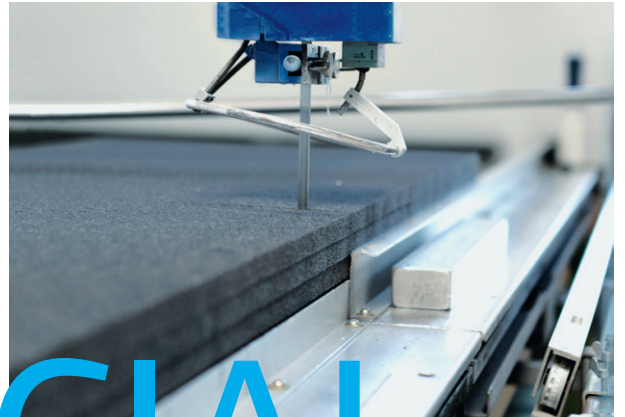
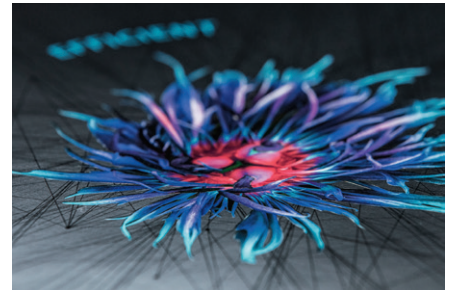


conzzeta



# FINANCIAL REPORT 2019



## Consolidated income statement – Group

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

## Consolidated balance sheet at December 31 – Group

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

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

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

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

## Consolidated cash flow statement – Group

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

# Notes to the consolidated financial statements

## Information on the report

### General information

The consolidated financial statements comprise the separate financial statements of the Group companies of Conzzeta AG at December 31, prepared in accordance with uniform guidelines and in compliance with Swiss GAAP FER and Swiss law. With the exception of derivative financial instruments, which are measured at fair value, the consolidated financial statements are based on historical costs. The same accounting and valuation principles have been used as in the previous year. The principle of individual valuation has been applied to assets and liabilities. Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

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

### Scope and method of consolidation

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

### Currency translation

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

### Significant estimates made by management

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

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

#### Definition of non-Swiss GAAP FER key figures

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

#### Events after the balance sheet date

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

# 1. Performance

## 1.1 Segment information

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

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

### Discontinued operations

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

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

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



### Additional information to continuing operations and discontinued operations

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

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

### Accounting principles

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

Segment	Business unit	Description
Sheet Metal Processing	Bystronic	Bystronic is a global manufacturer of laser cutting machinery and press brakes. The company also offers automation systems and integrated software solutions as well as maintenance and support services. The most important source of revenue is the sale and installation of machinery and spare parts and the provision of maintenance and other services.
Chemical Specialties (discontinued operations)	FoamPartner and Schmid Rhyner	The FoamPartner business unit operates worldwide, developing, producing and processing high-grade polyurethane foam materials for the industry and comfort market segments. Schmid Rhyner develops and manufactures print varnishes for the graphics industry. The most important source of revenue in the Chemical Specialties segment is the sale of products to original equipment manufacturers.
Outdoor (discontinued operations)	Mammut Sports Group	Mammut Sports Group develops, produces and markets equipment for mountaineering, climbing and winter sports worldwide. Its offering includes technical hardware, clothing and footwear. The most important source of revenue is the sale of such products. Products are sold mostly through specialist retailers as well as Mammut's own stores and digital sales channels.
Glass Processing (discontinued operations)	Bystronic glass	Bystronic glass is a global manufacturer of machinery and systems for processing flat glass in the architectural and automotive glass market sectors. The company's offering ranges from individual machines, via spare parts and service to complete production lines. The most important source of revenue is the sale and installation of machinery, systems and spare parts, and the provision of maintenance and other services.

## 1.2 Revenue and other operating income

### Geographical information

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

### Comparable net revenue

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

The effects of transactions as part of acquisitions and divestments are recognized as changes in the scope of consolidation. Figures on a comparable basis take account of currency translation effects and changes in the scope of consolidation.

### Other operating income

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

### Accounting principles

Revenue is recognized when goods or products are delivered or a service performed, and the benefits and risks as well as the power of disposal are transferred to the buyer. If the installation of the product at the recipient's premises is an essential contract component, the revenue is not recognized until the installation is concluded. Longer-term orders are recognized using the completed contract method. The net revenue corresponds to the expected equivalent value of the service rendered, net of sales and value-added tax, any sales deductions such as sales bonuses, granted rebates and discounts as well as value adjustments and currency effects on trade receivables. Separable revenue is recognized and measured individually.

