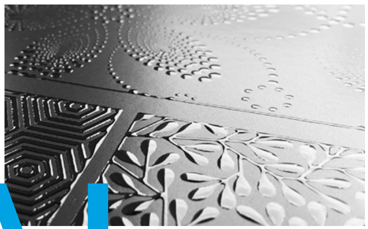
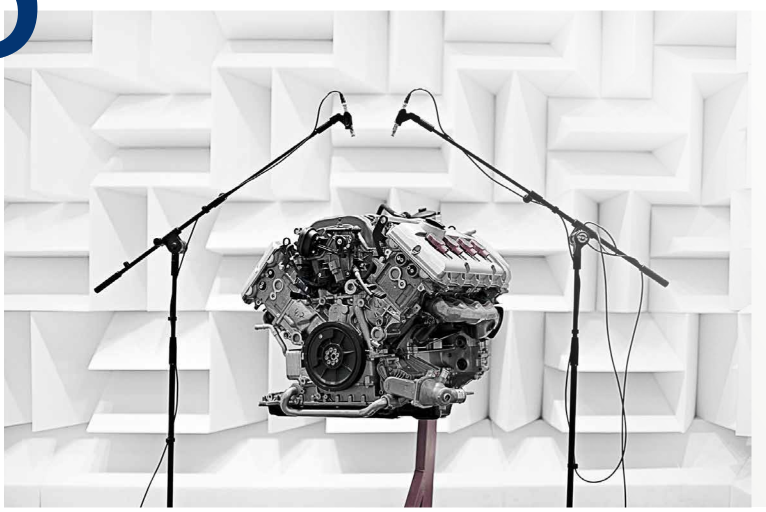


ANNUAL REPORT 2018



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Key figures - Group

CHF m	2018	2017	Changes
Group			
Order entry (capital goods)	1’129.0	1’067.3	5.8%
Net revenue	1’782.2	1’482.8	20.2%
comparable [1]			10.4%
Total revenue	1’796.7	1’500.9	19.7%
Operating result (EBIT)	146.8	123.2 [2]	19.2%
as a % of total revenue	8.2%	8.2% [2]	0 bp
Group result	114.8	97.4 [2]	17.9%
as a % of total revenue	6.4%	6.5% [2]	-10 bp
Minority interests	18.2	13.7	32.1%
Operating free cash flow	83.4	65.4	27.3%
Cash, cash equivalents and securities	389.6	399.1	-2.4%
Total assets	1’366.2	1’323.3	3.2%
Shareholders’ equity	926.9	902.9	2.7%
as a % of total assets	67.8%	68.2%	-40 bp
Net operating assets (NOA)	520.1	490.7	6.0%
Return on net operating assets (RONOA)	23.1%	21.5%	160 bp
Number of employees on December 31	5’259	4’717	11.5%
Earnings per class A share, in CHF	46.76	40.47	15.5%
Dividend for class A shares, in CHF	18.00 [3]	16.00	12.5%
Dividend for class B shares, in CHF	3.60 [3]	3.20	12.5%

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

[2] Including capital gain of CHF 8.8 million.

[3] As proposed by the Board of Directors.

Key figures - Segments

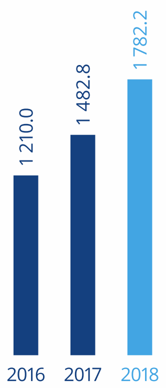
CHF m	2018	2017	Changes
Sheet Metal Processing			
Net revenue	1’013.2	856.1	18.3%
comparable [1]			14.9%
Total revenue	1’032.5	874.0	18.1%
Operating result (EBIT)	132.5	98.0	35.2%
as a % of total revenue	12.8%	11.2%	160 bp
Chemical Specialties			
Net revenue	382.9	279.2	37.1%
comparable [1]			–2.5%
Total revenue	383.0	281.3	36.1%
Operating result (EBIT)	5.8	24.8 [2]	–76.5%
as a % of total revenue	1.5%	8.8% [2]	-730 bp
Outdoor			
Net revenue	253.4	228.6	10.9%
comparable [1]			9.4%
Total revenue	253.4	228.6	10.9%
Operating result (EBIT)	5.2	0.1	n/a
as a % of total revenue	2.1%	0.1%	200 bp
Glass Processing			
Net revenue	133.3	119.3	11.7%
comparable [1]			10.4%
Total revenue	128.4	117.4	9.3%
Operating result (EBIT)	7.6	6.3	21.1%
as a % of total revenue	5.9%	5.4%	50 bp

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

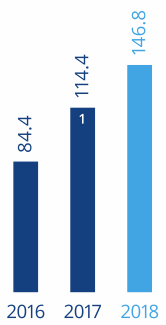
[2] Including capital gain of CHF 8.8 million.

Performance indicators

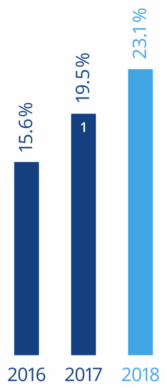
Net sales Growth
(Net revenue in CHF m)



Profitability
(EBIT in CHF m)



Capital efficiency
(RONOA)



Financial Targets
(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.

Shaping future viability

The Conzzeta Group's business units continued to make progress in 2018. As a Group we achieved a marked increase in revenue of 20% and a further improvement in the operating result. Action is still needed in terms of evening out the results' contribution made by the respective segments.

After a very strong start, the business environment cooled off noticeably over the course of the year, particularly in China, but also globally in important industrial sectors. Nevertheless, net revenue increased once again in the second half of the year compared with the very strong second half of the previous year, although the margin declined due to a marked weakening in the Chemical Specialties segment and increasingly mixed trends accross regions and businesses.

Increasing geopolitical uncertainty

Business is becoming more challenging due to protectionist tendencies and the stagnation of political reforms in key markets. At the same time, modern technological capabilities present new challenges within a more demanding social environment. This also creates new opportunities for companies like Conzzeta.

Conzzeta is continuing to build on the four priorities established in 2016: Through consistent market orientation (first priority) and increased internationalization (second priority), Group net revenue increased by more than 50% over the last three years thanks to organic growth as well as acquisitions, with an increase of 80% in the defined growth regions, i.e. Asia and the Americas. The personnel development measures (third priority) continually strengthen our future managerial capabilities within the context of our management model. The Group-wide Business Excellence Program (fourth priority) has now been launched and the first concrete improvements were reported in 2018.

Uneven contribution to results

In 2018, profitability increased in three out of four segments, namely Sheet Metal Processing, Glass Processing and Outdoor. By contrast, there was a slump in the result of the fourth segment, Chemical Specialties The slowdown in the global automotive sector, especially in the fourth quarter, additionally reduced the result, which was already weighed down by high raw materials' and reorganization costs.

On a positive note, the Group achieved a significant increase in profitability, excluding the divestment gain generated in the previous year. Overall, however, profitability from segment to segment is still too uneven. Measures to significantly improve profitability in the Chemical Specialties and Outdoor segments are currently being implemented.

The increasing importance of agility

Conzzeta will have to prepare for further changes in the market, which will require rapid and flexible responses at a local level. With this in mind, we implemented organizational measures in 2018. We are additionally working on increasing the scalability of our business models, optimizing our infrastructure and promoting customer proximity. We are also investing in digital solutions, both for our customers as well as for our own production, sales and management processes.

In addition to innovative solutions, lasting commercial success also requires the consideration of environmental and social aspects. In 2018, we carried out a systematic analysis of the relevant issues for the first time and documented them in the annual report.

Developing leading market positions

We are shaping Conzzeta's future viability with the backing of our employees. We are concentrating on the areas in which we are able to develop and consolidate leading market positions with the resources available to us. This also requires a focused approach.

The divestment of the Glass Processing segment announced on January 25, 2019, is a step in this direction. The employees have worked hard and loyally to achieve an impressive improvement in results, creating the prerequisites for a successful sale. We are convinced that this step too will improve future viability – for all parties involved.

In all of our markets, we need qualified and dedicated staff with different and also local skills in order to implement our ambitious plans. They deserve our thanks for their work in 2018.

The Board of Directors also gives special thanks to Werner Dubach, who will no longer stand for re-election to the Board of Directors at the forthcoming Annual General Meeting on April 16, after 25 years as a member. Michael König, however, is a candidate with proven specialist and management experience in the global chemicals business.

Outlook

Geopolitical and macroeconomic uncertainties have gained in importance for 2019. For the businesses continued after the announced divestment of the Glass Processing segment, Conzzeta currently expects net revenue in 2019 at the level of the previous year. Not including any potential one-off effects from the divestment, the operating result is anticipated to be more broadly based across the segments with a slight improvement in the EBIT margin.

Ernst Bärtschi
Chairman of the Board
of Directors

Michael Willome
Group CEO

STRATEGY

Conzzeta is a broadly diversified Swiss group of companies. It stands for innovation, market orientation and an entrepreneurial approach. More than 5’200 employees at over 60 locations worldwide are dedicated to offering customers high-quality and viable solutions for the future.

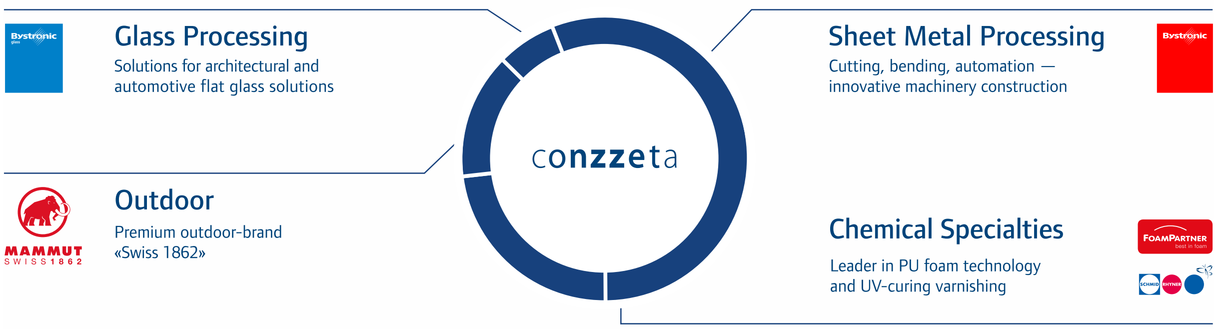
Strategy and portfolio

Conzzeta is striving to become a leader in its target markets and is developing a business portfolio with above-average growth prospects and long-term value creation.

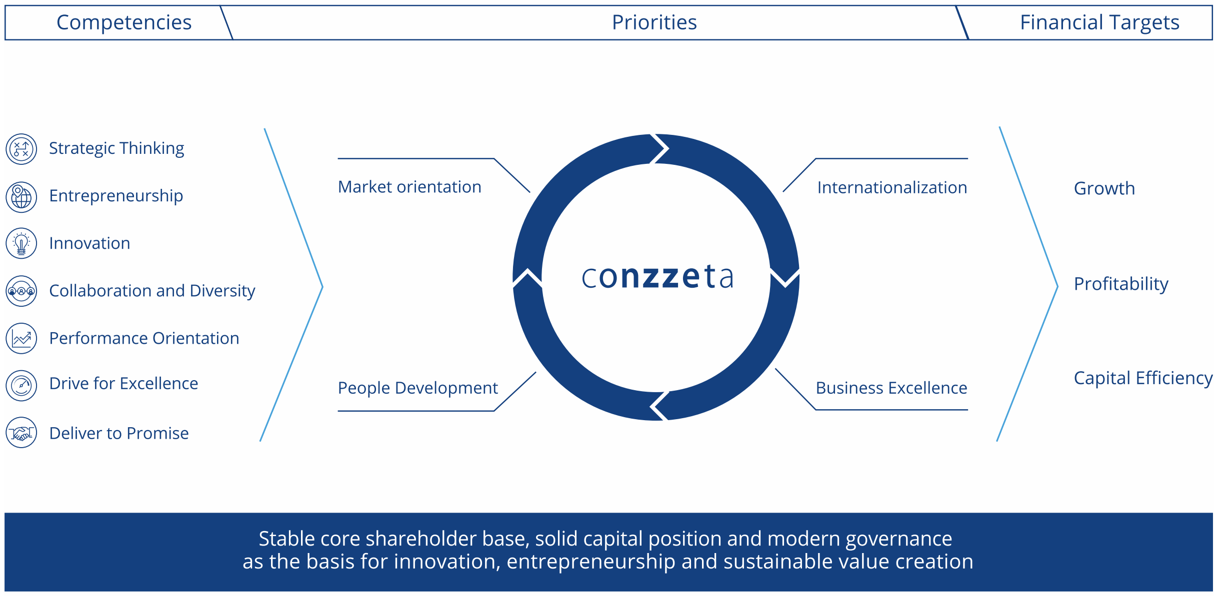
Conzzeta is supporting and promoting its business units: innovation, growth and business excellence form the basis for long-term returns ranking in the highest quartile of the respective peer group.

Conzzeta is pursuing medium-term financial targets to which all business units should contribute, notwithstanding the diversity of their business cycles and their varying geographical presence.

Conzzeta is developing the business over the longer term with a strong balance sheet. Taking consideration of the circumstances, it envisages a dividend of between one third and one half of the Group result.



Diversified management



Priorities, targets, performance

Priorities

Market orientation

In 2018, our net revenue increased by over 10% across all segments and regions. We achieved this broad-based growth by focusing on growth markets and thanks to innovative products and targeted acquisitions to complement our range of products and services or to strengthen our market position.

Internationalization

Increasingly, we are realizing our potential outside our European home markets. We see opportunities particularly in Asia and the Americas. Revenue attributable to Asia and the Americas increased by 80% within three years since the end of 2015, while the share of revenue from Europe dropped from 60% to 54%.

Employee development

We encourage our employees by offering opportunities for personal development in global, mixed teams. In 2018, we continued our Talent Development Program and launched a Senior Leadership Program. This advanced education focuses on the topics of digitization, customer focus and problem-solving competencies.

Business excellence

With a view to achieving sustainable improvements, in 2018 we largely finished setting up the Group-wide Business Excellence Program based on the Six Sigma model. Around 60 green and black belts have now undergone training. The portfolio includes measures in all business units, which will make a significant contribution to results by the end of 2020.

Financial targets (mid-term)

Net revenue

Conzzeta is aiming to increase revenue by more than 5% at Group level. Growth in 2018 exceeded the 2017 figure by 20.2%. At stable exchange rates and excluding changes in the scope of consolidation, revenue growth amounted to 10.4%.

Operating result

Conzzeta is aiming to achieve an EBIT margin of between 8% and 10%. The EBIT margin in 2018 amounted to 8.2%, after 7.6% in 2017 (without the divestment gain of CHF 8.8 million in the Chemical Specialties segment from the 2017 sale of the US joint venture).

Capital efficiency

Conzzeta is aiming for a RONOA of more than 15%. The RONOA in 2018 was 23.1%, after 19.5% (adjusted) in 2017. RONOA stands for return on net operating assets and is calculated after taxes.

Business Review Group

Profitable growth

With net revenue of CHF 1'782.8 million, the Conzzeta Group achieved revenue growth of 20.2% in 2018. The operating result (EBIT) amounted to CHF 146.8 million and the EBIT margin was 8.2%, up from CHF 114.4 million and 7.6% respectively in the previous year (adjusted for divestment gain). After a strong start, the market environment over the course of the year became increasingly mixed from region to region and from one business area to another. The Group made progress towards implementing strategic and operational initiatives. However, ongoing efforts are needed in order to improve profitability more broadly and sustainably.

On a comparable basis, i.e., at constant exchange rates and adjusted for changes in the scope of consolidation, net revenue growth was 10.4%, after 14.3% in the previous year. After an exceptionally strong start to the year in a very favorable business environment for capital goods, benefiting from the delivery of various large orders in the Glass Processing segment and successful product launches in the Outdoor segment, revenue growth slowed significantly over the course of the year. In Asia and particularly China, increasing geopolitical and macroeconomic uncertainties had an adverse effect. However, thanks to the robust business development in Europe and America, net revenue in the second half of the year was up by 8.1% compared to the strong prior year's period, albeit with a declining margin due to a marked weakening in the Chemical Specialties segment. In terms of EBIT, the annual result increased over-proportionally by 28.3% after adjustment for the divestment gain of CHF 8.8 million generated in the Chemical Specialties segment in 2017. The return on net operating assets amounted to 23.1%, compared with 19.5% (adjusted) the previous year. The high order intake for capital goods weakened towards the end of the year, but still increased by 5.8% for the year as a whole. The order book in the Sheet Metal Processing segment was slightly higher, and in the Glass Processing segment slightly lower than the previous year.

