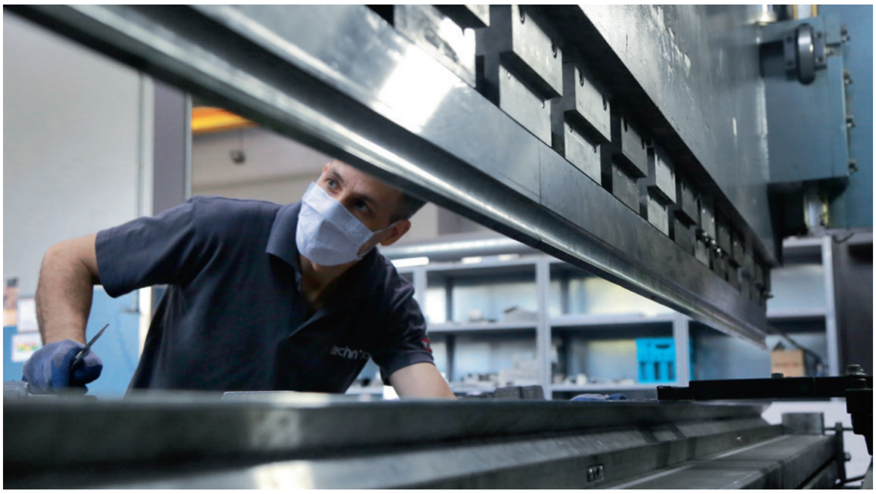
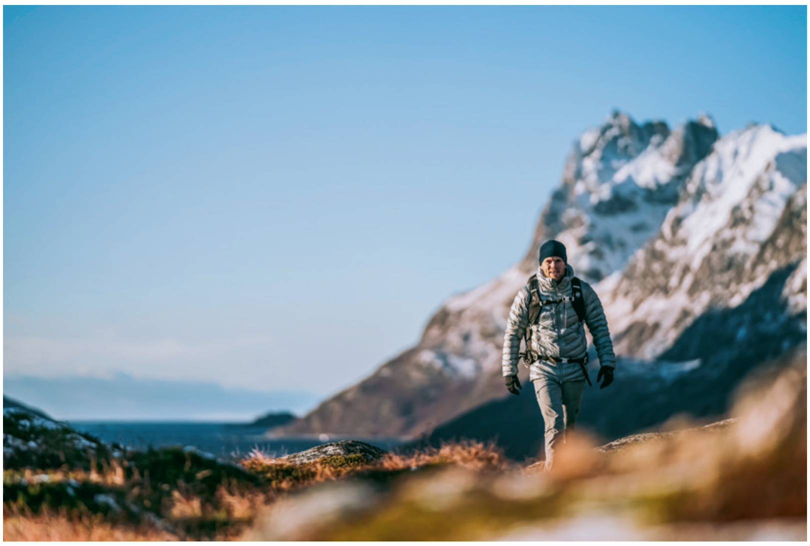


conzzeta

FINANCIAL REPORT 2020



Consolidated income statement – Group

CHF million	Notes	2020	2019
Net revenue	1.2	**1,283.5**	**1,573.2**
Changes in inventories and own work capitalized		–9.9	6.0
Total revenue		**1,273.6**	**1,579.1**
Other operating income	1.2	55.8	43.0
Material expenses	1.3	–609.3	–738.9
Personnel expenses	1.3	–340.7	–378.9
Other operating expenses	1.3	–258.5	–298.7
Depreciation/impairments on property, plant and equipment	2.2	–30.4	–30.0
Amortization/impairments on intangible assets	2.3	–10.8	–8.5
Operating result (EBIT)	1.1	**79.7**	**167.2**
Financial result	3.3	–2.9	–0.1
Result before taxes		**76.7**	**167.1**
Income taxes	1.4	–9.8	–30.3
Group result		**66.9**	**136.8**
Attributable to Conzzeta AG shareholders		65.0	125.8
Attributable to minority interests		1.9	11.1
Earnings per class A registered share, in CHF	1.5	31.46	60.85
Earnings per class B registered share, in CHF	1.5	6.29	12.17
Diluted earnings per class A registered share, in CHF	1.5	31.46	60.85
Diluted earnings per class B registered share, in CHF	1.5	6.29	12.17

Consolidated balance sheet at December 31 – Group

CHF million	Notes	2020	2019
Cash and cash equivalents	3.1	273.3	300.9
Trade receivables	2.1	191.4	226.1
Prepayments to suppliers		5.6	4.5
Other receivables	2.1	41.4	42.1
Prepaid expenses and accrued income		17.3	11.1
Inventories	2.1	284.5	304.2
Current assets		**813.5**	**889.1**
Property, plant and equipment	2.2	255.0	276.1
Intangible assets	2.3	25.4	28.0
Financial assets	2.4	45.7	59.2
Deferred tax assets	1.4	11.0	13.7
Non-current assets		**337.2**	**377.0**
Assets		**1,150.6**	**1,266.0**
Trade payables		118.6	129.2
Advance payments from customers	2.1	49.5	54.6
Short-term financial liabilities		4.8	0.1
Other short-term liabilities	2.1	32.2	30.2
Accrued expenses and deferred income	2.1	87.2	84.5
Short-term provisions	2.5	21.3	31.2
Short-term liabilities		**313.8**	**329.8**
Long-term financial liabilities		2.9	4.1
Other long-term liabilities			0.4
Pension fund liabilities	5.1	1.2	1.3
Long-term provisions	2.5	22.1	27.3
Deferred tax liabilities	1.4	14.5	23.1
Long-term liabilities		**40.8**	**56.1**
Share capital	3.2	4.1	4.1
Capital reserves		–19.5	37.5
Treasury shares	3.2	–2.1	–3.9
Retained earnings		812.2	836.9
Shareholders' equity excluding minority interests		**794.7**	**874.6**
Minority interests		1.3	5.5
Shareholders' equity including minority interests		**796.1**	**880.1**
Liabilities and shareholders' equity		**1,150.6**	**1,266.0**