## 1.3 Operating expenses

### Material expenses

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

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

### Personnel expenses

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

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

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

### Other operating expenses

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

## 1.4 Income taxes

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

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

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

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

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

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

### Significant estimates made by management

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

### Accounting principles

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

## 1.5 Earnings per share

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

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

### Accounting principles

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

## 2. Invested capital

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

### Net operating assets

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

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

## Operating cash flow

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

Operating free cash flow is calculated on the basis of free cash flow, excluding changes in securities and money market instruments with a term of more than 90 days, and acquisition and divestment of business activities and investments.

## 2.1 Net working capital

## Trade receivables

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

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

## Other receivables

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

## Inventories

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

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



**Advance payments from customers**

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

**Other short-term liabilities**

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

**Accrued expenses and deferred income**

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

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

**Significant estimates made by management**

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

**Accounting principles**

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

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

Liabilities are recognized in the balance sheet at par value.

## 2.2 Property, plant and equipment

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

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

### Significant estimates made by management

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

### Accounting principles

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

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

## 2.3 Intangible assets

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

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

## Goodwill

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

### Theoretical asset register – goodwill

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

### Impact on income statement

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

### Impact on balance sheet

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

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

### Significant estimates made by management

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

### Accounting principles

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

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

The goodwill resulting from acquisitions is offset against retained earnings at the time of acquisition. On divestment of a business activity, the goodwill offset against equity at an earlier date is transferred to the income statement. For the shadow accounting, the goodwill is amortized in principle on a straight-line basis over its estimated useful life, normally five years.

## 2.4 Other financial assets

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

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

### Accounting principles

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

## 2.5 Provisions and contingent liabilities

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

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

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

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

Other liabilities includes provisions for onerous contracts on purchase commitments from framework purchasing contracts, provisions for seniority and anniversary premiums, and provisions for old age that do not qualify as pension obligations. Further other liabilities contain conditional purchase-price obligations from acquisitions and provisions for environmental liabilities. There are land holdings that are contaminated due to previous operating activities and landfilling. These are shown in the register of polluted sites.

#### Contingent liabilities

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

#### Significant estimates made by management

The amount of provisions is largely based on an estimate of future costs. The calculation for guarantee claims is based on product sales, contractual agreements and past experience. In addition to the flat-rate calculation, individual provisions for incurred or reported claims are taken into account based on an assessment by management.

#### Accounting principles

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

## 3. Financing and risk management

### 3.1 Cash, cash equivalents and securities

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

### 3.2 Shareholders' equity

#### Share capital

The share capital of CHF 4.1 million is divided into 1,827,000 class A registered shares with a nominal value of CHF 2.00 each and 1,215,000 class B registered shares with a nominal value of CHF 0.40 each.

#### Treasury shares/share-based compensation

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

The base compensation for members of the Board of Directors is paid in cash and shares (approx. 50% each) that are subject to a four-year vesting period. Neither discounts nor performance components are taken into consideration when calculating the share allocation of the Board of Directors. The calculation is based on the average share price for the three months from November 1 to January 31.

For members of the Executive Committee, there is a deferred share-based performance component (LTI). Of the variable performance-related target compensation, the LTI represents 15% (or 20% in the case of the CEO). Of this, the only performance parameter is the earnings per share (EPS) for the financial year. Depending on the actual value, the monetary value of the share allocation can vary between 0% and 150% (cap) according to EPS target achievement. The number of shares allocated is the product of the LTI monetary value divided by the average share price from November 1 in the current year to January 31 in the following period, with a reduction of 10% allowed. To qualify for the share allocation, the recipient must be in employment on the date of the allocation, with no period of notice served by either side. The shares allocated for the LTI remain restricted for four years. In the event of invalidity, death or termination of the employment relationship following a change of control this vesting period is canceled.

Members of business unit management and persons in selected Group roles are eligible to participate in a share-based LTI scheme representing no more than 10% of annual base salary. The first allocation of restricted stock units (RSUs) was made at the end of March 2018. The value of the LTI allocation for the aforementioned level of management depends on earnings per share (EPS) and may vary between 100% and 150% of the target amount. The number of allocated restricted stock units is determined by dividing the monetary value of the LTI (EPS rate of target achievement × LTI target amount) by the average share price from November 1 of the current period to January 31 of the following period. The restricted stock units are subject to a three-year vesting period and will thereafter be converted into Conzzeta AG shares based on a ratio of 1:1. This is conditional upon the employees concerned being in employment at the time of the conversion and allocation of shares, with no period of notice served by either side. Employees who terminate their employment forfeit their restricted stock units. As a transitional arrangement, eligible employees who were employed at the company prior to July 1, 2017, may convert up to one third of the RSUs allocated in 2018 each year starting in 2019.