Internationalization

Market orientation and the internationalization of business activities have been among the Group's four priorities since the beginning of 2016. Building on a solid presence in Europe, this involves realizing growth opportunities and establishing a broader geographical base in order to offset the various regional economic fluctuations and market cycles. Significant revenue growth of 23.7% was achieved in the Americas in 2018. This was primarily driven by operational growth initiatives in the Sheet Metal Processing and Glass Processing segments. Also in Europe and Asia revenue rose by 22.1% and 14.5%, respectively, although in these regions the takeover of Otto Bock Kunststoff as of September 1, 2017 had a comparatively greater impact, alongside operational improvements in performance.

Since the introduction of the internationalization strategy in January 2016, revenue in the defined growth regions of Asia and the Americas has increased by 80.2% compared with the end of 2015. Europe accounted for 54.1% of net revenue in 2018, while Asia accounted for 27.6% and the Americas 18.3%. During the reporting year, measures to strengthen our presence and our capacity to take action in the regions were steadily pursued. In the Sheet Metal Processing segment, for example, the groundbreaking for an assembly plant and an experience center in the USA took place, and a renewed regional management structure was implemented for the FoamPartner business unit in connection with the integration of Otto Bock Kunststoff.

Strategic initiatives

We continued with the implementation of our growth strategies in 2018. In the Sheet Metal Processing segment, the consistant implementation of these strategies requires continuing efforts and investments in order to build-up market presence and develop new solutions and products, particularly in the field of automation. To this end, our presence in various countries in Asia and Europe was enhanced and various innovations were presented. Two Italian companies were taken over during the reporting year, namely TTM Laser S.p.A. with its applications for the three-dimensional processing of tubes and profiles, and Antil S.p.A. (70%), a specialist in the automated loading and unloading of sheet metal processing systems and corresponding storage systems.

In the Chemical Specialties segment, the integration of Otto Bock Kunststoff into the FoamPartner business unit was largely completed as planned. The implementation of the regional management structure in a challenging market environment necessitated various adjustments, which resulted in partially unplanned costs. Furthermore, the business environment in the automotive sector deteriorated towards the end of the year, resulting in an unsatisfactory earnings situation. In order to realize margin potential, the Board of Directors approved a plan in 2018 designed to optimize production infrastructure over the next two to three years. By taking over ISAtec GmbH in 2018, the Schmid Rhyner business unit secured the technology for metallic colors marketed under the WESSCO POLAR brand together with innovative possibilities for the design of high-quality packaging.

The Outdoor segment continued to make progress in 2018 with the implementation of its five-year strategic plan, which commenced in 2016. Apart from the marked increase in revenue and operating result, the clear improvement in gross margin is a confident sign that financial performance can continue to improve over the remaining two-year term of the plan. The focus will be on achieving a significant increase in volume and revenue in order to absorb the costs associated with developing essential expertise in the areas of digitalization, retail and design, and the costs incurred to expand the workforce into international markets.

Finally, the Glass Processing segment recorded a significant improvement in 2018 compared with the previous year. Not least because of this, we were able to announce on January 25, 2019, that a binding agreement had been signed for the sale of the Glass Processing segment to the Finnish company Glaston Corporation, headquartered in Helsinki, for an enterprise value of EUR 68 million (CHF 78 million). A key aspect of Conzzeta's Group strategy is establishing or safeguarding leading market positions in all business units as a prerequisite for long-term value creation. There will be new prospects for the Glass Processing segment when it joins Glaston and, subject to the transaction being completed, Conzzeta will be able to focus on developing its remaining segments.

Operational improvements and business excellence

All segments are aligned with the Group's objective of achieving revenue growth of over 5%, an EBIT margin of 8% to 10%, and a return on net operating assets of over 15% across business cycles. The Sheet Metal Processing segment exceeded these targets in 2018, and the Outdoor and Glass Processing segments made significant progress, but they still fell short of the Group's aspirations. However, the business environment, which has become more challenging, the still challenging competitive environment, and structural currency trends require that all business units continue their efforts to maintain or improve their margins by offering innovative, future-oriented products and solutions that meet the demands of the market.

At the same time, continued efforts to improve productivity and efficiency are needed. This was why business excellence (BEX) was defined as one of the Group's four priorities in 2016, and in 2018 the set-up of the Group-wide BEX program was largely finished. The priority now is to implement overall and continuing improvements in all business units as part of a Group-wide organizational model. The BEX projects are being coordinated based on Six Sigma and lean methods. At the end of 2018, the portfolio included around a dozen initiatives, and three projects had already been completed.

The development of the BEX program generated a certain amount of start-up costs. However, it is expected that the initiatives will contribute significantly to results over the coming years. As a precursor to this, the Group is making a considerable effort to train so-called black belts and green belts. Employees who have undergone this training are deployed in BEX initiatives worldwide and support the business units to respond flexibly and in a timely way to new demands. The BEX organization allows the exchange of know-how and experience between countries and business units, and the results of BEX initiatives are systematically measured to ensure that process optimization is sustained.

Personnel development and key competencies

Personnel development was also defined as one of the Group's four priorities in 2016. Accordingly, additional measures were implemented in the reporting year. In light of the existing growth strategy and operational challenges, the aim is to enhance management skills and promote internal succession planning for leadership positions. The Group competencies rolled out in 2017 as strategically relevant key skills for the development of a culture of performance and success (see the Strategy section) are now an established part of management training and are integral to assessments of the performance and potential of executives.

The Talent Development Program, which involved employees from all business units and regions, was conducted for a second time in 2018, with the third cycle starting in February 2019. In 2018, it was gratifying to see that an increased proportion of vacant positions could be filled with internal candidates. A leadership program was launched in January 2019 in collaboration with a renowned training partner for the approximately 80 members of the Global Management Team (GMT). In light of the rapidly changing business environment, the main emphasis of this training initiative is on digitalization, customer focus and problem-solving competence.

The compensation system for GMT members was harmonized across the Group in 2018, based on a systematic assessment and classification of the relevant managerial functions in the business units and among Group staff. In this context, the structure of compensation was also adjusted, and at the beginning of 2018, a portion of variable compensation was disbursed in the form of shares that are subject to a three-year vesting period. The new long-term incentive plan enhances the attractiveness of Conzzeta and the business units as employers and encourages employees to identify with the interests of shareholders.

Risk management and corporate responsibility

Conzzeta is committed to pursuing a value-oriented corporate management with a long-term perspective. In addition to responsible corporate behavior and a consistent focus on innovation and sustainable customer value, this requires careful management of risks, seamless adherence to the binding standards of conduct laid down in the Code of Conduct and appropriate consideration of the interests of all stakeholder groups.

During the reporting year, for the third time, the audit schedule set by the internal audit function established in 2015 was carried out for the full annual cycle. The tools used proved effective and will help to implement control standards and continuous operational improvements. In 2018, 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 supported by risk monitoring, a plan of action and standardized reporting.

As at the end of 2018, the Group had identified four 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 misjudgements 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 security (especially against cybercrime).

The 2018 revised Notes to the Consolidated Financial Statements include a new chapter on financial risk management with a detailed description of risk factors and their management (see Financial Report).

Conzzeta conducted a materiality analysis for the first time in 2018 in order to systematically evaluate environmental, social and governance (ESG) issues. The process and the Group's nine key sustainability themes are presented in the new section entitled Responsibility. The materiality analysis serves as the basis for targeted and consistent reporting on the relevant themes, which will be developed further in 2019. In 2018, the Outdoor segment also published transparent sustainability goals for the next five years as part of its "We Care strategy". The new strategy involves four key priorities: 1) the protection of natural resources (reduced footprint); 2) ethical production; 3) animal welfare; and 4) minimizing harmful substances in supply chains and products (clean production).

Financial performance

The net revenue growth of 20.2% achieved by the Group in 2018 translates in absolute terms to an amount of CHF 299.4 million. Of this amount, CHF 154.5 million was attributable to organic growth, CHF 126.9 million was attributable to the net impact of changes in the scope of consolidation, and CHF 18.0 million was the result of a currency gain. Double-digit net revenue growth compared with the previous year was reported in all segments and at Group level in all three regions, Europe, America and Asia. On a comparable basis, i.e. adjusted for changes in the scope of consolidation and currency translation effects, three out of four segments reported significant revenue growth. By contrast, revenue in the Chemical Specialties segment decreased by 2.5% as business performance was weighed on by the slowdown in the automotive sector in Europe and Asia in the second half of the year.

With an operating result of CHF 146.8 million in 2018 and an EBIT margin of 8.2%, and excluding one-off effects, the Group achieved its medium-term aspirational target of 8% to 10% thanks to the further result improvement at a high level in the Sheet Metal Processing segment. EBIT in 2017 amounted to CHF 123.2 million and the margin was 8.2% (7.6% without the gain of CHF 8.8 million from the aforementioned divestment of the US joint venture). Although the operating result improved notably in the reporting year in three out of four segments, the respective contributions of the segments are still too uneven. The Sheet Metal Processing segment accounted for 90.3% of the operating result, largely because profitability slumped in the Chemical Specialties segment in 2018 from CHF 16.0 million (excluding the divestment gain) to CHF 5.8 million. The key reasons for this were high raw material costs, particularly in the first half of the year, reorganization costs of CHF 5.5 million in connection with the integration of Otto Bock Kunststoff, the establishment of the regional business model, and the aforementioned downturn in the automotive sector.

Overall, despite the progress achieved in 2018, the earnings situation indicates a continuing need for action to further improve segment results. Compared with the previous year, operating expenses did not increase at the same rate as net revenue, rising 18.8% to CHF 1’658.3 million. This includes efforts to achieve further growth while at the same time improving efficiency.

The tax rate of 20.4% was slightly lower than the previous year, thanks partly to favorable regional earnings performance from a tax perspective. This helped to partially compensate for the weaker financial result. The Group result for 2018 was CHF 114.8 million, 17.9% above the previous year (CHF 97.4 million), although it included the aforementioned divestment gain. Minority interests amounted to CHF 18.2 million in the reporting year (previous year: CHF 13.7 million).

Financing, investments and divestitures

The Group generated an operating free cash flow of CHF 83.4 million in 2018, against CHF 65.4 million in the previous year. Investments in fixed and intangible assets amounted to CHF 72.2 million, up from CHF 37.3 million the previous year. Notable single investments in 2018 included a showroom in Seon and the upgrade and expansion of sales locations in the Outdoor segment, the start of construction of the US assembly plant near Chicago, the ongoing renovation of a factory hall at the Niederönz site and the expansion of distribution infrastructure in the Sheet Metal Processing segment, and the expansion of production facilities in China and the USA for the FoamPartner business unit in the Chemical Specialties segment. The reinvestment rate climbed to 2.0% from 1.3% in the previous year.

At the end of 2018, the Group had cash and cash equivalents of CHF 389.6 million and the equity ratio stood at 67.8%. Even after the acquisitions and investments made over the course of the year, Conzzeta has a solid balance sheet that will help sustain the future development of its businesses and provide a basis for actively shaping its portfolio. Possible acquisitions continue to be most likely in the Sheet Metal Processing and Chemical Specialties segments.

Around 7% of Conzzeta’s workforce is employed in research and development. They work closely with colleagues in other specialist units to create the foundations for innovative and customized products and solutions. In particular, the Group’s efforts in the context of the progressive digital transformation are considerable in all business units, and these efforts are being coordinated by the Group Digital Council. Innovation at all levels is a key prerequisite for the survival of all business units in an increasingly globalized competitive environment.

Appropriation of profit

Conzzeta aims for a payout ratio of between one-third and half of Group result. Group result for 2018 amounted to CHF 46.76 for each class A registered share and CHF 9.35 for each class B registered share, compared with CHF 40.47 and CHF 8.09, respectively, the previous year. In keeping with its dividend policy and taking into account current business performance, the Board of Directors is proposing to the Annual General Meeting on April 16, 2019, a 12.5% higher dividend of CHF 18.00 per class A registered share and CHF 3.60 per class B registered share.

Employees

At the end of 2018, the Conzzeta Group had 5’259 employees worldwide, compared with 4’717 the previous year. The increase is largely due to the higher headcount in the Sheet Metal Processing and Outdoor segments. The headcount in the Chemical Specialties and Glass Processing segments increased only marginally. Traditionally, Conzzeta Group companies have participated in apprentice training programs. At the end of 2018, 175 apprentices were in training at 13 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 take this opportunity to thank the employees for their dedication and efforts in 2018. 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.

Outlook

All of the Conzzeta Group’s business units are working on the realization of differentiated plans with the aim of consolidating their market position and increasing profitability on a lasting basis. In the medium term, the benchmark is the Group’s ambition to achieve revenue growth in excess of 5%, an EBIT margin of 8% to 10% and a return on net operating assets of over 15%. Consistent with the Group’s strategy, an appropriate contribution to the result is expected from every business unit across the business cycle. In 2019, it will be specifically important to improve the profitability of the Chemical Specialties and Outdoor segments in order to even up the earnings contributions of the respective segments.

Business performance is generally influenced by the specific market environment of each individual area of activity. The robust economic trend at the beginning of 2018 and the favorable investment climate in all regions declined sharply in the second half of the year. A clear drop in demand is also apparent especially in the automotive sector, particularly in China and Europe. Performance in 2019 will depend to a not insubstantial degree on whether constructive political solutions can be found, and on the extent to which the economic downturn in China can be absorbed.

Geopolitical and macroeconomic uncertainties have gained in importance for 2019. For the businesses continued after the announced divestment of the Glass Processing segment, Conzzeta currently expects net revenue in 2019 at the level of the previous year. Not including any potential one-off effects from the divestment, the operating result is anticipated to be more broadly based across the segments with a slight improvement in the EBIT margin.

SHEET METAL PROCESSING – BYSTRONIC

Solutions for cutting, bending and automation.

The Sheet Metal Processing segment generated net revenue of CHF 1’013.2 million in 2018, an 18.3% increase over the previous year (CHF 856.1 million). On a comparable basis, i.e. at stable exchange rates and excluding the revenue contribution of the two companies taken over in 2018, TTM Laser and Antil, revenue increased by 14.9%. The operating result amounted to CHF 132.5 million (CHF 98.0 million), giving an EBIT margin of 12.8% (11.2%). On an annual basis, all regions and customer segments recorded solid double-digit growth rates. After a very strong first half year, the business environment cooled considerably in the second half of the year, particularly in China, due to geopolitical and macroeconomic factors. Nevertheless, order intake for the year as a whole increased again on a high level thanks to continued positive performance in Europe and, above all, the Americas, so that the order book level at the end of the year surpassed the previous year’s level.

The consistent implementation of the current growth strategy requires further efforts and investments to enhance market presence and to develop new solutions and products, particularly in the area of automation. The integration of Antil contributed in 2018 to the launch of the new Automation and Software Competence Centers, which complement the existing Cutting and Bending Competence Centers. The Tube Processing Competence Center was also created in the course of the integration of TTM Laser. The World Class Manufacturing campaign was continued. 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. Apart from the ByStar Fiber laser cutting system, which has been upgraded from 10 to 12 kilowatts of laser power, the new products presented in 2018 included the fundamentally overhauled next generation BySmart Fiber with up to 6 kilowatts for the middle customer segment. The Xpert Pro press brake, also newly launched and presented in the reporting year as part of an automated bending cell for the utmost precision and efficiency, assists demanding users in the field of bending.