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

CHF million	Notes	Share capital	Agio/capital reserves	Treasury shares	Retained earnings			Total excluding minority interests	Minority interests	Total including minority interests
					Currency translation effects	Value fluctuation financial instruments	Other retained earnings			
At 12/31/2018		**4.1**	**99.8**	**–4.0**	**–97.6**	**0.7**	**899.1**	**902.0**	**24.8**	**926.9**
Group result 2019							125.8	125.8	11.1	136.8
Dividends							–99.2	–99.2	–29.6	–128.8
Change resulting from hedging transactions	3.6					–0.1		–0.1		–0.1
Acquisition of minority interests	4.1		–61.9					–61.9	–0.8	–62.7
Purchase of treasury shares	3.2			–2.5				–2.5		–2.5
Share-based remuneration										
Contribution	3.2		–2.7	2.6				–0.1		–0.1
Allocation	3.2		2.4					2.4		2.4
Currency translation effects					8.4			8.4		8.4
At 12/31/2019		**4.1**	**37.5**	**–3.9**	**–89.3**	**0.6**	**925.7**	**874.6**	**5.5**	**880.1**
Group result 2020							65.0	65.0	1.9	66.9
Dividends							–86.8	–86.8	–3.7	–90.6
Change resulting from hedging transactions	3.6					1.4		1.4		1.4
Acquisition of minority interests	4.1		–56.8					–56.8	–2.2	–58.9
Recognition of goodwill in equity	4.1						–0.8	–0.8		–0.8
Recycling of goodwill in the income statement	4.1						6.1	6.1		6.1
Purchase of treasury shares	3.2			–0.1				–0.1		–0.1
Share-based remuneration										
Contribution	3.2		–2.2	2.0				–0.2		–0.2
Allocation	3.2		2.0					2.0		2.0
Currency translation effects					–9.6			–9.6	–0.1	–9.7
At 12/31/2020		**4.1**	**–19.5**	**–2.1**	**–99.0**	**2.0**	**909.1**	**794.7**	**1.3**	**796.1**

Consolidated cash flow statement – Group

CHF million	Notes	2020	2019
Group result		66.9	136.8
Depreciation of property, plant and equipment and amortization of intangible assets		38.1	38.5
Impairments of property, plant and equipment and intangible assets		3.1	0.1
Gain on disposal of non-current assets and investments		–51.1	–32.4
Change in provisions and pension fund liabilities		–16.5	–2.9
Change in employer contribution reserves in Financial assets		14.4	
Other non-cash items		8.1	–4.3
Cash flow from operating activities before change in net working capital		**63.2**	**135.8**
Change in inventories		4.1	–21.7
Change in trade receivables		19.0	–14.3
Change in prepayments to suppliers		–1.5	–0.8
Change in other receivables, prepaid expenses and accrued income		–8.6	–3.5
Change in trade payables		–7.0	28.7
Change in advance payments from customers		–2.7	2.1
Change in other liabilities, accrued expenses and deferred income		12.3	–26.3
Cash flow from operating activities		**78.7**	**100.1**
Investment in property, plant and equipment	2.2	–30.5	–54.9
Divestment of property, plant and equipment		8.7	4.3
Investment in intangible assets	2.3	–8.9	–14.9
Investment in financial assets and securities		–3.7	–1.5
Divestment of financial assets and securities		7.2	57.6
Acquisition of business activities	4.1	–1.7	–0.2
Sale of business activities	4.1	73.4	74.3
Cash flow from investing activities		**44.5**	**64.6**
Cash flow from operating and investing activities		**123.2**	**164.7**
Purchase of treasury shares	3.2	–0.1	–2.5
Dividends paid to shareholders Conzzeta AG		–86.8	–99.2
Dividends paid to minority shareholders		–6.0 [1]	–27.2
Purchase of minority interests	4.1	–58.9	–62.7
Change in short-term financial liabilities		4.7	–10.5
Change in long-term financial liabilities		–1.0	–0.2
Change in other long-term liabilities		–0.3	–0.1
Cash flow from financing activities		**–148.5**	**–202.6**
Effect of currency translation on cash and cash equivalents		–2.3	–0.8
Change in cash and cash equivalents		**–27.7**	**–38.7**
Cash and cash equivalents at 1/1		300.9	339.6
Cash and cash equivalents at 12/31		273.3	300.9

[1] Dividends to minorities of CHF 2.4 million that were already approved by the Annual General Meeting as of December 31, 2019, were paid in 2020.

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 12, 2021. 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. Intragroup receivables and payables as well as expenses and income are offset against each other, and intragroup profits have been eliminated.

The assets and liabilities of companies included in consolidation for the first time are measured at fair value. Goodwill arising from this revaluation is offset against equity. First-time consolidations are included from the date on which control is acquired; deconsolidations from the date on which control is relinquished. When companies are sold or liquidated, goodwill offset against equity is recognized in the income statement.

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

Impact of the coronavirus pandemic

The coronavirus pandemic had a significant impact on the Conzzeta Group's business performance in 2020. Its business units, which operate in various sectors and markets, were affected to varying degrees. The Board of Directors and the Executive Committee analyzed the possible scenarios depending on the course of the pandemic and have defined and introduced corresponding measures. The situation is continuously reassessed and implementation of the measures systematically monitored.

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

There were no events after the balance sheet date which would necessitate adjustments to the book value of the Group's assets or liabilities, or which require additional disclosure.

1. Performance

1.1 Segment information

CHF million	Net revenue 2020	Net revenue 2019	Total revenue 2020	Total revenue 2019	Operating result (EBIT) 2020	Operating result (EBIT) 2019
Sheet Metal Processing	801.4	936.0	791.1	941.3	52.3	121.1
Chemical Specialties (discontinued operations)	264.0	346.6	264.4	341.8	62.2	14.2
Outdoor (discontinued operations)	218.4	268.4	218.4	268.4	–24.5	7.5
Glass Processing (discontinued operations)		22.4		27.8		31.1
Total as per segment reporting	**1,283.7**	**1,573.4**	**1,273.8**	**1,579.4**	**90.0**	**173.8**
Other	–0.2	–0.2	–0.2	–0.2	–10.4	–6.6
Total as per income statement	**1,283.5**	**1,573.2**	**1,273.6**	**1,579.1**	**79.7**	**167.2**

CHF million	Net operating assets 2020	Net operating assets 2019	Employees 2020	Employees 2019
Sheet Metal Processing	240.1	248.3	3,053	2,987
Chemical Specialties (discontinued operations)	140.9	156.4	984	1,115
Outdoor (discontinued operations)	128.9	149.6	833	899
Glass Processing (discontinued operations)				
Total as per segment reporting	**509.9**	**554.3**	**4,870**	**5,001**
Other	–2.1	–3.6	21	25
Total as per income statement	**507.8**	**550.7**	**4,891**	**5,026**

Discontinued operations

Conzzeta sold the Glass Processing segment to the Finnish company Glaston Corporation on April 1, 2019. The transaction produced a gain of CHF 29.9 million, which is reported in the operating result 2019 of the Glass Processing segment. The segment is shown under discontinued operations in the overview below. Net revenue, total revenue and operating result for 2019 comprise a three-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.

As of February 28, 2020, Conzzeta sold its Schmid Rhyner business unit to the German specialty chemicals group Altana. The transaction produced a gain of CHF 47.4 million, which is reported in the 2020 operating result of the Chemical Specialties segment. Net revenue, total revenue and the operating result for 2020 comprise a two-month period, whereas the comparison period comprises a 12-month period. Refer to note 4.1 for additional information on the transaction.