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

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

#### Compensation and shareholdings

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

#### Accounting principles

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

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

### 3.3 Financial result

CHF million	2019	2018
Financial income	6.5	3.2
Financial expenses	-6.6	-5.8
<b>Total</b>	<b>-0.1</b>	<b>-2.6</b>

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

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

### 3.4 Operational leasing

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

### 3.5 Other commitments and pledged assets

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

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

### 3.6 Financial risk management

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

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

#### Currency translation rates

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

## Derivative financial instruments

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

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

## Accounting principles

All outstanding derivatives are recognized at market value as at the balance sheet date and shown at gross values under other receivables or other liabilities. Value changes on derivatives for hedges of recognized underlying transactions are shown like the underlying transaction. Value changes on derivatives for hedges of future cash flows will be shown directly in equity until completion of the underlying transaction. At the time of recognition of the underlying transaction the gain or loss recorded in equity will be transferred to the income statement.

## 4. Group structure

### 4.1 Acquisitions and divestments

#### Acquisitions and divestments in the reporting year

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

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

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

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

**Acquisitions in the previous year**

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

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

## 4.2 Affiliated companies

Company, domicile	Notes	Country	Company capital	Investment in % direct	Investment in % indirect
<b>Bystronic</b>					
Bystronic Laser AG, Niederörs		CH CHF	50,000	100	
Bystronic Maschinenbau GmbH, Gotha		DE EUR	3,400,100		100
Bystronic (Tianjin) Laser Ltd, Tianjin		CN USD	12,000,000		100
Shenzhen DNE Laser Science and Technology Co. Ltd, Shenzhen	1	CN CNY	44,600,000		70
FMG Verfahrenstechnik AG, Sulgen		CH CHF	100,000		100
Bystronic Manufacturing Americas, LLC, Elgin, IL		US USD	1,000,000		100
Bystronic Tube Processing S.p.A., Cazzago San Martino		IT EUR	750,000		100
Laserway srl., Cazzago San Martino	2	IT			
ANTIL S.p.A., San Giuliano Milanese		IT EUR	250,000		70
Bystronic, Inc., Elgin IL		US USD	250,000		100
Bystronic Scandinavia AB, Rosersberg		SE SEK	200,000		100
Bystronic France SAS, Les Ulis		FR EUR	2,500,000		100
Bystronic Italia S.r.l., Bovisio Masciago		IT EUR	900,000		100
Bystronic Deutschland GmbH, Heimsheim		DE EUR	52,000		100
Bystronic (Shanghai) Co. Ltd, Shanghai		CN USD	6,500,000		100
Bystronic Ibérica S.A., San Sebastián de los Reyes		ES EUR	262,000		100
Bystronic Mexico S.A. de C.V., Apodaca		MX MXN	2,500,000		100
Bystronic Austria GmbH, Linz		AT EUR	300,000		100
Bystronic do Brasil Ltda., Colombo PR		BR BRL	9,000,000		100
Bystronic Pte. Ltd, Singapore		SG SGD	2,500,000		100
Bystronic Benelux B.V., Hardinxveld-Giessendam		NL EUR	18,151		100
Bystronic UK Ltd, Coventry		GB GBP	1,200,000		100
Bystronic Sales AG, Niederörs		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
<b>FoamPartner</b>					
FoamPartner Switzerland AG, Wolfhausen		CH CHF	5,000,000	100	
FoamPartner Leverkusen GmbH, Leverkusen		DE EUR	1,000,000		100
Frina Mousse France S.à r.l., Wittenheim		FR EUR	117,386		100
Büttikofer AG, Gontenschwil		CH CHF	250,000		100
Swiss-Tex, Inc., Greenville SC	3	US			
FoamPartner Holding AG, Zug		CH CHF	1,000,000		100
FoamPartner Trading (Shanghai) Ltd., Shanghai		CN USD	600,000		100

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

**Schmid Rhyner**

Schmid Rhyner AG, Adliswil	CH	CHF	1,200,000	100
Schmid Rhyner (USA), Inc., Marlton NJ	US	USD	1,800,000	100
Schmid Rhyner Sales AG, Adliswil	CH	CHF	100,000	100