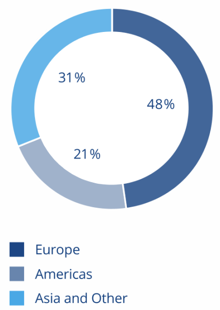
Overview Bystronic

Head: Alex Waser

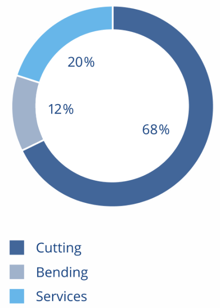
Presence: worldwide, 29 sales and service companies; 7 development and production sites in Switzerland, Germany, Italy and China; used machinery centers in Romania and the USA.

www.bystronic.com

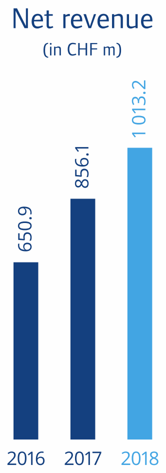
Net revenue by region

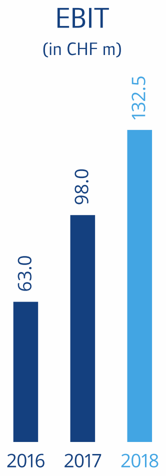


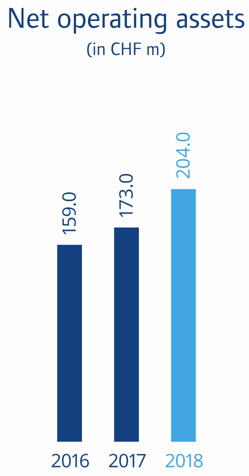
Net revenue by product

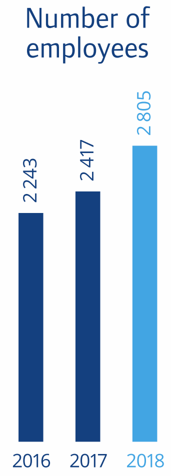


Market presence was spread further in the reporting year, including by way of new or expanded branches in Singapore, Vietnam, Taiwan, Poland, Austria and the Netherlands. In September near Chicago, the groundbreaking took place for the new US assembly plant and experience center. Here, visitors will be shown the future of smart factories starting in the first half of 2020. Meanwhile in Switzerland, work has begun on the extensive renovation and modernization of a factory hall at the Niederönz site. The work is being carried out while operations continue, the aim being to ensure efficient production in the long-term and capacity for additional volume. In a competitive market subject to constant pricing pressure, measures to ensure productivity are continually required, also including further global process harmonization.









CHEMICAL SPECIALTIES – FOAMPARTNER AND SCHMID RHYNER

Polyurethane foams and print finishing.

In 2018, the Chemical Specialties segment generated net revenue of CHF 382.9 million, a year-on-year rise of 37.1% (previous year: CHF 279.2 million). On a comparable basis, revenue declined by 2.5%. The changes in the scope of consolidation considered here relate primarily to the FoamPartner business unit, namely Otto Bock Kunststoff, which was acquired as of September 1, 2017, and the 51% stake in the US joint venture, which was sold on July 1, 2017. The operating result amounted to CHF 5.8 million compared with CHF 24.8 million the previous year, which included a one-off gain of CHF 8.8 million from the aforementioned joint venture sale. The EBIT margin was 1.5%, down from 8.8% the year before, although after adjusting for the divestement gain, the EBIT margin the year before was 5.7%. The operating result was impaired by restructuring costs, local competitive pressure and the significant downturn in the mobility segment in the second half of the year. Net revenue increased at double-digit rates in all regions thanks to the significant strengthening of FoamPartner's market position as a result of its acquisition.

2018 was a challenging year for FoamPartner, and the operating result was significantly lower than expected. The implementation of the new regional management structure, the development of regional business models and the merger with Otto Bock Kunststoff ran according to plan. This gave rise to integration and reorganization costs of CHF 5.5 million. These costs also include the closure of a North American site following the 2017 transaction. Raw material costs also had a adverse effect on the operating result compared with the previous year, despite the situation easing in the second half of the year. The automotive business declined over the course of the year due to market factors, in Europe because of the new test procedures applicable to the certification of vehicles, and in China because of the significant industry slowdown associated with the trade dispute with the USA as well as increased competitive pressure. In order to improve its competitive position, a prepolymer-based technology for ether foams was presented at trade fairs in the fourth quarter of 2018, and its market launch is proposed from 2019 onwards. With the help of innovative solutions for customers and extensive measures to improve operating efficiency, a concerted effort will be made over the next 24 months to significantly improve margins.

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

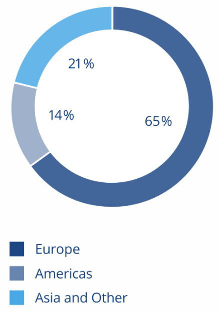
Head: Jakob Rohner

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

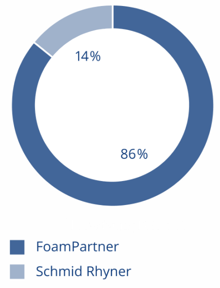
www.foampartner.com

www.schmid-rhyner.com

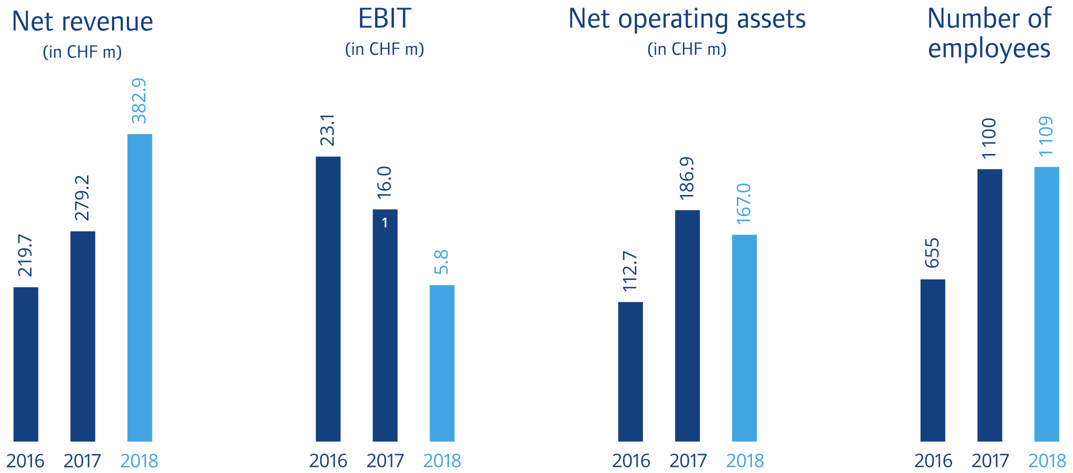
Net revenue by region



Net revenue by business unit



For Schmid Rhyner's print finishing business, the raw materials situation in 2018 also proved challenging, with higher costs, shortages of certain materials and the reclassification of certain materials as hazardous. Despite the price increases, it retained its existing market shares, although market momentum slowed in the second half of the year. It will remain necessary for Schmid Rhyner to expand its business with innovative specialties in the packaging printing market so as to counteract the continuing market-driven decline in revenue in the commercial printing business. It successfully achieved this again in 2018, with its Touch & Feel and Low Migration products gaining share. Aided by new products and the integration of ISAtec, which was acquired in 2018, Schmid Rhyner was able to position itself for future growth in the dynamic markets for flexible tactile packaging and packaging finished with metallic effects.



1) Excl. capital gain of CHF 8.8 million.

OUTDOOR – MAMMUT SPORTS GROUP

Clothing and mountaineering equipment.

The Outdoor segment generated net revenue of CHF 253.4 million in 2018, up 10.9% from the previous year (CHF 228.6 million). At stable exchange rates, revenue increased by 9.4%. The operating result amounted to CHF 5.2 million (CHF 0.1 million), yielding an EBIT margin of 2.1% (0.1%). Double-digit revenue growth was reported in all three regions, Europe, America and Asia. The solid 2017/2018 winter season was favorably influenced by, among others, successful product launches (new generation of the “Eiger Extreme” clothing collection and new version of the “Barryvox” avalanche transceiver). The progressive implementation of the five-year strategy program, which commenced in 2016, was also beneficial. There was a significant qualitative improvement in sales performance thanks to enhanced cooperation with select specialist retailers, the development and expansion of the segment’s own online channels, optimization of the store portfolio and the expansion of international activities. An improved gross margin has already enabled the strategy-driven increase in the cost base in the areas of digitalization, retail and design to be partially absorbed. Further revenue gains and a disproportionate improvement in the EBIT margin are expected by the conclusion of the strategy program.

In the context of changing consumer habits and the continuing shift from physical to online stores, Mammut continues to work steadily on its digital transformation, sharpening its own brand across channels and developing innovative tools to promote customer loyalty. From 2019, this includes the use of NFC technology in selected products as part of the “Mammut Connect” initiative. Customers can use an app to access comprehensive product information, use additional services or be part of a digital social network. “Mammut Connect” was a project that started under the Conzzeta Talent Development Program introduced in 2017 and became market-ready in 2018. Despite further clean-ups in the physical volume business where profitability is below average, pre-orders from specialist retailers for the coming summer season were notably higher at the end of 2018 compared with the previous year thanks to new collections and the launch of various new products.

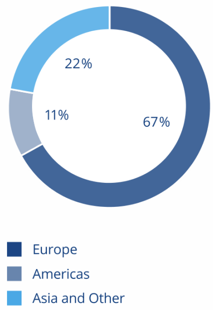
Overview Mammut Sports Group

Head: Oliver Pabst

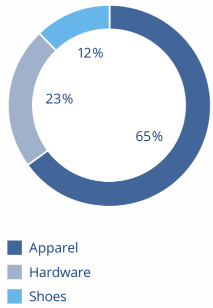
Presence: worldwide sales network in 40 countries; head office and product development in Seon (Switzerland); numerous production partners in Europe and Asia

www.mammut.com

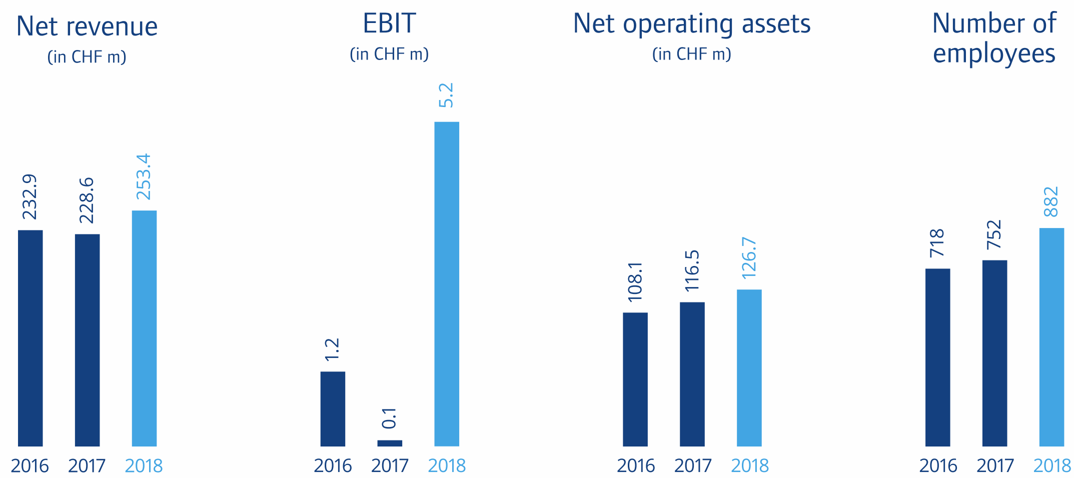
Net revenue by region



Net revenue by product



In addition to developing scalable business models for international target markets, the new digital offerings as well as lighter products with more diverse applications in urban areas, Mammut is faced with increased customer demand for environmentally friendly and sustainably produced products. This prompted the publication in 2018 of binding corporate responsibility goals for the next five years as part of the "Mammut We Care" strategy. By 2023, environmentally harmful substances are to be completely eliminated from supply chains. Furthermore, fair working conditions in product manufacture will be ensured without exception, and animal products sourced responsibly.



GLASS PROCESSING – BYSTRONIC GLASS

Architectural and automotive glass processing.

The Glass Processing segment generated net revenue of CHF 133.3 million in 2018, an 11.7% increase over the previous year (CHF 119.3 million). At stable exchange rates, revenue rose by 10.4%. The operating result amounted to CHF 7.6 million (CHF 6.3 million), yielding an EBIT margin of 5.9% (5.4%). After a very dynamic first half of the year, driven by the delivery of various large-scale orders, the business environment cooled in the second half of the year. Despite that, for the full year double-digit revenue growth was reported both in the automotive glass and architectural glass product segments thanks to exceptional progress in Asia and the Americas. By contrast, order intake by product segment was mixed. The automotive glass product segment, which is subject to strong inherent fluctuations, was unable to continue on from the previous year's strong performance, which was driven by large-scale orders, whereas order intake in the architectural glass product segment was pleasing, particularly in Europe and America. Thus order intake in 2018 was slightly higher than the previous year, while the order book at the end of the year, following the completion of the aforementioned large-scale orders, was lower than the previous year.

The measures initiated in 2017 to optimize global processes and improve business processes at the Neuhausen plant contributed to an improvement in results in the reporting year. By contrast, business performance in China, where investments to strengthen sales and product development had been made, did not quite meet expectations or reach its potential in 2018. Organizational measures such as closer consultation between sales and manufacturing or the modularization of the product range, particularly in the architectural glass product segment, remain priorities for 2019. The aim is to reduce delivery times and continue to improve efficiency. At the same time, additional investments are being made in market development, particularly in Asia, in intensifying key account management and in developing the range of products and services. The focus remains firmly on solutions geared towards productivity and a "total cost of ownership" sales approach. Increasing effort is being put into digitalization projects to convert machine data into added value for customers and to further enhance the service business.

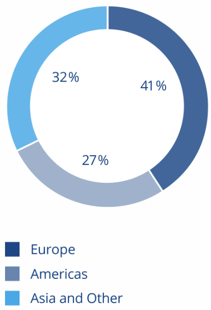
Overview Bystronic glass

Head: Burghard Schneider

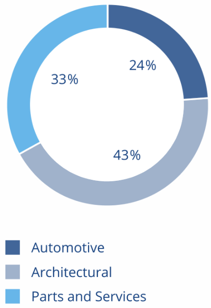
Presence: worldwide sales and service network, with subsidiaries and representative offices; technology centers with development and production sites in Germany, Switzerland and China

www.bystronic-glass.com

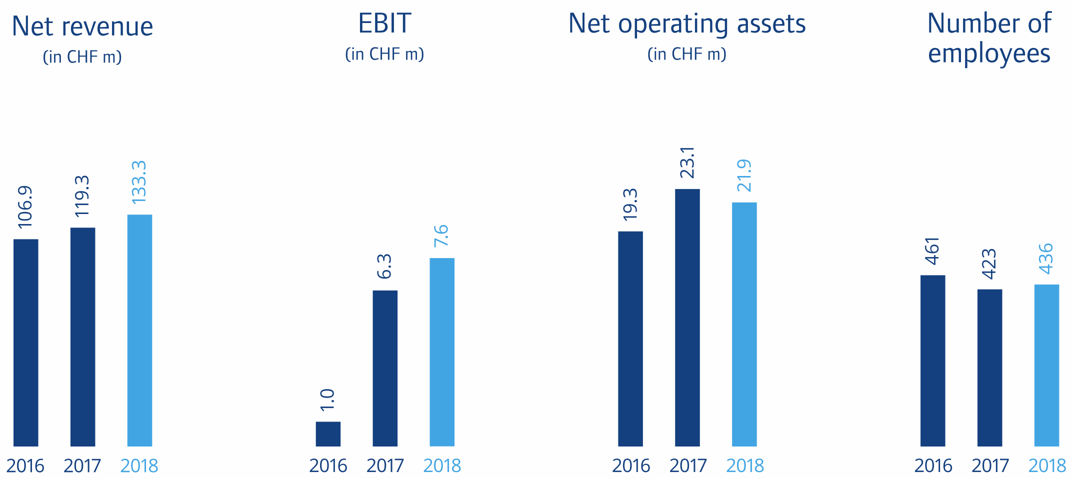
Net revenue by region



Net revenue by product



Notable product launches in 2018 included, for example, the B'VACOOM in the architectural glass product segment, a new generation of handling equipment for efficient glass processing with an ergonomic design, integrated load control and analysis tools for predictive maintenance. A new spacer-bending robot for bending warm-edge plastic spacers was also launched. In the automotive glass product segment, additional variants of the B'CHAMP generation were launched, including a machine for processing display and thin glass known as B'BRIGHT. Innovative technologies allow lightweight, energy-efficient and therefore resource-efficient applications to be offered in the market segments serviced by Bystronic glass.