On November 10, 2020, Conzzeta announced that it had signed a binding agreement to sell its FoamPartner business unit for an enterprise value of CHF 270.0 million to Recticel, a Belgian polyurethane chemicals specialist based in Brussels and listed on Euronext (REC). The transaction is expected to be completed in the course of the first quarter of 2021, subject to regulatory approvals.

Additional information to continuing operations and discontinued operations

The following table shows the income statement divided into continuing and discontinued operations. The discontinued operations comprise the Glass Processing and Schmid Rhyner business units until their sale, and the FoamPartner and Mammut Sports Group business units, which are available for sale. The continuing operations comprise the Bystronic business unit and the corporate center. Transactions between continuing operations and discontinued operations are eliminated in the Group.

Gains from the sale of the Glass Processing business unit (CHF 29.9 million in 2019) and the Schmid Rhyner business unit (CHF 47.4 million in 2020) are allocated to discontinued operations under “Other operating income”.

CHF million	Continuing operations		Discontinued operations		Total Group	
	2020	2019	2020	2019	2020	2019
Net revenue	**801.4**	**935.8**	**482.2**	**637.4**	**1,283.5**	**1,573.2**
Changes in inventories and own work capitalized	–10.3	5.3	0.3	0.6	–9.9	6.0
Total revenue	**791.1**	**941.1**	**482.5**	**638.0**	**1,273.6**	**1,579.1**
Other operating income	5.9	10.5	49.9	32.5	55.8	43.0
Material expenses	–368.8	–424.1	–240.5	–314.7	–609.3	–738.9
Personnel expenses	–215.6	–222.6	–125.1	–156.3	–340.7	–378.9
Other operating expenses	–152.4	–175.3	–106.1	–123.4	–258.5	–298.7
Depreciation/impairments on property, plant and equipment	–13.3	–11.0	–17.1	–19.0	–30.4	–30.0
Depreciation/impairments on intangible assets	–4.8	–4.2	–6.0	–4.3	–10.8	–8.5
Operating result (EBIT)	**42.0**	**114.4**	**37.7**	**52.7**	**79.7**	**167.2**
Financial result	0.3	3.9	–3.2	–3.9	–3.0	–0.1
Result before taxes	**42.2**	**118.3**	**34.5**	**48.8**	**76.7**	**167.1**
Income taxes	–13.7	–24.8	3.9	–5.6	–9.8	–30.3
Group result	**28.5**	**93.6**	**38.4**	**43.3**	**66.9**	**136.8**

Accounting principles

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

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

1.2 Revenue and other operating income

Geographical information

CHF million	2020	2020	2019	2019
Europe	711.1	55.4%	893.3	56.8%
North and South America	268.1	20.9%	322.9	20.5%
Asia and others	304.3	23.7%	356.9	22.7%
Total	**1,283.5**	**100.0%**	**1,573.2**	**100.0%**

Comparable net revenue

CHF million		
Net revenue 2019	**1,573.2**	**100.0%**
Changes in Group revenue 2020 due to:		
– currency translation effects	–63.0	–4.0%
– divestments	–63.8	–4.1%
– changes in quantity and price	–162.9	–10.4%
Total change	**–289.6**	**–18.4%**
Net revenue 2020	**1,283.5**	

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 gains from the sale of the Schmid Rhyner business unit in 2020 of CHF 47.4 million and the Glass Processing business unit in 2019 of CHF 29.9 million (see note 4.1). Furthermore, this item includes revenue from the sale of materials, waste and scrap, insurance contracts, subsidies and the sale of property, plant and equipment and investments.

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).

Material expenses decreased less sharply compared with total revenue, falling by 17.5% versus 19.3%. The ratio of material expenses to total revenue (materials ratio) was 47.8%, which is 1.0 percentage point higher than in the previous year. The materials ratio is influenced mainly by changes in inventories of semi-finished products, work in progress and finished products. Adjusted for this effect, it was 1.7 percentage points higher than in the previous year. The increase in the materials ratio was mainly due to pricing pressure in the tougher competitive environment in the Outdoor and Sheet Metal Processing segments and to shifts in the product mix in the latter.

Personnel expenses

CHF million	2020	2019
Wages and salaries	278.0	308.5
Social security benefits	53.3	59.2
Other personnel expenses	9.5	11.2
Total	**340.7**	**378.9**

The decrease in personnel expenses amounted to 10.1% compared with the previous year. Personnel expenses in relation to total revenue increased by 2.7 percentage points and is at 26.7%.

Due to the coronavirus pandemic, some Swiss Conzzeta companies benefited from short-time working compensation in 2020. Many Conzzeta companies domiciled abroad benefited from similar state aid. Personnel-related state aid was credited to personnel expenses and stood at CHF 9.7 million (2019: CHF 0.0 million).

As at the balance sheet date, the number of employees declined by 2.7% over the previous year to 4,891. This was due to the sale of the Schmid Rhyner business unit and a fall in headcount in the Chemical Specialties and Outdoor segments, partly offset by an increased headcount in the Sheet Metal Processing segment. The average number of employees in the reporting year was 4,700 full-time equivalents (2019: 5,086).

Other operating expenses

Other operating expenses include the cost of repairs and maintenance on property, plant and equipment, sales provisions, expenses for guarantees, assembly, transport and energy, as well as sundry expenses for production, development, sales and administration. In 2020, this line item also includes the reclassification of CHF 2.2 million goodwill originally recognized in equity from the liquidation of Mammut Korea Inc, Seoul (Korea) (see note 4.1). The decrease in other operating expenses amounted to 13.4% compared with the previous year. Other operating expenses in relation to total revenue increased by 1.4 percentage points and is at 20.3%.

1.4 Income taxes

CHF million	2020	2019
Current taxes on income	14.5	25.6
Deferred taxes	–4.7	4.7
Total	**9.8**	**30.3**

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

	Tax rate 2020	Income taxes 2020	Tax rate 2019	Income taxes 2019
Average applicable tax rate and income taxes (before consideration of tax loss carryforwards)	20.4%	15.6	19.7%	33.0
Effects of change in tax loss carryforwards	4.8%	3.7	1.3%	2.2
Average applicable tax rate and income taxes (after consideration of tax loss carryforwards)	**25.2%**	**19.3**	**21.0%**	**35.3**
Other influences	–12.4%	–9.5	–2.9%	–5.0
Effective tax rate and income taxes	**12.8%**	**9.8**	**18.1%**	**30.3**

The expected tax rate of 20.4% (2019: 19.7%) corresponds to the weighted average tax rate in the respective tax jurisdictions. The effective tax rate for the ordinary result before taxes was 12.8% (2019: 18.1%). The decrease resulted mainly from non-taxable capital gains from the sale of the Schmid Rhyner business unit.