**Mammut Sports Group**

Mammut Sports Group AG, Seon	CH	CHF	25,000,000	100
Mammut Sports Group GmbH, Wolfertschwenden	DE	EUR	500,000	100
Mammut Sports Group, Inc., Williston VT	US	USD	51	100
Mammut Ajungilak AS, Oslo	NO	NOK	2,000,000	100
Mammut Sports Group Japan Inc., Tokyo	JP	JPY	30,000,000	100
Mammut UK Ltd, Macclesfield	GB	GBP	1,000	100
Mammut Korea, Inc., Seoul	KR	KRW	1,250,000,000	100
Mammut Outdoor Equipment (Beijing) Co. Ltd, Beijing	CN	USD	1,500,000	100
Mammut Sports Group Asia Ltd, Hong Kong	HK	HKD	100,000	100
Mammut France, Epagny Metz-Tessy	FR	EUR	10,000	100

**Bystronic glass**

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

**Holding and management companies**

Conzzeta Holding Deutschland AG, Leverkusen	DE	EUR	6,000,000	100
Conzzeta Grundstücksverwaltungs GmbH, Leverkusen	DE	EUR	50,000	100
Conzzeta Vermögensverwaltungs GmbH & Co. KG, Leverkusen	DE	EUR	100,000	100
Conzzeta Management AG, Zurich	CH	CHF	100,000	100

**Associated companies**

Mammut Sports Group Austria GmbH, Steyr	AT	EUR	363,400	25.1
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<sup>1</sup> Increase investment from 51% to 70% on August 1, 2019

<sup>2</sup> Liquidated as of December 19, 2019

<sup>3</sup> Merger with FoamPartner Americas, Inc., Wilmington DE, on March 25, 2019

<sup>4</sup> Divested as of April 1, 2019



## 5. Other notes

### 5.1 Employee pension plans

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

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

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

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

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

#### Accounting principles

The pension obligations of Group companies related to retirement, death and disability benefits are based on the rules and customs in each country. Regular contributions are paid. The pension and benefit payments and outstanding benefits during the accounting period and the regular contributions to the various pension funds are charged to the income statement. Private pension plans in Switzerland serve to build up retirement assets for conversion into fixed pensions, with additional risk benefits. Any actual economic impact of the pension funds on the company is calculated at the balance sheet date. An economic benefit is only capitalized when this is to be used for the future service cost of the company. An economic obligation is recognized as a liability when the requirements for the formation of a provision are met. Freely available employer contribution reserves are shown as assets. The difference between the annually determined economic benefits and obligations and the change in the employer contribution reserves are included in the income statement.

## 5.2 Related-party transactions

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

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

# Statutory Auditor's Report to the General Meeting of Conzzeta AG, Zurich

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Conzzeta AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

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

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



**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.

#### Our response

During our audit, we analysed the process established to determine revenue recognition and assessed whether goods sold were recorded in the appropriate accounting period. We identified the key controls relevant for revenue recognition and tested them for their operating effectiveness on a sample basis.

Moreover, we performed the following audit procedures to assess the correctness of revenue recognition in the business areas described.

- Testing of the accuracy of revenue recognition as at 31 December 2019 by reconciling invoices with bills of delivery.
- Critically assessed sales margins and deviations to prior year for major product groups and compared reported results with our expectations, based on inquiries of management and challenge of the analyses presented.

- Assessing the completeness and accuracy of sales deductions by inspecting credit notes issued in 2020 and by retrospectively comparing actual sales deductions with the estimates of prior year.
- In the business area Sheet Metal Processing, we tested the transfer of risks and rewards based on the estimates for installation costs to be incurred and by comparing actual costs to those of prior year.

For further information regarding revenue recognition, refer to [section 1.2](#) in the notes to the consolidated financial statements.



## Valuation of inventories

### Key Audit Matter

As at 31 December 2019, inventories amounted to CHF 304.2 million (CHF 323.1 million as at 31 December 2017), representing one of the most significant assets. Proper valuation of inventories is therefore of importance for the overall understanding of the consolidated financial statements.

The valuation of inventories is affected by specific risks in the following business areas:

#### Sheet Metal Processing

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

#### Outdoor

- Amounts for value adjustments essentially depend on management's assumptions regarding future fashion trends and seasonal customer behavior in the outdoor industry. We consider the estimation uncertainty relating to the amount of the value adjustments as a significant risk.

### Our response

During our audit, we analysed and assessed the process applied to the measurement of inventories. For this purpose, we identified the relevant controls relevant and tested their effectiveness on a sample basis.

Moreover, we performed the following audit procedures to assess the adequacy of the inventory valuation in the business areas as follows:

#### Sheet Metal Processing

- In order to assess cost of inventory we particularly verified the calculation of production costs, performed an analysis of differences between standard and actual costs, and reviewed the calculations of average cost prices and their standard costs in samples.
- The valuation at lower of cost or net realisable value was tested by using data analytics, comparing production costs with actual sales prices, net of distribution costs to be incurred, before and after the balance sheet date.
- In order to assess the inventory of spare parts considered to be difficult to sell or with long turnover periods, we particularly tested the calculation of the value adjustments and the appropriateness of the assumptions used.