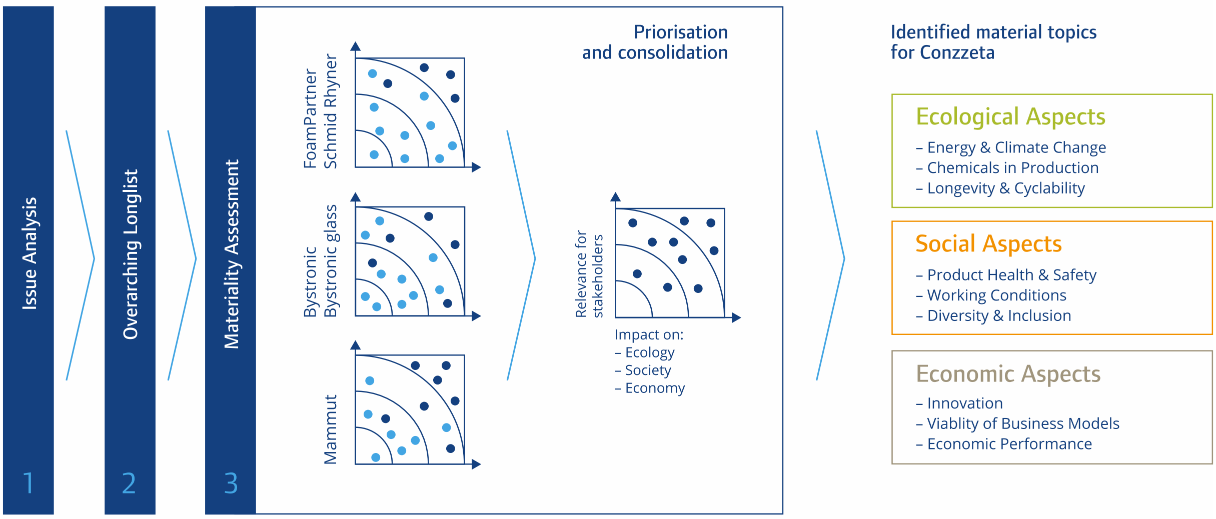
Conzzeta Materiality Assessment

Starting point

Conzzeta is committed to value-oriented corporate management with a long-term perspective and strives for long-term value creation. This also requires giving adequate consideration to environmental, social and governance (ESG) issues in management processes, as well as transparent communication. An internal stocktaking survey was performed in 2017 as the first stage of a three-stage roadmap adopted by the Executive Committee. Following on from this, a materiality assessment was carried out in 2018. The objective of this second stage was to identify the key sustainability themes for the Group. It forms the basis for targeted and consistent reporting on the relevant themes, which is to be developed further as part of the third stage in 2019. Technical experts from all of the business units were called upon for the materiality assessment, and assistance was also sought from outside specialists.

Method/process

The key environmental, social and economic sustainability themes for the Conzzeta Group were determined as part of a three-step process (see graphic).



As a first step, and based on the internal stocktaking survey performed in 2017, an analysis of selected sustainability standards and competitors was conducted to identify all potentially relevant themes. This involved reviewing, with outside assistance, several hundred theme-related aspects, which were taken into consideration for the purpose of defining themes specific to the Group and those specific to the business units.

The second step was to transfer these into a modularly structured Group-wide list (which at this stage still included 27 themes) for validation and approval by a Group-wide ESG Steering Committee.

During the third step, the materiality assessment was performed in cross-divisional workshops in order to prioritize these 27 themes for each business unit. The themes were evaluated on the basis of three criteria: their impact on the environment, society and the economy, their relevance to stakeholder groups, and their relevance to the company. The workshops were prepared and moderated by external sustainability experts, which ensured that outside perspectives were incorporated in the evaluation.

The result of these workshops was a specific materiality matrix for each business unit of the Conzzeta Group. It prioritizes the key sustainability themes in accordance with the above criteria.

The materiality matrices of all of the subsidiaries served as the basis for the aggregation process at Group level. They provide a solid and broad common basis for understanding and handling sustainability issues.

Outcome

This analysis culminated in a materiality matrix adopted by the Executive Committee for the Conzzeta Group. It allocates all 27 themes to four categories based on their relevance, with those categories being:

- the less relevant themes;
- the stakeholder-driven themes, which are of major importance to the various stakeholder groups and cannot be ignored by Conzzeta;
- the impact-related themes, which are business opportunities or risks that could become more important in the future;
- the material themes: they are important because they have a major impact on sustainable development and, at the same time, are interlinked with major expectations of the stakeholder groups. Conzzeta plans to actively manage these themes, integrate them into strategy and incorporate them into communication.

Of the 27 themes considered, nine have emerged as material for the Group (see graphic and the table in this section). They take into account the entire value chain and can have either negative or positive ramifications. They are also often tied in with developing business opportunities.

Material themes for Conzzeta: Description

Topic	Definition
Ecologycal Aspects	
Climate Change & Energy	Control of energy consumption and energy sources used. Minimizing the impact of climate change, including mitigating potential or existing impacts of climate change.
Chemicals in Production	Controlling the use of chemicals in production processes and their impact on the environment and society.
Longevity & Cyclability	Improvement of the longevity of the products and their recyclability (return to material cycles).
Social Aspects	
Product Safety	Safeguarding and promoting the safety and health of customers and consumers.
Working Conditions	Controlling the circumstances and conditions under which employees perform their tasks, including health and safety.
Diversity & Inclusion	Ensure equal treatment and inclusion of all employees and promote diversity.
Economic Aspects	
Innovation	Effects of own innovation achievements on environment, society and economy.
Viability of Business Models	Managing the long-term sustainability of the business models.
Economic Performance	Maintaining a healthy economic condition of the company.

The relevance of these nine themes is also reflected by their explicit or implicit connection with Conzzeta’s management model, particularly also the defined Group competencies (see the Strategy section). This connection highlights Conzzeta’s commitment to integrating sustainability themes as a whole in its management processes.

Outlook

As envisaged by the three-stage roadmap, in 2019 a Group-wide working group made up of representatives from all business units will address how to integrate the nine key themes in management processes, and how to develop targeted, consistent reporting. Depending on the results achieved by the working group, a sustainability reporting system consistent with international standards will be progressively implemented from 2019 onwards.

Developments within the business units

In 2018, the Outdoor segment (Mammut Sports Group) published transparent sustainability goals for the next five years as part of its "Mammut We Care" strategy. The new strategy involves four key priorities: 1) the protection of natural resources; 2) ethical production; 3) animal welfare; and 4) minimizing harmful substances in supply chains and products. Among the goals to be achieved by 2023 are, for example, the removal of environmentally harmful substances from the manufacturing process, and the targeted use of recycled materials to improve its ecological footprint. “We Care” continues on from existing sustainability initiatives that have been in place within the Mammut Sports Group for many years. In 2018, the Group celebrated ten years of being a member of the Fair Wear Foundation.

The materiality process at Mammut Sports Group has helped it to become a pioneer in the climate change space, signing the UN Fashion Industry Charter for Climate Action as a founding signatory in December 2018.

Corporate Governance

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 2018. These accounts are followed by the Corporate Governance Report based on the SIX Swiss Exchange Directive on Information relating to Corporate Governance as well as the Compensation Report.

Report of the Human Resources Committee

"A long-term business strategy relies on long-term personnel development."

Philip Mosimann
Chairman of the Human Resources Committee

Succession planning, personnel development and compensation in line with the market

The Human Resources Committee met six times during 2018 and was once again made up of Philip Mosimann (Chairman), Werner Dubach and Robert F. Spoerry. The Chairman of the Board of Directors, the Group CEO and the Director Group HR generally also attend the meetings in an advisory capacity.

The Chairman of the Board of Directors oversaw long-term planning decisions regarding the composition of the Board of Directors. As a first step, Michael König was nominated to succeed long-standing board member Werner Dubach at the next General Meeting. I would like to extend my sincere thanks to Werner Dubach for his strong commitment and intensive, constructive and forward-looking approach as a member of the Human Resources Committee.

A focus on sustainable personnel development was identified as one of the Conzzeta Group's four key objectives in 2016 and was also a priority in 2018, both at Group level and within the individual business units.

Succession planning for key positions has improved considerably thanks to ongoing and structured internal training measures. The majority of management-level positions that became available in 2018 were filled by internal candidates. The talent development program that was launched three years ago has proven its worth and will run for the third time in 2019. A global leadership program planned for the first quarter of 2019 and to be run in collaboration with a renowned business school will aim to further strengthen general leadership skills. The key topics covered by the program will be "digital", "customer centricity" and "expansion in Asia". The launch of the Group-wide Business Excellence Program will also involve extensive internal employee training measures, mainly for the purpose of implementing process optimization measures in all of the business units.

Based on the compensation system for the Executive Committee, which was reviewed in 2018, the performance-related variable cash compensation (STI) and the introduction of a share-based long-term incentive (LTI) scheme were agreed for the next level of management. In addition, all relevant positions across all of the business units were systematically evaluated and divided into function groups. This not only ensures that compensation is competitive, but also creates transparency for internal appointments and when assessing external candidates.

The compensation budgets for the Board of Directors and the Executive Committee as approved in a resolution at the 2017 and 2018 Annual General Meetings were adhered to in accordance with the Articles of Association. At the Annual General Meeting in 2019, the shareholders will once again pass a resolution on the compensation budget for the Board of Directors and the Executive Committee and voice their opinion on the 2018 compensation report by means of an advisory vote.

Philip Mosimann
Chairman of the Human Resources
Committee

Report of the Audit Committee

"The Bystronic customer financing scheme is a success."

Roland Abt
Chairman of the Audit Committee

"Acquisition projects, investment proposals and business continuity management"

In 2018, the Audit Committee was once again made up of Matthias Auer, Urs Riedener and Roland Abt (Chairman). During the reporting year, five meetings and one conference call were held. The Chairman of the Board, Group CEO and Group CFO generally also attend the meetings in an advisory capacity alongside the committee members. Where items of relevance to the external auditor are on the agenda, its representatives are also present.

Acquisition projects in particular were discussed during two meetings. The Audit Committee reviewed the financial and legal aspects of the due diligence reports and the company valuation. In addition, the risks and rewards associated with the transactions were analyzed.

The internal audit function, which is carried out by the accountancy firm Deloitte, performed valuable work again in 2018. Eight internal audits were carried out during the reporting year and the Audit Committee discussed the reports in detail. One of the committee's essential tasks is to monitor completion of outstanding items from audits by Group companies.

The inventory valuation methods used at Mammut were reviewed in detail. The system in use was accepted in principle, but some adjustments relating to the elimination of intragroup profits were made

The Audit Committee analyzed and discussed necessary calculations for investment proposals, including the associated minimum return requirements. These will be applied consistently across all segments of the Group. The system used was found to be useful and appropriate, and was approved.

The Audit Committee is satisfied that the General Data Protection Regulation that entered into force in the European Union in 2018 has been implemented in all units within the company. In future, Internal Audit will monitor compliance with this data protection regulation.

A completely new customer financing concept was introduced at Bystronic in 2016. The Audit Committee regularly tracks the effectiveness and risk situation of this program. In 2018, two years after its launch, this concept's target achievement rate was analyzed. The results are promising. This tool is very attractive to customers, and overall risk exposure has also been reduced.

In risk management, the focus in the reporting year was on business continuity planning for the business units. Significant progress was made in this regard and the Audit Committee will monitor further developments.

Roland Abt
Chairman of the
Audit Committee

CORPORATE GOVERNANCE REPORT

The following information is provided in accordance with the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange as valid on December 31, 2018, 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.

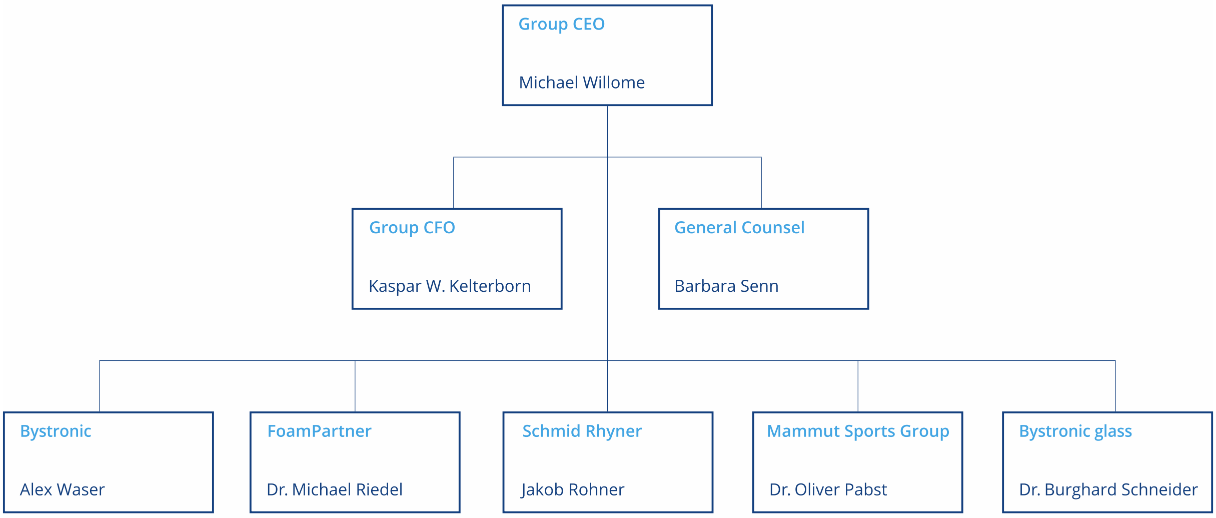
Much of the following information has been taken from the Articles of Association and Organizational Regulations of Conzzeta AG. These two documents may be consulted on the website of Conzzeta AG.

1 Group Structure and Shareholders

1.1 Group Structure

The Conzzeta Group is made up of the five business units Bystronic, FoamPartner, Schmid Rhyner, Mammut Sports Group and Bystronic glass. At the Group level, the Group staff supports the activities of the holding company Conzzeta AG and the operating units. Conzzeta AG, which is based in Zurich, holds direct or indirect equity interests in the companies 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 SIX Swiss Exchange. The stock market capitalization (Class A registered shares) on December 31, 2018, amounts to CHF 1' 404’963’000, while the total capitalization (Class A registered shares and Class B registered shares) amounts to CHF 1’591’830’000.

Organization chart



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 SIX Swiss Exchange (https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html). On December 31, 2018, the share of voting rights of the shareholder group Auer, Schmidheiny and Spoerry in Conzzeta AG amounted to 51.15%. Out of this figure, 0.15% 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, 2018, 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 certificatese

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	1’827’000.0	1’215’000.0	3’042’000.0
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, 2018, it was composed of eight members.

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

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.

Werner Dubach

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

Jacob Schmidheiny

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

Dr. Roland Abt

Dr. oec. HSG, born in 1957, a Swiss national. He is a member of the board of directors of Swisscom AG, Bern, and of 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).

Urs Riedener

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

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.

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 a member of the Glarus Cantonal Parliament and vice-chairman of the board of the Cooperative Migros Zurich.

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

Werner Dubach is not standing for reelection to the Board of Directors at the Annual General Meeting of April 16, 2019. The Board of Directors proposes Michael König to the Annual General Meeting as his successor. Michael König is a German national and lives and works in Beijing, the People's Republic of China. With the appointment of Michael König, the Board of Directors is taking a further step towards diversification. 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 OaEC[1]

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

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

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

[1)] 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 "Member 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 four full-day meetings and one meeting lasting two and a half hours during a one-week trip to China. 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, two external advisors were invited to a meeting in relation to the same agenda item.

Cooperation between the Board of Directors and its Committees

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

The Board of Directors determines the duties of the committees, subject to provisions of law. Overall responsibility for the tasks transferred to the committees remains with the Board of Directors. However, if the Board of Directors has granted a committee decision-making powers in areas that lie outside the non-transferable powers of the Board of Directors, the committee concerned bears sole responsibility for such decisions. Ordinarily, no specific responsibility for decisions is transferred to the committees. They thus bear responsibility for the preparation of decisions and for the detailed examination of the affairs to be handled by them, and they submit proposals to the Board of Directors or inform the Board of Directors of their conclusions. The committees report on their activities, results and proposals at the next Board of Directors meeting. The Board of Directors is informed immediately of important events. Brief minutes are taken concerning the meetings of the committees and their decisions, which are also presented to the remaining members of the Board of Directors.

Human Resources Committee

The Human Resources Committee consists of those members of the Remuneration Committee appointed to the task in the course of the Annual General Meeting held on April 24, 2018. These are namely Philip Mosimann (Chairman), Werner Dubach and Robert F. Spoerry. The Chairman of the Board of Directors also participates in meetings of the Human Resources Committee as a general rule, as well as the Group CEO and the Group HR manager, in an advisory capacity, albeit it not when it comes to determining their own salaries. With regard to using external advisors, reference is made to the Compensation Report, Section 2, Priorities in 2018.

