

# SHAPING THE FUTURE OF AUTO MATION

Annual Report  
2019

**komax**

The Komax Group is a pioneer as well as the market and technology leader in automated wire processing solutions. It is aiming to consolidate this leading position and set the pace on the trends that are important today, such as electric mobility and autonomous driving. To this end, it is channeling above-average investment into research and development.

Komax has set itself ambitious targets for 2017 to 2023 – for growth and profitability. Through its business strategy, which is geared to long-term success, Komax aims to create sustainable value. This approach also benefits shareholders – in the form of an attractive dividend policy and corresponding stock market valuation.

# KEY FIGURES

	2019	2018	+/- in %
in TCHF			
Order intake	408 682	496 683	-17.7
Gross profit	258 930	297 903	-13.1
in % of revenues	62.0	62.1	
Investments in non-current assets	54 448	41 340	31.7
Free cash flow	-36 886	-4 340	749.9
Net working capital <sup>1</sup>	188 860	203 682	-7.3
in % of revenues	47.0	38.8	
Total assets	481 236	462 904	4.0
Net debt (-)/net cash (+)	-106 224	-39 358	169.9

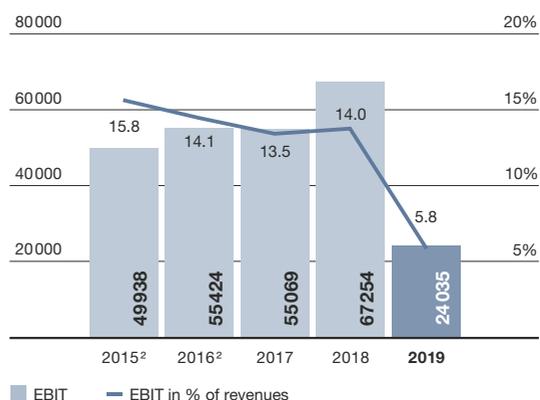
418 m  
Revenues in CHF  
(2018: 480m)

8.4%

RONCE  
(2018: 25.2%)

## Operating profit (EBIT)

in TCHF



# 2211

Headcount as at 31.12.2019  
(31.12.2018: 2006 employees)

# 3.44

Basic earnings in CHF  
(2018: 13.52)

# 52.3%

Payout ratio  
(2018: 52.0%)

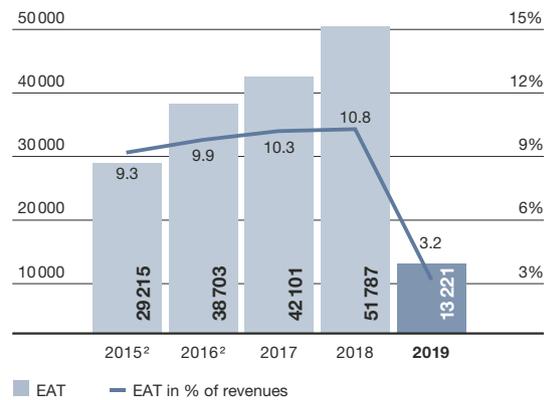
## Shareholders' equity

in TCHF



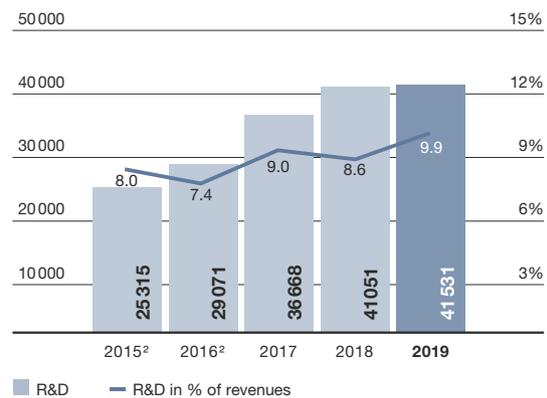
## Group profit after taxes (EAT)

in TCHF



## R&D expenditure

in TCHF



<sup>1</sup> Net working capital: receivables plus inventories less current liabilities.