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 amounted to CHF 11.0 million (2019: CHF 13.7 million). In view of uncertainty about the future scope for offsetting, the tax effects from loss carryforwards amounting to CHF 9.3 million (2019: CHF 7.5 million) were not capitalized. This evaluation is based on the projected income tax rates. Deferred tax liabilities amount to CHF 14.4 million (2019: CHF 23.1 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	2020	2019
Group profit attributable to Conzzeta AG shareholders	65,021,000	125,770,000
Average number of class A registered shares (par value: CHF 2.00)	1,824,050	1,823,881
Average number of class B registered shares (par value: CHF 0.40)	1,215,000	1,215,000
Earnings per class A registered share	**31.46**	**60.85**
Earnings per class B registered share	**6.29**	**12.17**

The share-based compensation did not result in any material dilution of earnings per share in the reporting year or in the previous year.

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	2020	2019
Inventories	284.5	304.2
Trade receivables	191.4	226.1
Prepayments to suppliers	5.6	4.5
Other receivables, prepaid expenses and accrued income	53.0	47.6
Property, plant and equipment	255.0	276.1
Financial assets (long-term receivables and loans)	21.4	19.0
Intangible assets	25.4	28.0
Trade payables	–118.6	–129.2
Advance payments from customers	–49.5	–54.6
Other liabilities, accrued expenses and deferred income	–116.9	–112.6
Provisions	–43.5	–58.5
Net operating assets (NOA)	**507.8**	**550.7**
Net operating assets (NOA), average	**529.3**	**535.4**
Operating result	79.7	167.2
Chargeable taxes	–10.2	–30.3
Operating result after taxes	**69.5**	**136.9**
Return on net operating assets (RONOA) after tax	**13.1%**	**25.6%**

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	2020	2019
Cash flow from operating activities	78.7	100.1
Investment in property, plant and equipment	–30.5	–54.9
Divestment of property, plant and equipment	8.7	4.3
Investment in intangible assets	–8.9	–14.9
Investment in financial assets without securities	–3.7	–1.5
Divestment of financial assets without securities	7.2	7.6
Operational free cash flow	**51.5**	**40.6**
as a % of total revenue	**4.0%**	**2.6%**
Sale of securities		50.0
Acquisition of business activities	–1.7	–0.2
Sale of business activities	73.4	74.3
Free cash flow	**123.2**	**164.7**

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	2020	2019
Trade receivables (nominal)	203.7	238.3
Value adjustment	–12.4	–12.2
Total	**191.4**	**226.1**

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	2020	2019
Raw materials and supplies	102.9	95.1
Merchandise for resale	77.4	86.1
Semifinished products and work in progress	22.2	31.9
Finished products	82.0	91.2
Total	**284.5**	**304.2**

The inventory of merchandise for resale primarily concerns the Outdoor segment. Overall, the value adjustments on inventories amount to CHF 56.5 million (2019: CHF 49.3 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	2020	2019
Accruals and deferrals for current taxes	8.5	8.8
Accruals and deferrals for personnel expenses	35.4	37.7
Other accruals and deferrals	43.3	38.0
Total	**87.2**	**84.5**

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

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

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

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

Liabilities are recognized in the balance sheet at par value.

2.2 Property, plant and equipment

CHF million	Factory buildings	Plant and machinery	Fixtures and fittings, vehicles	Assets under construction	Undeveloped real estate	Total property, plant and equipment
Cost at 12/31/2018	**291.6**	**239.2**	**67.0**	**31.2**	**9.9**	**638.9**
Additions	0.6	10.4	10.2	33.4	0.4	54.9
Disposals	–10.0	–6.7	–6.1	–0.4		–23.2
Changes in scope of consolidation	–20.7	–6.8	–6.9			–34.4
Reclassifications	4.4	3.8	0.7	–5.4	–3.5	
Currency translation effects	–4.0	–4.1	–1.1	–1.4	–0.1	–10.7
Cost at 12/31/2019	**261.9**	**235.8**	**63.8**	**57.3**	**6.7**	**625.4**
Additions	2.2	7.9	4.7	15.7		30.5
Disposals	–7.9	–5.3	–5.5	–0.1		–18.7
Changes in scope of consolidation	–26.4	–19.0	–1.8	–0.3		–47.5
Reclassifications	42.7	6.2	0.8	–55.2	5.6	
Currency translation effects	–2.8	–2.1	–1.2	–1.1	–0.4	–7.7
Cost at 12/31/2020	**269.6**	**223.5**	**60.8**	**16.3**	**11.9**	**582.1**
Accumulated depreciation at 12/31/2018	**154.5**	**169.8**	**45.9**			**370.2**
Ordinary depreciation	7.6	14.8	7.5			29.9
Impairments		0.2				0.2
Disposals	–7.6	–6.3	–5.9			–19.8
Changes in scope of consolidation	–15.0	–6.1	–5.3			–26.4
Currency translation effects	–1.3	–2.8	–0.7			–4.8
Accumulated depreciation at 12/31/2019	**138.2**	**169.7**	**41.4**			**349.3**
Ordinary depreciation	7.3	13.6	8.1			29.0
Impairments		0.8	0.6			1.4
Disposals	–3.0	–5.2	–5.5			–13.7
Changes in scope of consolidation	–19.0	–15.5	–1.6			–36.0
Currency translation effects	–0.5	–1.5	–0.9			–2.9
Accumulated depreciation at 12/31/2020	**123.0**	**161.9**	**42.2**			**327.1**
Net book value of property, plant and equipment at 12/31/2019	**123.7**	**66.0**	**22.4**	**57.3**	**6.7**	**276.1**
Net book value of property, plant and equipment at 12/31/2020	**146.6**	**61.6**	**18.6**	**16.3**	**11.9**	**255.0**

The additions to property, plant and equipment in 2020 arose mainly from investments in operating facilities at the production site in Niederönz (Switzerland), the construction of a new production facility in Shenzhen (China) and the construction of two experience centers in Elgin (USA) and Incheon (Korea) in the Sheet Metal Processing segment, the expansion of the production facilities in Changzhou (China) and the construction of a new processing center for industrial specialty foams in Duderstadt (Germany) in the Chemical Specialties segment, and investments at the headquarters of the Outdoor segment in Seon (Switzerland).