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

- Presentation of proposals to the Board of Directors concerning rules on the remuneration of the Board of Directors and the Executive Committee;
- Examination of all remuneration as to its permissibility;
- Recommendation to the Board of Directors concerning proposals to the Annual General Meeting on remuneration;

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

The Human Resources Committee meets at least twice annually. In the reporting year, six meetings lasting two to three hours were held. Additional details can be found in the Compensation Report, Section 2 "Priorities in 2018" as well as the Report of the Chairman of the Human Resources Committee.

Audit Committee

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

- Examination of and presentation of proposals to the Board of Directors concerning the organization of the accounting, financial control and financial planning systems;
- Critical analysis of individual company and Group financial statements (annual and half-year financial statements). Discussion of these financial statements with the Group CFO, the internal auditors and the external auditors. Presentation of proposals to the Board of Directors concerning these financial statements;
- Assessment of the efficacy and performance of the external auditors and their fee, as well as their independence. Decision regarding the issue of additional mandates to the external auditors other than the auditing mandate; Preparation of the proposal of the Board of Directors to the general meeting regarding the election of the external auditors. Presentation of proposals to the Board of Directors concerning the form of the auditing mandate. Assessment of the reports of the external auditors (including in particular the audit report and the comprehensive

report pursuant to Article 728b CO) and the discussion of these reports with the external auditors;

- Assessment of the functional capability of the internal control system, taking account of risk management, compliance and internal auditing. Discussion and establishment of the audit program for the internal auditors. Acceptance of reports from internal auditors and discussion of these reports with the internal auditors. Reporting to the Board of Directors;
- Approval of the method used for assessing acquisitions at the Group level and individual assessment of major acquisitions for presentation to the Board of Directors;
- Assessment of pension plans and the associated risks;
- Assessment of further Group solutions in the financial field such as treasury, taxation and dividend payments by the direct subsidiaries of Conzzeta AG, etc.;
- Assessment of initiatives by the Board of Directors in the area of finance and accounting such as, for example, the achievement of specific financial targets and key performance indicators (KPI); reporting to the Board of Directors on fulfillment of targets.

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

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. Acting on a proposal by the Group CEO, it decides on the strategic targets of the Group and the financial and human resources necessary in order to achieve the targets. In addition, the Board of Directors determines the values and standards of the Group and ensures that duties towards shareholders and other stakeholders are complied with. Specifically, the Board of Directors is vested in particular with the following tasks:

- Overall management of the company and the setting of targets relating to corporate policy and culture, approval of Group strategy and the strategic priorities of individual business units;
- Approval of the strategic and financial targets of the Group and the business units;
- Risk assessment for the Group;
- Decisions on the creation of new business units or the abandonment of existing business units. Approval of significant acquisitions, mergers, sales, or individual projects;
- Adoption of resolutions relating to contracts under which Conzzeta AG acts as a party to mergers, spin-offs, transformations or transfers of assets under the Mergers Act;
- The organization of the accounting, financial control and financial planning for the Group and the organization of a comprehensive reporting system in line with strategy;
- Approval of the applicable accounting standards, the framework conditions for financial control and the internal control system along with any significant changes to the same;
- Annual assessment and approval of the budget and the strategic financial planning for the Group and business units;

- Examination and approval of the (annual and half-year) financial statements and Group reporting;
- Compilation of the Annual and the Compensation Report;
- Notification of the court in the event that the company is overindebted;
- Assessment of liquidity with reference to Group goals;
- Determination of the organization and the issuance of organizational regulations for the Group;
- Examination and approval of management principles, Group guidelines and the Group management structure;
- Overall supervision of the persons entrusted with managing the company, including with regard to compliance with laws, the Articles of Association and regulations and the implementation of the resolutions of the Board of Directors and of the general meeting;
- Appointment and removal of members of the Executive Committee;
- Calling of annual and extraordinary general meetings;
- Adoption of resolutions on proposals presented to shareholders;
- Implementation of resolutions adopted by shareholders.

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

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 and the business units along with important developments, projects and risks. The Group CEO also informs the Board of Directors of any deviations from the budget and strategic financial planning based on analyses of the performance of the Group's principal markets as well as measures to ensure that targets are achieved. In an emergency, the Board of Directors is informed immediately.

The Conzzeta Group applies methodological processes, which the Board of Directors uses as a basis for assessing the business outlook and strategic, financial and operational risks. Alongside the financial reports and analyses, these constitute the internal control system and the strategic and operational risk management. The Board of Directors receives an annual report concerning the risk situation drawn up by the Group CEO in consultation with the Group CFO and the General Counsel, which is based on the written risk reports of the business units following the discussions of the same. As regards the risk management process, reference is made to the statements "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. The business units present their situation and plans upon invitation by the Board of Directors. Special documents are prepared concerning important individual transactions, which are explained by the persons responsible at the meetings of the Board of Directors.

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

With regard to participation by the Group CEO and the Group CFO at meetings of the committees of the Board of Directors, reference is made to Section 3.5.

4 Executive Committee

4.1 Members of the Executive Committee

On December 31, 2018, the Executive Committee was composed of the following persons:

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

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.

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.

Dr. Oliver Pabst

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

Jakob Rohner

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

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.

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.

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.

Dr. Burghard Schneider

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

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 Board[1)] 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 Committee" used in the Articles of Association refers to the group of individuals designated in the Annual Report, in the Organizational Regulations, on the website of the Conzzeta Group or elsewhere as the Group management.

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 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. The chief auditor, François Rouiller, has been responsible for the mandate since financial year 2017. According to Article 730a (2) of the Swiss Code of Obligations, the chief auditor changes every seven years.

8.2 Auditing fee

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

- Auditing fees: CHF 1’496’000.
- Additional fees for auditing and consultancy services in connection with acquisitions and tax advice: CHF 507’000.

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 April and October, and starting in 2019 for the first time also in February, on the consolidated revenues of the Group and the segments as well as the order intake in the Sheet Metal Processing and Glass Processing segments 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 January 25, 2019, Conzzeta AG announced the sale of the business unit Bystronic glass to the Finnish Glaston Group. Burghard Schneider remains a member of Conzzeta's Executive Committee until the completion (closing) of the transaction.

COMPENSATION REPORT

The Compensation Report provides an overview of the compensation programs and the method for determining compensation at Conzzeta. It documents the compensation awarded to the Board of Directors and the Executive Committee in financial year 2018.

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) of shareholders on Tuesday, April 24, 2018, the members of the Remuneration Committee, which was established in 2014, were re-elected by the shareholders. They also adopted the 2017 compensation report presented for an advisory vote and approved the maximum total compensation for the Board of Directors for the 2018/2019 term of office in the amount of CHF 1.5 million and for the Executive Committee for the 2019 financial year in the amount of CHF 8.2 million.

At the upcoming AGM on Tuesday, April 16, 2019, 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

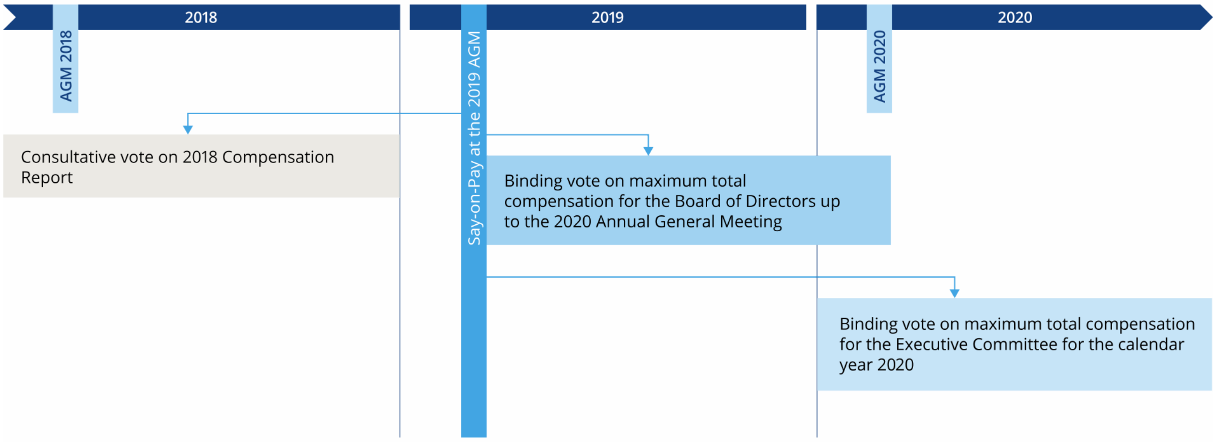
At the request of the Remuneration Committee, the Board of Directors approves the personnel and compensation policy for the Group, and the general terms of employment of the members of the Executive Committee.

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

1.3 Duties of the Remuneration Committee

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

Shareholder voting on compensation at the 2019 AGM



Nomination:

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

Compensation:

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

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

The Remuneration Committee consists of three members of the Board of Directors who are elected individually and annually by the Annual General Meeting of shareholders for a period of one year. At the 2018 Annual General Meeting of shareholders, Philip Mosimann (Chairman), Werner Dubach and Robert F. Spoerry were re-elected as members of the Remuneration Committee.

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

Responsibilities

	CEO	HR Committee	Board of Directors	Annual General Meeting
Compensation policy		proposes	approves	
Total compensation of Board of Directors		proposes	proposes	approves
Compensation of individual members		proposes	approves	
of Board of Directors		proposes	proposes	approves
Total compensation of Executive Committee		proposes	approves	
Individual compensation of CEO	proposes	proposes	approves	
Compensation of individual members		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 Remuneration Committee in an advisory capacity. The Remuneration Committee Chairman may invite other members of the Executive Committee as appropriate.

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

2 Priorities in 2018

The composition, the priorities and the activities of the HR Committee are presented in the “Report of the Human Resources Committee”. Its principal focus in 2018 was on succession planning, personnel development and compensation in line with the market.

During the reporting period, the Human Resources Committee completed a review of the compensation for the Executive Committee. Compensation levels were assessed based on cross-industry market comparisons. Compensation shall be performance-based, subject to Group performance and the individual contributions made in the respective area of responsibility. In addition, the compensation structure shall be designed to retain qualified managers in the company over the long term and to provide incentives for the sustainable increase in company value. The review showed that the compensation structure for the Executive Committee overall serves its purpose and that compensation levels are aligned with market practice.

Additionally, to ensure market based compensation for managers reporting to members of the Executive Committee, all positions were systematically benchmarked and graded. To promote an entrepreneurial culture within the Group and a stronger focus on shareholders' interests, a share based long-term incentive plan (LTI) was introduced with a maximum target value of 10% of the annual base salary. The value of the LTI allocation depends on the achievement of the earnings per share (EPS) target and may vary between 100% and 150% of the target amount. The restricted stock units are subject to a three-year vesting period, subject to continued employment.

3 Principles of Compensation

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

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

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

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

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

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

4 Compensation System

4.1 Board of Directors

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

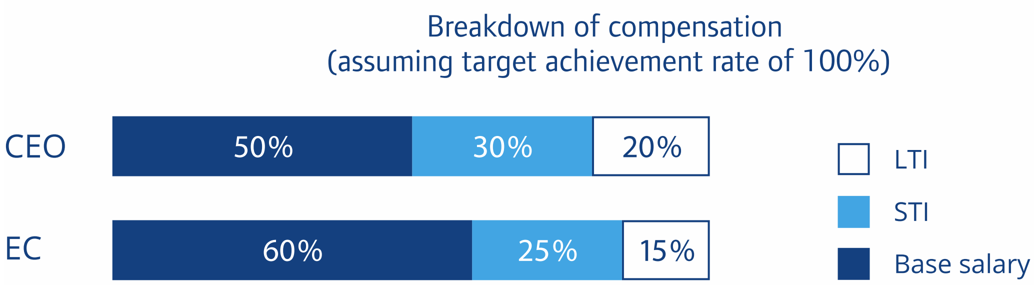
The share-based component is awarded in the form of restricted shares. The number of shares is calculated according to the net payment amount divided by the applicable share price. This is the average price from November 1 to January 31. The shares are usually allocated in April, after the Annual General 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 illustration on the following illustration.

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

Depending on 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.



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)

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

		Financial targets			Personal target
		Total revenue	EBIT	NOA	Individual
Group CEO, Group CFO, General Counsel	Conzzeta	20%	35%	20%	25%
	Conzzeta	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 price and on the individual executing a leadership role conducive to achieving profitable growth.
Variable cash compensation (STI)	Annual cash compensation to reward achievement of financial results and individual targets within the financial year (short-term incentive; STI).
Long-term incentive (LTI)	The share-based component ensures that compensation is long-term aligned with the interests of shareholders over the long term. The shares are restricted for four years.
Additional benefits	Retirement and insurance plans to establish a reasonable level of income in retirement, further benefits based on market practice (e.g. flat-rate expenses).

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

At the Annual General Meeting on April 24, 2018, a maximum total amount of CHF 1.5 million was approved for the Board of Directors for the term of office up to the 2019 Annual General Meeting. This sum covers the fixed base compensation in cash and shares, the additional compensation for committee work, as well as additional benefits, including flat-rate expenses and social security contributions.

For the 2018/2019 term of office, the members of the Board of Directors received total compensation of CHF 1.3 million. This total is lower than the total sum approved and is slightly less than the previous year.

Around 50% of the base compensation of the Board of Directors will be in the form of shares which will be allocated at the end of April after the 2019 Annual General Meeting. A total of 669 shares were allocated to members of the Board of Directors for the 2018/2019 term of office (rounded up to the next whole number). These shares remain restricted 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). No loans or credits were granted to members of the Board of Directors or related parties in the reporting year. As of Monday, December 31, 2018, there were no outstanding loans or credit agreements between the company and the members of the Board of Directors or related parties.

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 compensation CHF thousand
Ernst Bärtschi, Chairman	199.2	200.8		41.0	441.0
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**	**555.0**	**90.0**	**133.0**	**1 '288.0**

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

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

	Fixed cash component CHF thousand	Share component [1] CHF thousand	Committee work CHF thousand	Additional benefits CHF thousand	Total compensation CHF thousand
Ernst Bärtschi, Chairman	199.4	200.6		45.1	445.1
Roland Abt, Member	44.3	50.7	18.3	16.3	129.6
Matthias Auer, Member	44.3	50.7	10.0	15.4	120.4
Werner Dubach, Member	44.3	50.7	10.0	9.2	114.2
Philip Mosimann, Member	44.3	50.7	18.3	16.3	129.6
Urs Riedener, Member	44.3	50.7	20.0	16.5	131.5
Jacob Schmidheiny, Member	44.3	50.7		8.6	103.6
Robert F. Spoerry, Member	44.3	50.7	10.0	15.4	120.4
Total	**509.5**	**555.5**	**86.6**	**142.8**	**1’294.40**

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

6 Compensation of the Executive Committee for 2018

For the 2018 financial year, the members of the Executive Committee received total compensation of CHF 8.1 million compared with CHF 7.0 million the year before. The maximum total compensation for the Executive Committee of CHF 7.7 million approved at the Annual General Meeting on April 25, 2017 was exceeded by CHF 0.4 million due to changes in the composition of the Executive Committee and an unplanned LTI allocation in accordance with the Articles of Association.

When the head of the FoamPartner business unit took up his position on January 1, 2018, he received compensation for the loss of deferred variable compensation from his previous employer in the amount of CHF 330’000 (paid in shares over three years, 2018–2020). This share allocation will remain restricted for only two years and will only be transferred if the position is still held at the time, with no period of notice served by either side.

A special bonus for outstanding performance, amounting to CHF 280’000, in equal parts in the form of shares restricted over four years and as a cash bonus, was approved to the head of the business unit Bystronic.

The share allocations under the compensation arrangement for the head of the FoamPartner business unit and the special allocation for the head of the Bystronic business unit happen at the same time as the ordinary LTI. The respective share allocations were calculated without a 10% discount at the average share price from November 1, 2018, to January 31, 2019 (CHF 829.70).

The total amount of both allocations was credited to the LTI and recognized in financial year 2018.

Compensation of the Executive Committee for financial year 2018

	Base salary	STI [1]	LTI [2]	Pension contribution 1st + 2nd pillar	Additional benefits	Total compensation 2018
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand	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. full replacement of the expired share-based compensation from the previous employer lost as a result of the move and the special allocation to the Head of the business unit Bystronic.

Compensation of the Executive Committee for financial year 2017

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

[1] Shares no longer allocated to the head of the business unit FoamPartner.