<sup>2</sup> Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly. 2015 is reported according to IFRS.

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## DEAR SHAREHOLDER

The 2019 financial year was marked by a sluggish automotive industry and the knock-on effects for the Komax Group: order intake, revenues, and EBIT decreased considerably and were well below the record result achieved in 2018. In order to consolidate its leading market position over the long term, Komax invested heavily in research and development in 2019 too. In view of the current assessment of developments in the automotive market, the Board of Directors has adapted its mid-term targets.

2019 proved extremely challenging for Komax. Various geopolitical factors, including the trade dispute between the US and China, have left many customers unsure, causing them to hold back substantially on investments. This was largely also because the transition underway in the automotive industry (e-mobility, autonomous driving) has already called for sizeable investments and the sector overall is showing signs of weakness. The outcome for Komax was that projects were postponed throughout the year and the previous year's record result remained out of reach.

Order intake decreased by 17.7% to CHF 408.7 million (2018: CHF 496.7 million) and revenues by 12.9% to CHF 417.8 million (2018: CHF 479.7 million). Revenues were somewhat higher in the second half than in the first (first half 2019: CHF 203.3 million, second half 2019: CHF 214.5 million). This was partly due to the acquisitions of Artos Engineering

and Exmore in 2019. The revenue result was attributable to a sizeable organic decline (-13.7%), acquisition-driven growth (+2.7%), and negative foreign currency effects (-1.9%). Order intake was slightly weaker in the second half (first half 2019: CHF 206.7 million, second half 2019: CHF 202.0 million).

### **Growth in North/South America**

Komax achieves around 80% of revenues in the automotive industry. The general phase of weakness that the latter is facing was evident in virtually all regions in 2019. The only revenue growth reported by Komax was in North/South America. A contributory factor was the acquisition (effective 1 April 2019) of Artos Engineering, headquartered in Brookfield, Wisconsin, USA. The largest drop in revenues was experienced in Asia (-22.5%), where China accounts for the bulk of revenues. The economic slowdown, combined with the excess capacity built up in 2018, led to a distinct falloff in investments in automation solutions in China. Revenues in Europe (-16.8%) and Africa (-13.2%) were also down. The trend already in evidence in both regions for several years continued: with personnel resources becoming increasingly scarce in Eastern Europe, wire harness manufacturers are relocating part of their production to North Africa. Despite this shift, Europe remains Komax's strongest market by far, accounting for 42.7% of revenues. North/South America ranks second, with a share in revenues of 24.9%. Revenues were also lower in the aerospace, data/telecom, and industrial market segments, but less significantly so than in the automotive industry.

### **Profitability impacted by lower volume business and project business**

The decline in revenues was primarily a consequence of the sharp fall in demand for wire processing machines, which correlates directly to the number of vehicles produced. In 2019, some 89 million cars and light commercial vehicles were manufactured worldwide. This is 5.7% or approximately 5.5 million fewer vehicles than in the previous year. Since these machines, which are used for volume business, make a disproportionately high contribution to Komax's operating profit (EBIT), it dropped 64.3% to CHF 24.0 million (2018: CHF 67.3 million). The EBIT margin narrowed from 14.0% to 5.8%. The foreign currency impact was negative, reducing the EBIT margin by 0.8 percentage points.

Profitability was also impacted by additional expenses in the high single-digit millions for individual customer-specific pioneer projects. These major projects are predominantly connected with new technologies in the automotive industry that

are required for fast large-scale data transmissions in vehicles. If highly automated or even autonomous driving is to become a reality, these new developments are vital and offer Komax considerable future growth potential. Komax completed the majority of these multiyear pioneer projects in 2019 and expects to conclude the remainder in 2020.