## Outdoor

- We evaluated the adequacy of the process to identify obsolete inventories, considering their seasonality and expectations regarding fashion trends and challenged the basic principles and assumptions used to measure inventories.
- We also retroactively tested the assumptions used and analyzed deviations from the estimates.
- We tested the mathematical accuracy of the calculation of the value adjustments as well as the completeness of the underlying data.

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

## Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a

material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

KPMG AG



**François Rouiller**  
Licensed Audit Expert  
Auditor in Charge



**Reto Kaufmann**  
Licensed Audit Expert

Zurich, 13 March 2020



## Income statement – Conzzeta AG

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

## Balance sheet at December 31 – Conzzeta AG

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

# Notes to the financial statements – Conzzeta AG

## Principles

### General

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

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

### Financial assets

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

### Derivative financial instruments

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

### Interest-bearing liabilities

Interest-bearing liabilities are shown at par value.

### Treasury shares

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

### Share-based compensation

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

## Information on the income statement and balance sheet items

### Income

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

### Expenses

Financial expenses are the result of interest on liabilities towards equity holdings of CHF 0.4 million (2018: CHF 0.4 million), interest on short-term bank loans of CHF 0.1 million (2018: CHF 0.1 million), the cost of currency hedging (interest rate differences) for balance sheet items in foreign currencies of CHF 3.6 million (2018: CHF 2.0 million) and currency losses on liquid assets and on accounts receivable from equity holdings of CHF 0.2 million. Personnel and other operating expenses include current administration expenses, the cost of organizing the Annual General Meeting, the production of the annual report, project costs, taxes on capital, as well as fees to the Board of Directors.

### Current assets

Liquid assets consist of current account bank balances, the majority of which are in Swiss francs. Other accounts receivable due from third parties include recoverable input tax and withholding tax of CHF 0.4 million (2018: CHF 0.2 million) and a balance of CHF 5.6 million (2018: CHF 5.3 million) from exchange rate hedges due from banks. Other accounts receivable from equity holdings include a balance of CHF 0.9 million (2018: CHF 0.5 million) from exchange rate hedges against equity holdings and accounts receivable from equity holdings of CHF 0.3 million.

### Fixed assets

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

### Liabilities

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

### Shareholders' equity

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

## Further information

### Full-time positions

Conzzeta AG has no employees.

### Contingent liabilities

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

### Equity holdings

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

### Significant shareholders

		2019	2018
Auer, Schmidheiny and	Capital rights	29.1%	29.1%
Spoerry shareholder group	Voting rights	51.1%	51.1%

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

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

Number	Class A registered shares 12/31/2019	Class A registered shares 12/31/2018	Class B registered shares 12/31/2019	Class B registered shares 12/31/2018
<b>Board of Directors</b>				
E. Bärtschi, Chairman	1,596	1,354		
R. Abt, Member	257	196		
M. Auer, Member	28,681	28,620	1,008	1,008
M. König, Member				
P. Mosimann, Member	933	872		
U. Riedener, Member	257	196		
J. Schmidheiny, Member	129,369	129,308	1,220	1,220
R. F. Spoerry, Member	12,501	12,440	148	148

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

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

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

#### Share-based compensation

The base compensation for members of the Board of Directors is paid in cash and shares (approx. 50% each) that are subject to a four-year vesting period. Neither discounts nor performance components are taken into consideration when calculating the share allocation of the Board of Directors. The calculation is based on the average share price for the three months from November 1 to January 31.

In 2019, a total of 669 class A registered shares were allocated to the Board of Directors for the previous year. The CHF 0.6 million valuation was based on a share price of CHF 914 each. Personnel expenses contain deferred expenses for the reporting year amounting to CHF 0.4 million (2018: CHF 0.4 million) for the share-based component of compensation.

#### Events after the balance sheet date

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

## Proposed appropriation of available earnings – Conzzeta AG

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

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

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

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

# Statutory Auditor's Report to the General Meeting of Conzzeta AG, Zurich

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Conzzeta AG, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

### Responsibility of the Board of Directors for the Financial Statements

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

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

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

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

KPMG AG



**François Rouiller**  
Licensed Audit Expert  
Auditor in Charge



**Reto Kaufmann**  
Licensed Audit Expert

Zurich, 13 March 2020

## Five-year summary

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

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

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

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

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

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