The target achievement value of the STI for all members of the Executive Committee was between 74.4% and 133.3% and the target value of the reported earnings per share (EPS), which determines the monetary value of the share allotment for the 2018 financial year, was 131.4%.

For the 2018 financial year, the members of the Executive Committee will receive 1’625 shares from the ordinary LTI scheme. The shares will be allocated after the Annual General Meeting at a price of CHF 829.70, the average share price from November 1, 2018, to January 31, 2019, with a discount of 10%. Despite the almost unchanged LTI performance assessment criterion (EPS), more shares were allocated compared with the previous year because the share price had fallen. The allocated shares will remain restricted for four years, in other words they will be released in April 2023. Information with regard to shares held by Executive Committee members is outlined in the Notes to the Financial Statements of Conzzeta AG.

As regards payments made to former Executive Committee members, in 2018 the former CEO of the business unit Mammut, who left effective March 1, 2017, was remunerated at standard market rates for consulting services provided in connection with ongoing projects up to the end of 2018.

No loans or credits were granted to members of the Executive Committee or related parties in the reporting year. As of Monday, December 31, 2018, there were no current loan or credit contracts between the company and the members of the Executive Committee or related parties.

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

We have audited the remuneration report dated 31 December 2018 of Conzzeta AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections "Compensation report for the 2018 financial year in accordance with the Ordinance Against Excessive Compensation in Listed Companies" 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 31 December 2018 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, 15 March 2019

Financial Report

Consolidated income statement – Group

CHF million	Notes	2018	2017
Net revenue	1.1, 1.2	**1’782.2**	**1’482.8**
Changes in inventories of finished goods, work in progress and own work capitalized		14.5	18.1
Total revenue		**1’796.7**	**1’500.9**
Other operating income	1.2	8.4	18.2
Cost of materials	1.3	–875.4	–740.8
Personnel expenses	1.3	–404.4	–339.5
Other operating expenses	1.3	–342.2	–286.5
Depreciation/impairments on property, plant and equipment	2.2	–29.8	–25.2
Depreciation/impairments on intangible assets	2.3	–6.5	–3.9
Operating result (EBIT)	1.1	**146.8**	**123.2**
Financial result	3.3	–2.6	2.0
Result from associated equity holdings		0.1	0.1
Result before taxes		**144.3**	**125.3**
Income taxes	1.4	–29.5	–27.9
Group result		**114.8**	**97.4**
Attributable to Conzzeta AG shareholders		96.6	83.7
Attributable to minority interests		18.2	13.7
Earnings per class A registered share, in CHF	1.5	46.76	40.47
Earnings per class B registered share, in CHF	1.5	9.35	8.09
Diluted earnings per class A registered share, in CHF	1.5	46.76	40.47
Diluted earnings per class B registered share, in CHF	1.5	9.35	8.09

Consolidated balance sheet at December 31 – Group

CHF million	Notes	2018	2017
Cash and cash equivalents	3.1	339.6	349.1
Securities	3.1	50.0	50.0
Trade receivables	2.1	238.2	237.0
Prepayments to suppliers		6.0	18.5
Other receivables	2.1	39.0	39.5
Prepaid expenses and accrued income		13.1	9.4
Inventories	2.1	323.1	290.1
Current assets		**1’009.0**	**993.6**
Property, plant and equipment	2.2	268.7	243.4
Intangible assets	2.3	22.1	15.4
Other financial assets	2.4	51.5	59.4
Deferred tax assets	1.4	14.9	11.5
Fixed assets		**357.2**	**329.7**
Assets		**1’366.2**	**1’323.3**
Trade payables		114.1	108.8
Advance payments from customers	2.1	66.2	73.6
Short-term financial liabilities		10.7	7.2
Other short-term liabilities	2.1	23.6	38.1
Accrued expenses and deferred income	2.1	127.8	102.2
Short-term provisions	2.5	37.3	36.8
Short-term liabilities		**379.7**	**366.7**
Long-term financial liabilities		4.5	2.6
Other long-term liabilities		0.6	0.7
Pension fund liabilities	5.1	1.9	2.8
Long-term provisions	2.5	33.8	27.4
Deferred tax liabilities	1.4	18.8	20.2
Long-term liabilities		**59.6**	**53.7**
Share capital	3.2	4.1	4.1
Capital reserves		99.8	98.8
Treasury shares	3.2	–4.0	–3.9
Retained earnings		802.2	785.8
Shareholders’ equity excluding minority interests		**902.1**	**884.8**
Minority interests		24.8	18.1
Shareholders’ equity including minority interests		**926.9**	**902.9**
Liabilities and shareholders’ equity		**1’366.2**	**1’323.3**

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	Other retained earnings	Value fluctuation financial instruments			
At 12/31/2018		**4.1**	**99.8**	**–4.0**	**–97.6**	**899.1**	**0.7**	**902.1**	**24.8**	**926.9**
Group result 2018						96.6		96.6	18.2	114.8
Dividend payment to shareholders Conzzeta AG						–33.1		–33.1		–33.1
Dividend payment to minority shareholders									–11.2	–11.2
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 compensation										
Contribution for 2017	3.2		–1.2	1.7				0.5		0.5
Allocation for 2018	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**	**877.4**	**–0.1**	**884.8**	**18.1**	**902.9**
Group result 2017						83.7		83.7	13.7	97.4
Dividend payment to shareholders Conzzeta AG						–22.8		–22.8		–22.8
Dividend payment to minority shareholders									–3.0	–3.0
Change resulting from hedging transactions	3.6						–0.2	–0.2		–0.2
Offset goodwill with equity	2.3					–116.8		–116.8		–116.8
Purchase of treasury shares	3.2			–4.3				–4.3		–4.3
Share-based compensation										
Contribution for 2016	3.2		–1.1	1.5				0.4		0.4
Allocation for 2017	3.2		1.6					1.6		1.6
Currency translation effects					8.6			8.6	0.5	9.1
At 12/31/2016		**4.1**	**98.3**	**–1.1**	**–100.1**	**933.3**	**0.1**	**934.6**	**6.9**	**941.5**

Consolidated cash flow statement – Group

CHF million	Notes	2018	2017
Group result		114.8	97.4
Depreciation of property, plant and equipment and amortization of intangible assets		34.6	27.9
Impairments		1.7	1.2
Gain on disposal of fixed assets and investments		–0.4	–12.6
Change in provisions and pension fund liabilities			16.2
Other non-cash items		9.5	–13.5
Cash flow from operating activities before change in working capital		**160.2**	**116.6**
Change in inventories		–30.3	–27.6
Change in trade receivables		6.2	–29.9
Change in prepayments to suppliers		12.4	–4.5
Change in other receivables, prepaid expenses and accrued income		–3.8	–18.4
Change in trade payables		–1.1	8.2
Change in advance payments from customers		–10.9	20.8
Change in other liabilities, accrued expenses and deferred income		11.3	28.9
Cash flow from operating activities		**144.0**	**94.1**
Investment in property, plant and equipment	2.2	–58.9	–29.2
Divestment of property, plant and equipment	2.2	1.0	1.5
Investment in intangible assets	2.3	–13.3	–8.1
Divestment of intangible assets	2.3	0.1	
Investment in financial assets and securities	2.4	–2.8	–3.1
Divestment of financial assets and securities	2.4	13.3	10.2
Acquisition of business activities	4.1	–41.4	–176.1
Sale of investments	4.1		14.7
Cash flow from investing activities		**–102.0**	**–190.1**
Cash flow from operating and investing activities		**42.0**	**–96.0**
Purchase of treasury shares	3.2	–1.8	–4.3
Dividends paid to shareholders Conzzeta AG		–33.1	–22.8
Dividends paid to minority shareholders		–11.2	–3.0
Change in short-term financial liabilities		0.4	6.2
Change in long-term financial liabilities		–1.1	–2.8
Cash flow from financing activities		**–46.8**	**–26.7**
Effect of currency translation on cash and cash equivalents		–4.7	2.0
Change in cash and cash equivalents		**–9.5**	**–120.7**
Cash and cash equivalents at 1/1		349.1	469.8
Cash and cash equivalents at 12/31		339.6	349.1

Notes to the consolidated financial statements

Information on the report

About this report
The Conzzeta consolidated financial statements for 2018 have been revised to enhance readability. The aim was to ensure that it is possible to quickly find related information. The notes to the consolidated financial statements have been organized based on their relevance and importance. This new structure provides a clearer overview of financial performance. The notes now include also key assumptions and estimates made by the management, as well as the accounting principles. In addition, financial risk management with the corresponding key risk factors is described in a new section.

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.

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. Investments with 50% of the voting rights are consolidated on a pro rata basis in accordance with the share in the capital. Intragroup receivables and payables as well as expenses and income are offset against each other, and intragroup profits have been eliminated. The assets and liabilities of companies included in consolidation for the first time are measured at fair value. Goodwill arising from this revaluation is offset against equity. In the event of disparties 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 fixed 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

– Value of property, plant and equipment – note 2.2
– Value of 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

The consolidated financial statements were approved for publication by the Board of Directors on Friday, March 15, 2019. They are also subject to approval by the Annual General Meeting.

On January 25, 2019, Conzzeta reported signing a binding agreement to sell its Glass Processing segment to Finnish company Glaston Corporation, based in Helsinki. The transaction is expected to be concluded by the end of the first quarter, subject to regulatory approval.

1. Performance

1.1 Segment information

Segment performance

	Net revenue		Total revenue		Operating result (EBIT)	
CHF million	2018	2017	2018	2017	2018	2017
Sheet Metal Processing	1'013.2	856.1	1'032.5	874.0	132.5	98.0
Chemical Specialties	382.9	279.2	383.0	281.3	5.8	24.8
Outdoor	253.4	228.6	253.4	228.6	5.2	0.1
Glass Processing	133.3	119.3	128.4	117.4	7.6	6.3
Total as per segment reporting	**1'782.8**	**1'483.2**	**1'797.3**	**1'501.3**	**151.1**	**129.2**
Other	–0.6	–0.4	–0.6	–0.4	–4.3	–6.0
Total as per income statement	**1'782.2**	**1'482.8**	**1'796.7**	**1'500.9**	**146.8**	**123.2**

	NOA		Employees	
CHF million	2018	2017	2018	2017
Sheet Metal Processing	204.0	173.0	2'805	2'417
Chemical Specialties	167.0	186.9	1'109	1'100
Outdoor	126.7	116.5	882	752
Glass Processing	21.9	23.1	436	423
Total as per segment reporting	**519.6**	**499.5**	**5'232**	**4'692**
Other	0.5	–8.8	27	25
Total as per income statement	**520.1**	**490.7**	**5'259**	**4'717**

Discontinued operations

Conzzeta is selling its Glass Processing segment with the aim of streamlining and reducing the complexity of the Group's business portfolio. On January 25, 2019, Conzzeta reported signing a binding agreement, with the transaction expected to be completed by the end of the first quarter.

The Glass Processing segment offers solutions worldwide for processing architectural and automotive glass. All companies in the business unit are affected by the sale. These companies are listed in note 4.2.

CHF million	2018	2017
Net revenue	133.3	119.3
Operating result (EBIT)	7.6	6.3
Current assets	57.1	70.1
Fixed assets	10.2	10.1
Short-term liabilities	–50.5	–51.7
Long-term liabilities	–1.0	–0.8

The overall impact of the discontinued operations on the individual items in the consolidated income statement is shown below.

CHF million	Continuing operations 2018	Continuing operations 2017	Discontinuing operations 2018	Discontinuing operations 2017	Total Group 2018	Total Group 2017
Net revenue	**1'648.9**	**1'363.5**	**133.3**	**119.3**	**1'782.2**	**1'482.8**
Changes in inventories of finished goods, work in progress and own work capitalized	19.4	20.0	–4.9	–1.9	14.5	18.1
Total revenue	**1'668.3**	**1'383.5**	**128.4**	**117.4**	**1'796.7**	**1'500.9**
Other operating income	7.7	17.9	0.7	0.3	8.4	18.2
Cost of materials	–821.9	–693.2	–53.5	–47.6	–875.4	–740.8
Personnel expenses	–362.2	–301.0	–42.2	–38.5	–404.4	–339.5
Other operating expenses	–317.7	–262.4	–24.5	–24.1	–342.2	–286.5
Depreciation/impairments on property, plant and equipment	–28.6	–24.1	–1.2	–1.1	–29.8	–25.2
Depreciation/impairments on intangible assets	–6.4	–3.8	–0.1	–0.1	–6.5	–3.9
Operating result (EBIT)	**139.2**	**116.9**	**7.6**	**6.3**	**146.8**	**123.2**
Financial result	–2.3	2.4	–0.3	–0.4	–2.6	2.0
Result from associated equity holdings	0.1	0.1			0.1	0.1
Result before taxes	**137.0**	**119.4**	**7.3**	**5.9**	**144.3**	**125.3**
Income taxes	–28.1	–26.5	–1.4	–1.4	–29.5	–27.9
Group result	**108.9**	**92.9**	**5.9**	**4.5**	**114.8**	**97.4**

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	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	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	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 growth and other operating income

Geographical information

CHF million	2018	2018	2017	2017
Europe	964.0	54.1%	789.6	53.3%
North and South America	327.0	18.3%	264.4	17.8%
Asia and others	491.2	27.6%	428.8	28.9%
Total	**1'782.2**	**100.0%**	**1'482.8**	**100.0%**

Comparable net revenue

CHF million		
Net revenue 2018	**1'782.2**	
Changes in Group revenue 2018 due to:		
– currency translation effects	18.0	1.2%
– acquisitions	132.0	8.9%
– divestments	–5.1	-0.3%
– changes in quantity and price	154.5	10.4%
Total change	**299.4**	**20.2%**
Net revenue 2017	**1'482.8**	**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, among other items, revenues from sales of materials, waste and scrap, from insurance contracts, and from the sale of property, plant and equipment and investments. A gain of CHF 10.8 million was recorded in the previous year, due to the sale of holdings in Woodbridge FoamPartner Company in Chattanooga, Tennessee, USA, and Bystronic (Tianjin) Machinery Co. Ltd. in Tianjin, China.

Accounting principles

Revenues are recognized when goods or products are delivered or a service performed, and the benefits and risks as well as the power of disposal are transferred to the buyer. 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 revenues are recognized and measured individually.

1.3 Operating expenses

Cost of materials

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

In relation to total revenue growth of 19.7%, the increase in material expenses was disproportionately low at 18.2%. The ratio of material costs to total revenue (materials ratio) was 48.7%, which was 0.6 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 0.4 percentage points lower than the previous year. The improvement in the materials ratio can mainly be attributed to better purchase conditions in the Sheet Metal Processing segment, which more than compensated for significantly higher raw material prices in the Chemical Specialties segment.

Personnel expenses

CHF million	2018	2017
Wages and salaries	332.5	277.8
Social security benefits	61.8	52.2
Other personnel expenses	10.1	9.5
Total	**404.4**	**339.5**

The increase in personnel expenses amounts to 19.1% and is with 22.5% in relation to total revenue in line with previous year.

As at the balance sheet date, the number of employees rose by 11.5% over the previous year to 5'259. This rise can be attributed to the acquisition of companies and the enhanced market presence in the Sheet Metal Processing and Outdoor segments. The average headcount in the reporting year was 5'091 full-time positions. The average number of full-time positions increased by 6.0% on a comparable basis.

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. In the year under review, additional costs were incurred for projects and growth initiatives, particularly in the Sheet Metal Processing and Sporting Goods segments.

1.4 Income taxes

CHF million	2018	2017
Current taxes on income	33.4	27.0
Deferred taxes	–3.9	0.9
Total	**29.5**	**27.9**

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

	Tax rate 2018	Income taxes 2018	Tax rate 2017	Income taxes 2017
Average applicable tax rate and income taxes (before consideration of tax loss carryforwards)	19.7%	28.4	20.9%	26.2
Effects of change in tax loss carryforwards	0.6%	0.9	0.0%	0
Average applicable tax rate and income taxes (after consideration of tax loss carryforwards)	20.3%	29.3	20.9%	26.2
Other influences	0.1%	0.2	1.4%	1.7
Effective tax rate and income taxes	20.4%	29.5	22.3%	27.9

The expected tax rate fell from 20.9% to 19.7%, a drop of 1.2 percentage points, which is mainly attributable to the US tax reform. The effective tax rate for the ordinary result before taxes is 20.4% (2017: 22.3%). Effects from non-capitalizable loss carryforwards slightly increased the tax rate whereas other influences contributed positively due to a favorable tax environment.