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	2020	2019
Cost at 1/1	**79.2**	**72.3**
Additions	8.9	14.9
Disposals	–1.0	–1.1
Changes in scope of consolidation	–2.5	–6.5
Currency translation effects	–0.2	–0.4
Cost at 12/31	**84.4**	**79.2**
Accumulated depreciation at 1/1	**51.2**	**50.2**
Ordinary depreciation	9.1	8.5
Impairments	1.7	
Disposals	–1.0	–1.1
Changes in scope of consolidation	–1.9	–6.1
Currency translation effects	–0.1	–0.3
Accumulated depreciation at 12/31	**59.0**	**51.2**
Net book value of intangible assets at 1/1	**28.0**	**22.1**
Net book value of intangible assets at 12/31	**25.4**	**28.0**

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

Goodwill

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

Theoretical asset register – goodwill

CHF million	2020	2019
Cost at 1/1	**248.0**	**252.2**
Increase from acquisitions	0.8	
Decrease from divestments and liquidations	–6.1	
Currency translation effects	–2.2	–4.2
Cost at 12/31	**240.5**	**248.0**
Accumulated depreciation at 1/1	**130.8**	**86.4**
Ordinary depreciation	45.0	46.7
Decrease from divestments and liquidations	–3.9	
Currency translation effects	–1.6	–2.4
Accumulated depreciation at 12/31	**170.3**	**130.8**
Net book value of goodwill at 1/1	**117.2**	**165.8**
Net book value of goodwill at 12/31	**70.1**	**117.2**

The increase from acquisitions arose from the takeover of the business of Weber Laserservice BV, Heteren (Netherlands). The decrease from divestments and liquidations arose from the sale of the Schmid Rhyner business unit and the liquidation of Mammut Korea Inc, Seoul (Korea) (see note 4.1).

Impact on income statement

CHF million	2020	2019
Operating result (EBIT)	79.7	167.2
EBIT margin in %	6.3%	10.6%
Amortization of goodwill	–45.0	–46.7
Reversal of recycling of goodwill in consolidated financial statements	3.9	
Theoretical operating result (EBIT), incl. amortization of goodwill	38.5	120.5
Theoretical EBIT margin in %	3.0%	7.6%
Group result	66.9	136.8
Amortization of goodwill	–45.0	–46.7
Reversal of recycling of goodwill in consolidated financial statements	3.9	
Theoretical Group result, incl. amortization of goodwill	25.7	90.1

Impact on balance sheet

CHF million	2020	2019
Equity as per balance sheet	796.1	880.1
Theoretical activation of net book value of goodwill	70.1	117.2
Theoretical equity, incl. net book value of goodwill	866.2	997.3
Shareholders' equity in % of total assets	69.2%	69.5%
Theoretical equity, incl. net book value of goodwill in % of total assets	71.0%	72.1%

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	2020	2019
Employer contribution reserves held as assets	20.9	37.6
Long-term receivables and loans	21.4	19.0
Equity holdings in associated companies	0.3	0.3
Securities held as non-current assets	3.2	2.3
Total	**45.7**	**59.2**

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 2.4 million (2019: CHF 2.0 million) was made to financial assets.

Accounting principles

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

2.5 Provisions and contingent liabilities

CHF million	Guarantee	Litigation	Restructuring	Other	Total provisions
Provisions at 12/31/2018	**43.7**	**8.2**		**19.2**	**71.1**
Additions	27.1	2.8	1.7	3.0	34.5
Use	–24.5			–4.3	–28.8
Release	–7.3	–3.6		–2.4	–13.3
Changes in scope of consolidation	–3.9			–0.1	–4.1
Currency translation effects	–0.6			–0.3	–1.0
Provisions at 12/31/2019	**34.5**	**7.4**	**1.6**	**15.0**	**58.5**
Additions	14.6	0.5		3.2	18.3
Use	–17.6	–2.2	–1.5	–1.7	–23.0
Release	–5.0	–1.5		–2.0	–8.6
Changes in scope of consolidation	–0.3			–0.4	–0.6
Currency translation effects	–0.9			–0.1	–1.1
Provisions at 12/31/2020	**25.3**	**4.1**		**14.0**	**43.5**
of which short-term 2019	28.3	0.9	1.6	0.4	31.2
of which short-term 2020	20.8	0.1		0.4	21.3

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 restructuring provisions recognized in 2019 related to restructuring measures in Germany in the FoamPartner business unit and were used in 2020.

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 amounted to CHF 29.3 million (2019: CHF 22.8 million). Conzzeta companies have provided a guarantee to acquire machinery in the above-mentioned amount from the beneficiary leasing companies if their lessees fail to pay the agreed installments.

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, 2020, was 1,929 class A registered shares acquired at an average purchase price of CHF 1,089 each. At the end of 2019, 4,187 class A registered shares acquired at an average purchase price of CHF 941 each were held. In the reporting year, 116 class A registered shares (2019: 2,484 class A registered shares) were acquired at an average transaction price of CHF 1,162 (2019: CHF 1,025) each for the share-based compensation program. The Board of Directors and members of the Executive Committee received 2,374 class A registered shares (2019: 2,083 class A registered shares) at an average transaction price of CHF 905 (2019: CHF 907) each. The monetary value was CHF 2.1 million (2019: CHF 2.5 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.

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 2.0 million (2019: CHF 2.4 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	2020	2019
Financial income	2.8	6.5
Financial expenses	–5.7	–6.6
Total	**–2.9**	**–0.1**

Financial income includes interest income of CHF 0.8 million (2019: CHF 1.6 million) and a positive performance on the assets of the employer contribution reserves of CHF 1.9 million (2019: CHF 4.9 million).

Financial expenses contain interest of CHF 4.9 million (2019: CHF 4.5 million) and currency losses of CHF 0.8 million (2019: CHF 2.1 million). Interest is primarily due to the cost of currency hedging (interest differences) to finance foreign locations, as well as interest expenses. Currency losses include currency effects from the valuation of liquid assets, short-term loans between Group companies and other financial assets.

3.4 Operational leasing

Maturity of operational leasing contracts at 12/31 in CHF million	2020	2019
Under 1 year	12.3	13.7
1 to 5 years	17.4	18.6
Over 5 years	0.8	1.3
Total	**30.5**	**33.6**

3.5 Other commitments and pledged assets

Long-term purchase commitments in the amount of CHF 9.2 million (2019: CHF 7.4 million) secured exclusive supplies at the balance sheet date.

Assets to the value of CHF 4.5 million (2019: CHF 3.7 million) are held with retention of title as security for bank loans. Sureties for rental obligations of franchise stores amounted to CHF 0.3 million (2019: CHF 0.6 million).

3.6 Financial risk management

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

Risk	Source	Risk management
Currency risks	Conzzeta operates internationally and is therefore exposed to currency risks, which may affect operating profit and the financial result, as well as the Group's equity.	– Where possible, natural hedging is used in the individual groups of companies (purchasing goods in the currency they will be sold in). – Currency risks hedged using derivative financial instruments.
Credit risks arising from business operations and financial transactions	The credit risk is the risk of suffering a financial loss if a customer or counterparty is unable to meet their contractual obligations. Credit risks may arise from receivables, financial assets, credit balances with financial institutions, securities and derivative financial instruments.	– Independent ratings of financial institutions periodically reviewed. – Risks of liquid assets further reduced by using different financial institutions instead of a single bank. – Cluster risks of receivables and financial assets reduced through broad geographical distribution and a large number of customers. – Customers' creditworthiness is assessed taking account of specific checks and past experience.
Liquidity risk	A liquidity risk results from the risk of being unable to meet financial obligations when they fall due.	– A prudent liquidity management includes holding sufficient reserves of liquid funds, which are constantly monitored, and the option of financing through lines of credit.
Interest rate risk	Interest rate risk arises from changes in future interest payments due to fluctuations of market interest rates and in interest-related risks due to changes in market value.	– The Conzzeta Group does not have any assets and liabilities that would be substantially affected by significant changes in the interest rate environment.