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 14.9 million (2017: CHF 11.5 million). In view of uncertainty about the future scope for offsetting, the tax effects from loss carryforwards amounting to CHF 8.1 million (2017: CHF 8.4 million) were not capitalized. This evaluation is based on the projected income tax rates. Deferred tax liabilities amount to CHF 18.8 million (2017: CHF 20.2 million).

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	2018	2017
Group profit attributable to Conzzeta AG shareholders	96’652’000	83’667’000
Average number of class A registered shares (par value: CHF 2)	1’823’990	1’824’159
Average number of class B registered shares (par value: CHF 0.40)	1’215’000	1’215’000
Earnings per class A registered share	**46.76**	**40.47**
Earnings per class B registered share	**9.35**	**8.09**

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

Net operating assets

CHF million	2018	2017
Inventories	323.1	290.1
Trade receivables	238.2	237.0
Prepayments to suppliers	6.0	18.5
Other receivables, prepaid expenses and accrued income	46.8	48.9
Property, plant and equipment	268.7	243.4
Financial assets (long-term receivables and loans)	16.5	24.3
Intangible assets	22.1	15.4
Trade payables	–114.1	–108.8
Advance payments from customers	–66.2	–73.6
Other liabilities, accrued expenses and deferred income	–149.9	–140.3
Provisions	–71.1	–64.2
Net operating assets (NOA)	**520.1**	**490.7**
Net operating assets (NOA), average	**505.4**	**446.2**
Operating result	146.8	123.2
Chargeable taxes	–29.9	–27.4
Operating result after taxes	**116.9**	**95.8**
Return on net operating assets (RONOA) after tax	**23.1%**	**21.5%**

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. Results are annualized for key figures for periods of less than a year.

Operating cash flow

CHF million	2018	2017
Cash flow from operating activities	144.0	94.1
Investment in property, plant and equipment	–58.9	–29.2
Divestment of property, plant and equipment	1.0	1.5
Investment in intangible assets	–13.3	–8.1
Divestment of intangible assets	0.1	
Investment in financial assets without securities	–2.8	–3.1
Divestment of financial assets without securities	13.3	10.2
Operational free cash flow	**83.4**	**65.4**
as a % of total revenue	**4.6%**	**4.4%**
Acquisition of business activities	–41.4	–176.1
Sale of investments		14.7
Free cash flow	**42.0**	**–96.0**

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	2018	2017
Trade receivables	255.1	254.4
Provision	–16.9	–17.4
Total	**238.2**	**237.0**

For doubtful accounts, individual and overall value adjustments have been deducted. The overall provision 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	2018	2017
Raw materials and supplies	105.1	92.1
Merchandise for resale	75.5	66.5
Semifinished products and work in progress	49.1	47.5
Finished products	93.4	84.0
Total	**323.1**	**290.1**

The inventory of merchandise for resale primarily concerns the Outdoor segment. Overall, the value adjustments on inventories amount to CHF 58.5 million (2017: CHF 55.1 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.

Deferred income

CHF million	2018	2017
Accruals and deferrals for current taxes	20.5	13.7
Accruals and deferrals for personnel expenses	52.6	40.9
Other accruals and deferrals	54.7	47.6
Total	**127.8**	**102.2**

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 provisions 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. Provisions are made for inventories that are difficult to realize or slow-moving.

Liabilities are recognized in the balance sheet at par value.

2.2 Changes in 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 12/31/2018	**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**
Additions	2.4	10.8	7.7	8.3		29.2
Disposals	–0.2	–9.5	–6.8			–16.5
Changes in scope of consolidation	7.9	8.2	1.2	1.1	2.9	21.3
Reclassifications	0.1	1.5	–0.2	–1.6		–0.2
Currency translation effects	8.0	7.0	1.6	0.3	0.1	17.0
Cost at 12/31/2016	**271.3**	**211.5**	**58.5**	**1.6**	**6.3**	**549.2**
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**
Ordinary depreciation	7.3	10.6	6.1			24.0
Impairments	0.1	0.2	0.5			0.8
Disposals	–0.2	–8.6	–6.6			–15.4
Changes in scope of consolidation	–3.4	–7.7	–0.3			–11.4
Currency translation effects	2.7	5.0	1.1			8.8
Accumulated depreciation at 12/31/2016	**141.0**	**165.7**	**43.1**			**349.8**
Net book value of property, plant and equipment at 12/31/2018	**137.1**	**69.4**	**21.1**	**31.2**	**9.9**	**268.7**
Net book value of property, plant and equipment at 12/31/2017	**142.0**	**64.3**	**18.1**	**9.7**	**9.3**	**243.4**

The figures for factory buildings and fixtures, fittings and vehicles include larger expenditures in the Outdoor segment for the renovation of the showroom in Seon, Switzerland, and for monobrand stores, factory outlets and shop-in-shop facilities. Additions under Plant and machinery, Fixtures, fittings and vehicles and Property, plant and equipment under construction include the assembly plant in Elgin, USA, the two experience centers in Elgin, USA, and Incheon, South Korea, the complete renovation of the factory hall at the production site in Niederönz, Switzerland, all in the Sheet Metal Processing segment, and the expansion of the production facilities in Changzhou, China and Rochester Hills, USA, in the Chemical Specialties segment.

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 Changes in intangible assets

CHF million	2018	2017
Cost at 12/31	**72.3**	**60.0**
Additions	13.3	8.1
Disposals	–0.7	–1.6
Changes in scope of consolidation	0.1	2.3
Reclassifications		0.2
Currency translation effects	–0.4	0.6
Cost at 1/1	**60.0**	**50.4**
Accumulated depreciation at 12/31	**50.2**	**44.6**
Ordinary depreciation	5.7	3.9
Impairments	0.8	
Disposals	–0.6	–1.6
Changes in scope of consolidation		–0.2
Currency translation effects	–0.3	0.5
Accumulated depreciation at 1/1	**44.6**	**42.0**
Net book value of intangible assets at 12/31	**22.1**	**15.4**
Net book value of intangible assets at 1/1	**15.4**	**8.4**

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

Theoretical asset register – goodwill

CHF million	2018	2017
Cost at 12/31	**252.2**	**215.4**
Changes in scope of consolidation	41.8	116.8
Currency translation effects	–5.0	3.6
Cost at 1/1	**215.4**	**95.0**
Accumulated depreciation at 12/31	**86.4**	**43.6**
Ordinary depreciation	44.6	23.4
Currency translation effects	–1.8	1.4
Accumulated depreciation at 1/1	**43.6**	**18.8**
Net book value of goodwill at 12/31	**165.8**	**171.8**
Net book value of goodwill at 1/1	**171.8**	**76.2**

Impact on income statement

CHF million	2018	2017
Operating result	146.8	123.2
EBIT margin in %	8.2%	8.2%
Amortization of goodwill	–44.6	–23.4
Theoretical operating result (EBIT), incl. amortization of goodwill	102.2	99.8
Theoretical EBIT margin in %	5.7%	6.6%
Group result	114.8	97.4
Amortization of goodwill	–44.6	–23.4
Theoretical Group result, incl. amortization of goodwill	70.2	74.0

Impact on balance sheet

CHF million	2018	2017
Equity as per balance sheet	926.9	902.9
Theoretical activation of net book value of goodwill	165.8	171.8
Theoretical equity, incl. net book value of goodwill	1’092.7	1’074.7
Shareholders’ equity as % of total assets	67.8%	68.2%
Theoretical equity, incl. net book value of goodwill as % of total assets	71.3%	71.9%

The change in the scope of consolidation under goodwill 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 a previous year acquisition of FoamPartner resulted in an additional Goodwill of CHF 4.1 million.

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	2018	2017
Employer contribution reserves held as assets	32.7	34.6
Long-term receivables and loans	16.5	24.3
Equity holdings in associated companies	0.4	0.4
Securities held as fixed assets	1.9	0.1
Total	**51.5**	**59.4**

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 loan to a third party was included in the previous year; this was repaid in full in 2018 so a provision of CHF 1.0 million (2017: CHF 1.5 million) was reversed. A value adjustment amounting to CHF 3.1 million (2017: CHF 4.2 million) was made to financial assets. Depreciation of CHF 0.4 million was charged in the previous year.

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	Guarantees	Litigation	Restructuring	Other provisions	Total provisions
Provisions at 12/31/2018	**43.7**	**8.2**	**0.0**	**19.2**	**71.1**
Additions	38.4	1.0		6.5	45.9
Amounts used	–30.9	–1.2	–0.5	–2.2	–34.8
Amounts reversed	–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**
Additions	52.3	3.6		3.6	59.5
Amounts used	–31.9	–0.8	–3.1	–0.8	–36.6
Amounts reversed	–5.9	–0.1	–1.8	–0.2	–8.0
Changes in scope of consolidation	0.1			1.6	1.7
Currency translation effects	1.0	0.1	0.1	0.3	1.5
Provisions at 12/31/2016	**26.2**	**7.1**	**5.7**	**7.1**	**46.1**
of which short-term 2018	36.7			0.6	37.3
of which short-term 2017	35.2	0.2	0.9	0.5	36.8

The guarantee provisions are mainly attributable to the Sheet Metal Processing and Glass Processing segments. 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 use and reversal of restructuring provisions concern restructuring measures communicated in the previous year for the Sheet Metal Processing segment in China, the Outdoor segment in Switzerland and the Glass Processing segment in Germany.

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 22.7 million (2017: CHF 20.2 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 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, 2018, was 4'506 class A registered shares acquired at an average purchase price of CHF 894 each. At the end of 2017, 4'125 class A registered shares acquired at an average purchase price of CHF 952 each were held. In the reporting year, 2'200 class A registered shares were acquired at an average transaction price of CHF 826 each for the share-based compensation program. The Board of Directors and members of the Executive Committee received 1'819 class A registered shares at an average transaction price of CHF 1'190 each. The monetary value was 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 x 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 2.2 million (2017: CHF 1.6 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	2018	2017
Financial income	3.2	6.6
Financial expenses	–5.8	–4.6
Total	**–2.6**	**2.0**

Financial income includes interest income of CHF 2.1 million (2017: CHF 1.7 million), a reversal of valuation adjustments on loans of CHF 1.0 million (2017: CHF 1.5 million) and CHF 0.1 million in capital gains from the sale of securities held as fixed assets (2017: CHF 1.5 million). A positive performance on the assets of the employer contribution reserves of CHF 1.9 million was reported in the previous year.

Financial expenses contain interest of CHF 3.4 million (2017: CHF 3.4 million), the share of negative performance on the assets of the employer contribution reserves of CHF 1.4 million and currency losses of CHF 1.0 million (2017: CHF 1.2 million). 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	2018	2017
Under 1 year	16.0	15.7
1 to 5 years	30.8	34.8
Over 5 years	3.5	3.9
Total	**50.3**	**54.4**

3.5 Other commitments and pledged assets

Long-term purchase commitments in the amount of CHF 8.2 million secured exclusive supplies in the previous year.

Assets to the value of CHF 4.0 million (2017: CHF 4.3 million) are held with retention of title as security for bank loans. Sureties for rental obligations of franchise stores amount to CHF 0.8 million (2017: CHF 1.1 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.	– 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.	– 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 2018	Year-end exchange rates 2017	Annual average rates 2018	Annual average rates 2017
Euro area	1	EUR	1.13	1.17	1.16	1.11
USA	1	USD	0.98	0.98	0.98	0.99
Great Britain	1	GBP	1.26	1.32	1.31	1.27
Sweden	100	SEK	10.99	11.89	11.26	11.51
China	100	CNY	14.31	14.99	14.77	14.55
South Korea	100	KRW	0.09	0.09	0.09	0.09
Japan	100	JPY	0.90	0.87	0.88	0.88

Derivative financial instruments

Values at 12/31 in CHF million	2018	2017
Contract or nominal values (gross)	485.2	500.6
Replacement value, positive	5.3	6.9
Replacement value, negative	1.5	15.3

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

Purchase and disposal of investments in the reporting year

Schmid Rhyner acquired a 100% stake in ISAtec GmbH in 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. in 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.

Purchase and disposal of investments in the previous year

On September 1, 2017, the FoamPartner business unit acquired the Otto Bock foam business in Duderstadt, Germany, and Rochester Hills, USA. The transaction included the acquisition of the entire stake in the joint venture operated by Otto Bock and FoamPartner in China. Revenue adjustments for acquisitions made in 2017 amounted to CHF 110.2 million in 2018 in comparison with the previous year.

On July 1, 2017, Conzzeta sold its 51% stake in Woodbridge FoamPartner Company in Chattanooga, Tennessee, USA, and on December 20, 2017, it sold its entire holdings in Bystronic (Tianjin) Machinery Co. Ltd. in Tianjin, China. Revenue adjustments for holdings sold in 2017 amounted to CHF 5.1 million in the previous year. The sales resulted in a gain of CHF 10.8 million, which was included in the previous year’s result under EBIT.

Acquisition and divestment of business activities and investments

CHF million	Purchase 2018	Purchase 2017	Disposal 2017
Current assets	–25.5	–54.7	7.2
Fixed assets	–4.4	–38.3	2.9
Short-term liabilities	22.6	17.5	–1.0
Long-term liabilities	6.3	10.8	
Net assets acquired or divested	**–1.0**	**–64.7**	**9.1**
Plus/less cash and cash equivalents	1.4	5.4	–5.2
Subtotal	**0.4**	**–59.3**	**3.9**
Goodwill	–41.8	–116.8	
Result from disposal of investments			10.8
Net cash flow	**–41.4**	**–176.1**	**14.7**

4.2 Affiliated companies

Company, domicile	Notes	Country		Company capital	Investment in % direct	Investments in % indirect
Bystronic						
Bystronic Laser AG, Niederönz		CH	CHF	50'000	100	
Bystronic Maschinenbau GmbH, Gotha		DE	EUR	3'400'100		100
Bystronic (Tianjin) Laser Ltd, Tianjin		CN	USD	12'000'000		100
Shenzhen DNE Laser Science and Technology Co. Ltd, Shenzhen		CN	CNY	44'600'000		51
FMG Verfahrenstechnik AG, Sulgen		CH	CHF	100'000		100
Bystronic Manufacturing Americas, LLC, Elgin, IL	1	US	USD	1'000'000		100
TTM Laser S.p.A., Cazzago San Martino	2	IT	EUR	750'000		100
Laserway srl., Cazzago San Martino	2	IT	EUR	14'000		100
ANTIL S.p.A., San Giuliano Milanese	3	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, Niederönz		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						
Fritz Nauer AG, Wolfhausen		CH	CHF	5’000’000	100	
Reisgies Schaumstoffe GmbH, Leverkusen		DE	EUR	1’000’000		100
Frina Mousse France S.à r.l., Wittenheim		FR	EUR	117’386		100
Büttikofer AG, Gontenschwil		CH	CHF	250’000		100
Swiss-Tex, Inc., Greenville SC		US	USD	2’023’640		100
FoamPartner-Bock AG, Zug		CH	CHF	1’000’000		100
FoamPartner-Bock Trading (Shanghai) Ltd, Shanghai		CN	USD	600’000		100
FoamPartner-Bock 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
Benien Produktionstechnik GmbH, Delmenhorst		DE	EUR	500’000		100
FoamPartner Holding Inc., Wilmington DE	4	US				
Hydra Sponge Co., Washington MO	4	US				
Otto Bock Kunststoff GmbH, Duderstadt		DE	EUR	52’000		100
Otto Bock PUR Life Science GmbH, Duderstadt		DE	EUR	25’000		100
Otto Bock Kunststoff Besitz- und Verwaltungs GmbH, Duderstadt		DE	EUR	420’000		100
Otto Bock Polyurethane Technologies Inc., Rochester Hills MI		US	USD	250’000		100
Schmid Rhyner						
Schmid Rhyner AG, Adliswil		CH	CHF	1’200’000	100	
Schmid Rhyner (USA), Inc., Marlton NJ		US	USD	1’800’000		100
Schmid Rhyner Sales AG, Adliswil		CH	CHF	100’000		100
ISAtec GmbH, Wohlenschwil	5	CH				
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	6	FR	EUR	10’000		100
Bystronic glass						
Bystronic Maschinen AG, Bützberg		CH	CHF	100’000	100	
Bystronic Lenhardt GmbH, Neuhausen-Hamberg		DE	EUR	2’050’000		100

Bystronic Glass Machinery (Shanghai) Co. Ltd, Shanghai		CN	EUR	4’300’000		100
Bystronic Glass UK Ltd, Telford		GB	GBP	700’000		100
Bystronic Asia Pte. Ltd, Singapore		SG	SGD	1’000’000		100
Bystronic Glass do Brasil Mâquinas para Vidros Ltda., Indaiatuba SP	7	BR				
LLC Bystronic Steklo RUS, Moscow		RU	RUB	1’000’000		100
Bystronic Glass (Shanghai) Co. Ltd, Shanghai		CN	USD	1’900’000		100
Bystronic Glass, Inc., Aurora CO		US	USD	250’000		100
Holding and Management Companies						
Conzzeta Holding Deutschland AG, Leverkusen		DE	EUR	6’000’000	100	
Conzzeta Grundstücksverwaltungs GmbH, Leverkusen		DE	EUR	50’000		100
Conzzeta Vermögensverwaltungs GmbH & Co. KG, Leverkusen		DE	EUR	100’000		100
Conzzeta Management AG, Zurich		CH	CHF	100’000	100	
Associated Companies						
Mammut Sports Group Austria GmbH, Steyr		AT	EUR	363’400		25.1

1 Formation on July 1, 2018

2 Acquisition on April 12, 2018

3 Acquisition on July 2, 2018

4 Merger with Swiss-Tex Inc. on December 1, 2018

5 Acquisition on March 23, 2018, merger with Schmid Rhyner AG on September 1, 2018

6 Formation on August 13, 2018

7 Sale on October 11, 2018

5. Other notes

5.1 Employee pension plans

CHF million	Balance sheet 12/31/2018	Balance sheet 12/31/2017	Result in personnel expenses 2018	Result in financial income 2018	Result in financial income 2017
Employer contribution reserves					
Employer-funded pension fund	32.7	34.6	–0.5	–1.4	1.9

There are no waivers of use. In the current year, CHF 0.5 million was used to purchase pension benefits. The financial result comprises the return on the asset investment.

CHF million	Surplus/ deficit 12/31/2018	Economic benefit/ obligation 12/31/2018	Economic benefit/ obligation 12/31/2017	Currency translation effect/ Change in scope of consoli-dation/use	Change to prior-year-affecting result in reporting period	Contribu-tions to be allocated to reporting period	Current service cost in personnel expenses 2018	Current service cost in personnel expenses 2017
Economic benefit/ obligation and current service cost								
Employer-funded pension fund	5.1							
Pension funds without surplus/deficit						12.8	12.8	10.8
Pension funds with deficit	–1.5	–1.5	–1.6	–0.1		0.8	0.8	1.5
Pension funds without own assets		–0.4	–1.2	–0.9	0.1	1.1	1.2	1.0
Total	**3.6**	**–1.9**	**–2.8**	**–1.0**	**0.1**	**14.7**	**14.8**	**13.3**

In the previous year, the surpluses/deficits amounted to CHF 3.8 million and the contributions to be allocated to the reporting period were CHF 12.4 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	2018	2017
Trade receivables	0.8	1.1
Trade payables		0.2
Net revenue	3.4	2.1
Commission expenses	1.9	1.5

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 2018 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 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

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

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

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

Revenue recognition

Valuation of inventories

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.

The business area glass processing is subject to additional judgement when determining the appropriate point in time for recognising revenue due to the complexity of the installation process.

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 2018 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 2019 and by retrospectively comparing actual sales deductions with the estimates of prior year.
– In the business area Sheet Metal and Glass Processing, we tested the transfer of risks and rewards based on the estimates for installation costs to be incurred and by comparing actual costs to those of prior year.

For further information 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 2018, inventories amounted to CHF 323.1 million (CHF 290.1 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 and Glass 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 and Glass Processing

– In order to assess cost of inventory we particularly verified the calculation of production costs, performed an analysis of differences between standard and actual costs, and reviewed the calculations of average cost prices and their standard costs. Among other things, we used data analytics.
– The valuation at lower of cost or net 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, 15 March 2019

Income statement – Conzzeta AG

CHF 1'000	2018	2017
Income from equity holdings	54'500	49'000
Financial income	7'311	6'695
Income	**61'811**	**55'695**
Financial expenses	–2'442	–1'675
Personnel expenses	–1'556	–1'523
Other operating expenses	–4'159	–4'544
Direct taxes	–24	–30
Expenses	**–8'181**	**–7'772**
Net income	**53'630**	**47'923**

Balance sheet at December 31 – Conzzeta AG

CHF 1'000	2018	2017
Cash and cash equivalents	228'033	244'744
Securities	50'000	50'000
Other accounts receivable		
due from third parties	5'432	6'989
due from equity holdings	461	1'396
Prepaid expenses and accrued income	920	90
Current assets	**284'846**	**303'219**
Financial assets		
Receivables from equity holdings	416'673	388'860
Other financial assets from third parties		6'000
Equity holdings	230'901	230'901
Fixed assets	**647'574**	**625'761**
Assets	**932'420**	**928'980**
Interest-bearing liabilities		
due to third parties		2'599
due to equity holdings	28'767	29'995
Other payables		
due to third parties	1'423	15'451
due to associates	92	290
due to equity holdings	1'372	1'267
Accrued expenses and deferred income	1'414	919
Short-term liabilities	**33'068**	**50'521**
Share capital	4'140	4'140
Legal capital reserves		
Reserve from capital contributions	72	72
Other capital reserves	97'564	97'117
Legal retained earnings	13'409	13'409
Voluntary retained earnings	650'000	600'000
Retained earnings	138'194	167'648
Treasury shares	–4'027	–3'927
Shareholders' equity	**899'352**	**878'459**
Liabilities and shareholders' equity	**932'420**	**928'980**

Notes to the financial statements – Conzzeta AG

Principles

General
The financial statements 2018 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.

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

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

Interest-bearing liabilities
Interest-bearing liabilities are shown at par value.

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

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

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. Financial income comprises the interest income on accounts receivable from equity holdings of CHF 5.8 million (2017: CHF 3.5 million), interest income from third parties amounting to CHF 0.3 million (2017: CHF 0.2 million), a reversal of provisions for loans of CHF 1.0 million (2017: CHF 1.5 million), gains on securities of CHF 0.1 million (2017: CHF 1.4 million), and currency gains on liquid assets and accounts receivable from equity holdings of CHF 0.1 million (2017: CHF 0.1 million).

Expenses
Financial expenses are the result of interest on liabilities towards equity holdings of CHF 0.4 million (2017: CHF 0.1 million), interest on short-term bank loans of CHF 0.1 million (2017: CHF 0.1 million) and the cost of currency hedging (interest rate differences) for balance sheet items in foreign currencies of CHF 2.0 million (2017: CHF 1.5 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. Securities include time deposits denominated in Swiss francs with a residual term of more than 90 days. Other accounts receivable due from third parties include recoverable input tax, a balance of CHF 5.3 million (2017: CHF 6.9 million) from exchange rate hedges due from banks, and a balance of CHF 0.4 million (2017: CHF 1.4 million) from exchange rate hedges against equity holdings.

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 27.8 million.

Liabilities

Other payables to third parties include mainly debts of CHF 1.4 million (2017: CHF 15.4 million) resulting from exchange rate hedges owed to banks, and debts of CHF 1.4 million (2017: CHF 1.3 million) resulting from exchange rate hedges against equity holdings.

Shareholders' equity

The share capital of CHF 4.1 million (2017: CHF 4.1 million) is divided into 1'827'000 class A registered shares and 1'215'000 class B registered shares. Due to a capital contribution, voluntary retained earnings increased in the reporting year by CHF 50.0 million to CHF 650.0 million. At the end of 2017, 4'125 class A registered shares were held at an average purchase price of CHF 952 each. In the reporting year, 2'200 class A registered shares were acquired at an average transaction price of CHF 826 each for the share-based compensation program. The Board of Directors and members of the Executive Committee received 1'819 class A registered shares at an average transaction price of CHF 1'190 each. In each case, the transaction price corresponded to the market value. The holding as of December 31, 2018, was 4'506 class A registered shares acquired at an average purchase price of CHF 894 each.

Further information

Full-time positions

Conzzeta AG has no employees.

Contingent liabilities

CHF 1'000	2018	2017
Sureties and guarantee obligations for subsidiaries	84'865	97'140
Effective obligations	20'387	19'135

Equity holdings

See note 4.2 to the consolidated financial statements for details. The voting shares correspond to the capital shares.

Significant shareholders

		2018	2017
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, Jacob and Margrit Schmidheiny, Felix Schmidheiny, Helen Schmidheiny, Kathrin Spoerry, Christina Spoerry, Heinrich Spoerry-Niggli, Lotti Spoerry and Robert F. Spoerry.

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

Number	Class A registered shares 12/31/2018	Class A registered shares 12/31/2017	Class B registered shares 12/31/2018	Class B registered shares 12/31/2017
Board of Directors				
E. Bärtschi, Chairman	1’354	1’160		
R. Abt, Member	196	147		
M. Auer, Member	28’620	28’571	1’008	1’008
W. Dubach, Member	9’086	7’459		
P. Mosimann, Member	872	823		
U. Riedener, Member	196	147		
J. Schmidheiny, Member	129’308	129’259	1’220	420
R. F. Spoerry, Member	12’440	12’391	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 12/31/2018	Class A registered shares 12/31/2017	Class B registered shares 12/31/2018	Class B registered shares 12/31/2017
Executive Committee				
M. Willome, Group CEO	1’181	758		
K. W. Kelterborn, Group CFO	691	545		
O. Pabst, Head of the Mammut Sports Group business unit	201	57		
M. Riedel, Head of the FoamPartner business unit	78			
J. Rohner, Head of the Schmid Rhyner business unit	434	337		
B. Schneider, Head of the Bystronic glass business unit	313	242		
B. Senn, General Counsel	292	237		
A. Waser, Head of the Bystronic business unit	578	460		

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 2018, a total of 537 class A registered shares were allocated to the Board of Directors for the previous year. The CHF 0.7 million valuation was based on a share price of CHF 1’294 each. Personnel expenses contain deferred expenses for the reporting year amounting to CHF 0.4 million (2017: CHF 0.4 million) for the share-based component of compensation.

Events after the balance sheet date

The financial statements were approved for publication by the Board of Directors on Friday, March 15, 2019. They are also subject to approval by the Annual General Meeting.

On January 25, 2019, Conzzeta reported signing a binding agreement to sell its Glass Processing segment to Finnish company Glaston Corporation, based in Helsinki. The transaction is expected to be concluded by the end of the first quarter, subject to regulatory approval.

Proposed appropriation of available earnings – Conzzeta AG

CHF	2018	2017
The Board of Directors proposes to the Annual General Meeting on April 16, 2019, that the total sum available for appropriation, consisting of:		
Net income	53’630’072	47’922’737
Retained earnings carried forward from previous year	84’564’486	119’724’853
Retained earnings	**138’194’558**	**167’647’590**
Treasury shares (held directly)	4’026’700	3’926’701
Total sum available for appropriation	**134’167’858**	**163’720’889**
be appropriated as follows:		
Dividend of CHF 18 per class A registered share (previous year: CHF 16)	32’886’000	29’232’000
Dividend of CHF 3.60 per class B registered share (previous year: CHF 3.20)	4’374’000	3’888’000
Transfer to the voluntary retained earnings	50’000’000	50’000’000
Retained earnings to be carried forward	50’934’558	84’527’590

If this proposal is approved, the dividend distribution for the 2018 reporting year will be:

CHF	Gross dividend	35 % withholding tax	Net dividend
Per class A registered share	18.00	6.30	11.70
Per class B registered share	3.60	1.26	2.34

The dividend will be paid out with the value date of Wednesday, April 24, 2019.

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 2018, 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 2018 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, 15 March 2019

Five-year summary

		2018	2017	2016	2015	2014
Segment Sheet Metal Processing						
Net revenue	CHF m	1’013.2	856.1	650.9	568.9	580.7
Operating result (EBIT)	CHF m	132.5	98.0	63.0	55.4	54.3
Net operating assets	CHF m	204.0	173.0	159.0	162.1	166.5
Segment Chemical Specialties						
Net revenue	CHF m	382.9	279.2	219.7	203.8	219.2
Operating result (EBIT)	CHF m	5.8	24.8	23.1	18.5	23.8
Net operating assets	CHF m	167.0	186.9	112.7	110.9	116.4
Segment Outdoor						
Net revenue	CHF m	253.4	228.6	232.9	234.9	249.9
Operating result (EBIT)	CHF m	5.2	0.1	1.2	0.1	20.8
Net operating assets	CHF m	126.7	116.5	108.1	113.6	131.9
Segment Glass Processing						
Net revenue	CHF m	133.3	119.3	106.9	118.7	109.5
Operating result (EBIT)	CHF m	7.6	6.3	1.0	6.4	–5.1
Net operating assets	CHF m	21.9	23.1	19.3	23.1	30.5
Consolidated income statement						
Net revenue	CHF m	1’782.2	1’482.8	1’210.0	1’126.1 [1]	1’195.7
Operating result (EBIT)	CHF m	146.8	123.2	84.4	75.9 [1]	104.3
Extraordinary result	CHF m				–0.6	–23.7
Group result	CHF m	114.8	97.4	63.9	59.3	61.4
Consolidated balance sheet						
Current assets	CHF m	1’009.0	993.6	977.2	950.9	1’074.7
Fixed assets	CHF m	357.2	329.7	278.2	270.8	376.4
Short-term liabilities	CHF m	379.7	366.7	269.3	213.7	252.9
Long-term liabilities	CHF m	59.6	53.7	44.6	48.1	65.4
Shareholders’ equity	CHF m	926.9	902.9	941.5	959.9	1’132.8
Total assets	CHF m	1’366.2	1’323.3	1’255.4	1’221.7	1451,1
Shareholders’ equity as % of total assets	%	67.8	68.2	75.0	78.6	78.1
Net operating assets/employees						
Net operating assets	CHF m	520.1	490.7	401.6	413.3	517.4
Employees 12/31	Number	5’259	4’717	4’098	3’479	3’337
Ø employees in full-time positions	Number	5’091	4’328	3’814	3’425	3’500
Net revenue per full-time position	CHF thousand	350.1	342.6	317.2	328.8	341.6
Personnel expenses per full-time position	CHF thousand	79.4	78.4	79.7	82.8	85.2
Share information						
Share capital	CHF m	4.1	4.1	4.1	4.1	5.2
Number of shares issued at 12/31						
Class A registered shares	Number	1’827’000	1’827’000	1’827’000	1’827’000	456’750
Class B registered shares	Number	1’215’000	1’215’000	1’215’000	1’215’000	303’750
Market prices of class A registered share						
High	CHF	1’320.00	1’067.00	747.00	696.17	716.52

Low		CHF	731.00	721.00	570.00	536.96	367.99
Year-end		CHF	769.00	1'016.00	720.00	639.00	637.76
Total dividend		CHF m	39.3 [2]	33.1	22.8	20.7	25.9
Key indicators per share							
Earnings	per class A registered share	CHF	46.76	40.47	29.10	28.65	31.00
	per class B registered share	CHF	9.35	8.09	5.82	5.73	6.20
Cash flow from	per class A registered share	CHF	69.65	45.52	46.37	41.93	52.49
operating activities	per class B registered share	CHF	13.93	9.10	9.27	8.39	10.50
Shareholders'	per class A registered share	CHF	439.63	428.00	451.70	464.15	547.24
equity	per class B registered share	CHF	87.93	85.60	90.34	92.83	109.45
Gross dividend	per class A registered share	CHF	18.00 [2]	16.00	11.00	10.00	50.00
	per class B registered share	CHF	3.60 [2]	3.20	2.20	2.00	10.00

[1] Net revenue and the operating result of the spun-off Real Estate business unit were eliminated for 2015. The figures for 2014 have not been adjusted.

[2] As proposed by the Board of Directors.

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Publication Details

Publisher: Conzzeta AG, Zurich

Photography: Bystronic, Bystronic glass, FoamPartner, Gareth Brown,
Getty Images: arianarama / bingdian / chinaface / Pankaj Upadhyay / EyeEm,
Mammut Sports Group, Markus Forte, Patrick Gutenberg, Schmid Rhyner AG,
Stefan Jermann, Thomas Senf

Translation: Supertext AG, Zurich

Publishing system: ns.wow by Multimedia Solutions AG, Zurich

Concept and design: Martin et Karczinski AG, Zurich

The annual report is published in German and English.
The German version prevails.
Published on March 20, 2019.