Currency translation rates

CHF			Year-end exchange rates 2020	Year-end exchange rates 2019	Annual average rates 2020	Annual average rates 2019
Euro area	1	EUR	1.08	1.09	1.07	1.11
USA	1	USD	0.88	0.97	0.94	0.99
Great Britain	1	GBP	1.20	1.28	1.21	1.27
Sweden	100	SEK	10.77	10.39	10.19	10.53
China	100	CNY	13.46	13.88	13.59	14.42
South Korea	100	KRW	0.08	0.08	0.08	0.09
Japan	100	JPY	0.85	0.89	0.88	0.91

Derivative financial instruments

Values at 12/31 in CHF million	2020	2019
Contract or nominal values (gross)	462.9	458.6
Replacement value, positive	5.7	5.6
Replacement value, negative	2.6	2.1

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

As of February 28, 2020, Conzzeta sold its Schmid Rhyner business unit to the German specialty chemicals group Altana. The transaction resulted in a gain from the sale of CHF 47.4 million that was recorded under "Other operating income". This gain includes the reclassification of goodwill in the amount of CHF 3.9 million, which was offset against equity at the time of acquisition.

CHF million	February 28, 2020
Current assets	19.2
Non-current assets	13.6
Assets	**32.8**
Short-term liabilities	17.1
Long-term liabilities	2.2
Liabilities	**19.3**
Net assets divested	**13.5**
Consideration	67.2
Net assets divested	–13.5
Transaction costs	–2.4
Recycling of goodwill	–3.9
Gain on disposal	**47.4**
Consideration received	67.2
Transaction costs paid	–2.4
Cash and cash equivalents disposed of	–3.1
Settlement intercompany receivable/debt	11.6
Net cash flow	**73.4**

On May 1, 2020, the Bystronic business unit acquired the business of Weber Laserservice BV, Heteren (the Netherlands). The purchase price was EUR 1.6 million (CHF 1.7 million). The transaction gave rise to goodwill of EUR 0.8 million (CHF 0.8 million), which was offset directly in equity.

On September 30, 2020, Bystronic Laser AG, Niederönz (Switzerland), acquired the remaining 30% share capital in Shenzhen DNE Laser Science and Technology Co. Ltd, Shenzhen (China), from the minority shareholder. Conzzeta now owns 100% of the voting and share capital of the company. The purchase price for the remaining 30% of the shares amounted to CHF 58.9 million (including transaction costs of CHF 0.6 million) and was recognized in equity.

As of December 30, 2020, Mammut Korea Inc, Seoul (Korea) was liquidated. The goodwill of CHF 2.2 million, which was offset against equity at the time of acquisition, was booked to the income statement under "Other operating expenses" in the reporting year.

Acquisitions in the previous year

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

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

In May 2019, Bystronic Laser AG, Niederönz (Switzerland), exercised an option to purchase an additional 19% of the share capital of Shenzhen DNE Laser Science and Technology Co. Ltd., Shenzhen (China). The closing of the transaction was on August 31, 2019, and led to an increase in the share capital from 51% to 70%. The purchase price of the additional shares 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 acquisition of the company ISAtec GmbH, Wohlenschwil (Switzerland) in 2018, was settled.

4.2 Affiliated companies

Company, domicile	Notes	Country		Company capital	Investment in % direct	Investment in % indirect
Bystronic						
Bystronic Laser AG, Niederönz		CH	CHF	50,000	100	
Bystronic Maschinenbau GmbH, Gotha		DE	EUR	3,400,100		100
Bystronic (Tianjin) Laser Ltd, Tianjin		CN	USD	12,000,000		100
Shenzhen DNE Laser Science and Technology Co. Ltd, Shenzhen	1	CN	CNY	44,600,000		100
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
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, Niederönz		CH	CHF	200,000		100
Bystronic Korea Ltd, Anyang-si		KR	KRW	11,600,000,000		100
Bystronic Polska Sp. z o.o., Raszyn		PL	PLN	1,000,000		100
Bystronic Czech Republic s.r.o., Brno		CZ	CZK	6,000,000		100
Bystronic Laser India Private Ltd, Pune		IN	INR	602,420		100
Bystronic Lazer ve Su Isinlari Makineleri Sanayi ve Ticaret Limited Sirketi, Istanbul		TR	TRY	660,000		100
Bystronic Japan Ltd, Tokyo		JP	JPY	60,000,000		100
Bystronic Canada Ltd, Mississauga ON		CA	CAD	100,000		100
OOO Bystronic Laser, Moscow		RU	RUB	30,000,000		100
S.C. Bystronic Laser S.R.L., Brasov		RO	RON	3,277,000		100
Bystronic International Laser Ltd, New Taipei City		TW	TWD	5,000,000		100
LLC Bystronic Ukraine, Kyiv		UA	UAH	172,245		100
Bystronic Australia Pte. Ltd, Cranbourne West		AU	AUD	100,000		100
Bystronic Hungary Kft, Budaörs		HU	HUF	25,000,000		100
Bystronic Vietnam Co. Ltd, Ho Chi Minh City		VN	VND	6,600,000,000		100
FoamPartner						
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
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	2	DE	EUR			
FoamPartner Americas, Inc., Wilmington DE		US	USD	0		100
Schmid Rhyner						
Schmid Rhyner AG, Adliswil	3	CH				
Schmid Rhyner (USA), Inc., Marlton NJ	3	US				
Schmid Rhyner Sales AG, Adliswil	3	CH				
Mammut Sports Group						
Mammut Sports Group AG, Seon		CH	CHF	5,000,000	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	4	KR				
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	5	CH				
Bystronic Lenhardt GmbH, Neuhausen-Hamberg	5	DE				
Bystronic Glass Machinery (Shanghai) Co. Ltd, Shanghai	5	CN				
Bystronic Glass UK Ltd, Telford	5	GB				
Bystronic Asia Pte. Ltd, Singapore	5	SG				
LLC Bystronic Steklo RUS, Moscow	5	RU				
Bystronic Glass (Shanghai) Co. Ltd, Shanghai	5	CN				
Bystronic Glass, Inc., Aurora CO	5	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] Increase investment from 51% to 70% on August 1, 2019, and from 70% to 100% on September 30, 2020

[2] Merger with Conzzeta Grundstücksverwaltungs GmbH, Leverkusen DE, on December 2, 2020

[3] Divested as of February 28, 2020

[4] Liquidated as of December 30, 2020

[5] Divested as of April 1, 2019

5. Other notes

5.1 Employee pension plans

CHF million	Balance sheet 12/31/2020	Balance sheet 12/31/2019	Result in personnel expenses 2020	Result in financial income 2020	Other changes 2020	Result in personnel expenses 2019	Result in financial income 2019
Employer contribution reserves							
Employer-funded pension fund	20.9	37.6	–16.4	1.9	–2.3		4.9

There are no waivers of use. In the current year, pension fund contributions of CHF 16.4 million (2019: CHF 0.0 million) were offset against the employer contribution reserves. The other change in 2020 of CHF 2.3 million (2019: CHF 0.0 million) arose from divestment of business units. The financial result comprises the return on the asset investment.

CHF million	Surplus/ deficit 12/31/2020	Economic benefit/ obligation 12/31/2020	Economic benefit/ obligation 12/31/2019	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 2020	Current service cost in personnel expenses 2019
Economic benefit/ obligation and current service cost								
Employer-funded pension fund	3.0							
Pension funds without surplus/deficit						11.8	11.8	12.1
Pension funds with deficit	–0.8	–0.8	–0.9	–0.1		0.5	0.5	0.1
Pension funds without own assets		–0.4	–0.4			2.0	2.0	0.8
Total	**2.2**	**–1.2**	**–1.3**			**14.3**	**14.3**	**13.1**

In the previous year, the surpluses/deficits amounted to CHF 5.0 million and the contributions to be allocated to the reporting period were CHF 13.7 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	2020	2019
Trade receivables	0.5	1.1
Net revenue	1.8	3.3
Commission expenses	1.6	1.7

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 2020 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 2020, 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. Revenue is recognized, when goods or products have been delivered or services are rendered and when risk and reward as well as control have been transferred to the buyer, depending on the relevant terms and conditions. In the business area Bystronic, there is a higher degree of judgement when it comes to revenue recognition, as in some cases multiple components and their installation are included in the assessment.

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 2020 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. Furthermore, we inspected handover certificates and correspondence with clients on machine acceptance and assessed the transfer of risk and rewards.

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 2020, inventories amounted to CHF 284.5 million (CHF 304.2 million as at 31 December 2019), 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 semifinished products, work in progress and finished goods with a high proportion of value creation, the determination of the current production costs involves judgement and depends on the progress of the order fulfillment.
– Moreover, finished goods bear the risk that production costs exceed their net realisable value (lower of cost or market).
– Further management judgement is required for spare parts with longer turnover periods.

Outdoor

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

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

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

Sheet Metal Processing

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

Outdoor

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

For further information regarding valuation of inventories refer to the following section 2.1 in the notes to the consolidated financial statements.

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

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

Zurich, 12 March 2021

Income statement – Conzzeta AG

CHF 1,000	2020	2019
Income from equity holdings	70,600	77,600
Income from the sale of equity holdings	51,597	16,878
Financial income	7,798	7,633
Income	**129,995**	**102,111**
Financial expenses	–4,587	–4,339
Personnel expenses	–1,372	–1,527
Other operating expenses	–7,230	–5,982
Direct taxes	–106	–6
Expenses	**–13,295**	**–11,854**
Net income	**116,700**	**90,257**

Balance sheet at December 31 – Conzzeta AG

CHF 1,000	2020	2019
Cash and cash equivalents	217,699	249,984
Other accounts receivable		
due from third parties	6,141	5,959
due from equity holdings	395	1,156
Prepaid expenses and accrued income	5,218	522
Current assets	**229,453**	**257,621**
Financial assets		
Receivables from equity holdings	547,960	466,252
Equity holdings	198,701	211,901
Fixed assets	**746,661**	**678,153**
Assets	**976,114**	**935,774**
Interest-bearing liabilities		
due to third parties		1
due to equity holdings	43,166	39,459
Other payables		
due to third parties	2,690	2,475
due to associates	149	147
due to equity holdings	2,963	1,977
Accrued expenses and deferred income	4,907	1,355
Short-term liabilities	**53,875**	**45,414**
Share capital	4,140	4,140
Legal capital reserves		
Reserve from capital contributions	72	72
Other capital reserves	97,648	97,470
Legal retained earnings	13,409	13,409
Voluntary retained earnings	650,000	650,000
Retained earnings	159,071	129,207
Treasury shares	–2,101	–3,938
Shareholders’ equity	**922,239**	**890,360**
Liabilities and shareholders’ equity	**976,114**	**935,774**

Notes to the financial statements – Conzzeta AG

Principles

General
The financial statements 2020 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 12, 2021. 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 sale of Schmid Rhyner AG resulted in a gain from the sale of equity holdings of CHF 51.6 million. The financial income includes the interest income on accounts receivable from equity holdings of CHF 7.8 million (2019: CHF 7.5 million). In 2019, this item included interest income from third parties in the amount of CHF 0.1 million.

Expenses
Financial expenses are the result of interest on liabilities towards equity holdings of CHF 0.2 million (2019: CHF 0.4 million), the cost of currency hedging (interest rate differences) for balance sheet items in foreign currencies of CHF 3.9 million (2019: CHF 3.6 million), currency losses on liquid assets and on accounts receivable from equity holdings of CHF 0.2 million (2019: CHF 0.2 million) and commitment fees for bank loans of CHF 0.3 million. In 2019, this item included interest on short-term bank loans of CHF 0.1 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 (2019: CHF 0.4 million) and a balance of CHF 5.7 million (2019: CHF 5.6 million) from exchange rate hedges due from banks. Other accounts receivable due from equity holdings include balances from foreign exchange hedging transactions of CHF 0.4 million (2019: CHF 0.9 million). In 2019, this item also included other 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 81.7 million. Equity holdings fell by CHF 13.2 million due to the sale of Schmid Rhyner AG.

Liabilities
Other payables include mainly debts of CHF 2.6 million (2019: CHF 2.1 million) resulting from exchange rate hedges owed to banks, debts of CHF 3.0 million (2019: CHF 2.0 million) resulting from exchange rate hedges against equity holdings, and trade payables of CHF 0.1 million (2019: CHF 0.4 million).

Shareholders' equity
The share capital of CHF 4.1 million (2019: 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 2019, 4,187 class A registered shares acquired at an average purchase price of CHF 941 each were held. In the reporting year, 116 class A registered shares were acquired at an average transaction price of CHF 1,162 each for the share-based compensation program. The Board of Directors received 589 class A registered shares at an average transaction price of CHF 861 each. A total of 1,785 class A registered shares were sold to Group companies at an average transaction price of CHF 920 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, 2020, was 1,929 class A registered shares acquired at an average purchase price of CHF 1,089 each.

Further information

Full-time positions
Conzzeta AG has no employees.

Contingent liabilities

CHF 1,000	2020	2019
Sureties and guarantee obligations for subsidiaries	64,688	69,946
Effective obligations	3,181	8,084

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

		2020	2019
Auer, Schmidheiny and	Capital rights	29.0%	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 12/31/2020	Class A registered shares 12/31/2019	Class B registered shares 12/31/2020	Class B registered shares 12/31/2019
Board of Directors				
E. Bärtschi, Chairman	1,107	1,596		
R. Abt, Member	311	257		
M. Auer, Member	26,735	28,681	1,008	1,008
M. König, Member	54			
P. Mosimann, Member	987	933		
U. Riedener, Member	311	257		
J. Schmidheiny, Member	129,423	129,369	5,072	1,220
R. F. Spoerry, Member	12,555	12,501	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 12/31/2020	Class A registered shares 12/31/2019	Class B registered shares 12/31/2020	Class B registered shares 12/31/2019
Executive Committee				
M. Willome, Group CEO	1,963	1,687		
K. W. Kelterborn, Group CFO	983	884		
O. Pabst, Head of the Mammut Sports Group business unit	492	393		
M. Riedel, Head of the FoamPartner business unit	547	396		
B. Senn, General Counsel	481	416		
A. Waser, Head of the Bystronic business unit	1,054	943		

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 2020, a total of 589 class A registered shares were allocated to the Board of Directors for 2019. The CHF 0.5 million valuation was based on a share price of CHF 861 each. Personnel expenses contain deferred expenses for the reporting year amounting to CHF 0.4 million (2019: CHF 0.4 million) for the share-based component of compensation.

Events after the balance sheet date

There were no events after the balance sheet date which would necessitate adjustments to the book value of the company's assets or liabilities, or which require additional disclosure.

Proposed appropriation of available earnings – Conzzeta AG

CHF	2020
The Board of Directors proposes to the Annual General Meeting on April 21, 2021, that the total sum available for appropriation, consisting of:	
Net income	116,700,222
Retained earnings carried forward from previous year	42,371,045
Retained earnings	**159,071,267**
Treasury shares (held directly)	2,101,424
Total sum available for appropriation	**156,969,843**
be appropriated as follows:	
Dividend of CHF 60.00 per class A registered share	109,620,000
Dividend of CHF 12.00 per class B registered share	14,580,000
Total dividend	**124,200,000**
Retained earnings to be carried forward	34,871,267

If this proposal is approved, the dividend distribution for the 2020 reporting year will be:

CHF	Gross dividend	35% withholding tax	Net dividend
Per class A registered share	60.00	21.00	39.00
Per class B registered share	12.00	4.20	7.80

The dividend will be paid out with the value date of Tuesday, April 27, 2021.

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 2020, 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 2020 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, 12 March 2021

Five-year summary

		2020	2019	2018	2017	2016
Segment Sheet Metal Processing						
Net revenue	CHF m	801.4	936.0	1,013.2	856.1	650.9
Operating result (EBIT)	CHF m	52.3	121.1	132.5	98.0	63.0
Net operating assets	CHF m	240.1	248.3	204.0	173.0	159.0
Segment Chemical Specialties						
Net revenue	CHF m	264.0	346.6	382.9	279.2	219.7
Operating result (EBIT)	CHF m	62.2	14.2	5.8	24.8	23.1
Net operating assets	CHF m	140.9	156.4	167.0	186.9	112.7
Segment Outdoor						
Net revenue	CHF m	218.4	268.4	253.4	228.6	232.9
Operating result (EBIT)	CHF m	–24.5	7.5	5.2	0.1	1.2
Net operating assets	CHF m	128.9	149.6	126.7	116.5	108.1
Segment Glass Processing						
Net revenue	CHF m		22.4	133.3	119.3	106.9
Operating result (EBIT)	CHF m		31.1	7.6	6.3	1.0
Net operating assets	CHF m			21.9	23.1	19.3
Consolidated income statement						
Net revenue	CHF m	1,283.5	1,573.2	1,782.2	1,482.8	1,210.0
Operating result (EBIT)	CHF m	79.7	167.2	146.8	123.2	84.4
Group result	CHF m	66.9	136.8	114.8	97.4	63.9
Consolidated balance sheet						
Current assets	CHF m	813.5	889.1	1,009.0	993.6	977.2
Non-current assets	CHF m	337.2	377.0	357.2	329.7	278.2
Short-term liabilities	CHF m	313.8	329.8	379.7	366.7	269.3
Long-term liabilities	CHF m	40.8	56.1	59.6	53.7	44.6
Shareholders' equity	CHF m	796.1	880.1	926.9	902.9	941.5
Total assets	CHF m	1,150.6	1,266.0	1,366.2	1,323.3	1,255.4
Shareholders' equity as % of total assets	%	69.2	69.5	67.8	68.2	75.0
Net operating assets/employees						
Net operating assets	CHF m	507.8	550.7	520.1	490.7	401.6
Employees 12/31	Number	4,891	5,026	5,259	4,717	4,098
Ø employees in full-time positions	Number	4,711	5,086	5,091	4,328	3,814
Net revenue per full-time position	CHF thousand	272.5	309.3	350.1	342.6	317.2
Personnel expenses per full-time position	CHF thousand	72.3	74.5	79.4	78.4	79.7
Share information						
Share capital	CHF m	4.1	4.1	4.1	4.1	4.1
Number of shares issued at 12/31						
Class A registered shares	Number	1,827,000	1,827,000	1,827,000	1,827,000	1,827,000
Class B registered shares	Number	1,215,000	1,215,000	1,215,000	1,215,000	1,215,000
Market prices of class A registered share						
High	CHF	1,176.00	1,174.00	1,320.00	1,067.00	747.00
Low	CHF	716.00	714.00	731.00	721.00	570.00

Year-end		CHF	1,088.00	1,156.00	769.00	1,016.00	720.00
Total dividend		CHF m	124.2	149.0 [1]	39.3	33.1	22.8
Key indicators per share							
Earnings	per class A registered share	CHF	31.46	60.85	46.76	40.47	29.10
	per class B registered share	CHF	6.29	12.17	9.35	8.09	5.82
Cash flow from	per class A registered share	CHF	38.07	48.43	69.65	45.52	46.37
operating activities	per class B registered share	CHF	7.61	9.69	13.93	9.10	9.27
Shareholders'	per class A registered share	CHF	384.28	423.37	436.71	428.00	451.70
equity	per class B registered share	CHF	76.86	84.67	87.34	85.60	90.34
Gross dividend	per class A registered share	CHF	60.00 [2]	72.00 [3]	18.00	16.00	11.00
	per class B registered share	CHF	12.00 [2]	14.40 [4]	3.60	3.20	2.20

[1] Including special distribution of CHF 49.7 million and special dividend of CHF 62.1 million.

[2] As proposed by the Board of Directors.

[3] Including special distribution of CHF 24.00 and special dividend of CHF 30.00.

[4] Including special distribution of CHF 4.80 and special dividend of CHF 6.00.