Down the road too, Komax will respond to changes in the automotive industry and drive developments that secure long-term growth. In terms of project business, the company will focus, however, on orders with a lower risk profile. In 2019, Komax invested CHF 41.5 million (2018: CHF 41.1 million) in research and development, equivalent to 9.9% of revenues. Komax was able to showcase its technology leadership to impressive effect in 2019, with numerous market launches setting new standards in digital services, for instance, and the automated processing of high-voltage cables for electric vehicles.

#### Significant investment activity

Group profit after taxes (EAT) decreased by 74.5% to CHF 13.2 million (2018: CHF 51.8 million). The result was impacted by the financial result of CHF -4.9 million (2018: CHF -5.2 million) and the high tax rate of 31.1% (2018: 17.0%), attributable mainly to non-capitalized tax-loss carryforwards. Over the medium term, Komax is expecting a tax rate in the vicinity of 20%. Basic earnings per share came to CHF 3.44 (2018: CHF 13.52).

Komax's financial base remains robust: as at 31 December 2019, shareholders' equity totalled CHF 244.6 million (2018: CHF 281.6 million), while the equity ratio stood at 50.8% (2018: 60.8%). As a result of major investments in four new production and development buildings in Switzerland, Germany, and Hungary as well as two acquisitions, free cash flow amounted to CHF -36.9 million (2018: CHF -4.3 million). Net debt stood at CHF 106.2 million (2018: CHF 39.4 million).

#### Payout ratio of 52.3%

The Board of Directors is proposing to the Annual General Meeting of 21 April 2020 a dividend of CHF 1.80 per share (2018: CHF 7.00), corresponding to a payout ratio of 52.3% (2018: 52.0%). Komax is thus achieving its strategic target of a payout ratio of 50%–60%. Of the CHF 1.80 per share, CHF 0.20 will be distributed from capital contribution reserves. They are tax-free for natural persons domiciled in Switzerland who hold shares as part of their private assets.

#### Board of Directors confirms strategy and adapts targets

In 2020, vehicle production is likely to stagnate at the 2019 level or even drop, depending on the severity of the impact of the coronavirus. According to IHS Markit analyses, a return to slight growth can be expected from 2021 on. In view of the current assessment of developments in the automotive markets over the next few years, the Board of Directors has decided to adapt its mid-term targets (2017–2021) and define a new time horizon, namely 2023. The Board confirms the strategy that has been pursued so far, and continues to expect that Komax will not only participate in the growth of the automotive market (number of vehicles produced), but will also capture additional growth of at least 2%–3% as a result of the trend towards automation. Komax is seeking to achieve the following targets for 2023: revenues of CHF 450–550 and EBIT of CHF 50–80 million, as well as a payout ratio of 50%–60% of EAT. A RONCE target will not be communicated in the future.

#### Outlook

The Komax Group's medium- and long-term growth outlook remains positive as customers continue to target a significant increase in the level of automation in wire processing going forward. What is more, trends such as autonomous driving and e-mobility will power growth at Komax. That said, the company will suffer over the short term as the entire automotive industry comes under enormous pressure to adapt its value chain. Komax expects 2020 to be another challenging year. For this reason, it has already initiated measures to reduce costs over the long term. In addition, Komax is adapting its structures to be even better aligned with momentum in the markets. Since business development visibility is very low and the implications of the coronavirus outbreak are presently impossible to gauge, a forecast can currently not be made for the 2020 financial year.

Yours sincerely,



**Dr. Beat Kälin**  
Chairman of the  
Board of Directors



**Matijas Meyer**  
CEO

10 March 2020

# AROUND THE WORLD

The Komax Group has a presence in all key production regions of its customers. Having had its finger on the pulse of industry for more than 40 years, Komax is able to develop appropriate, high-value, and innovative automation solutions for local requirements in global markets.

20

production sites

**Komax produces in Europe, Asia, North and South America, and Africa, and provides sales and service support in more than 60 countries through its subsidiaries and independent agents.**

- Komax: production, sales, and service
- Komax: sales and service
- Sales representative

Headquarters:  
Komax Holding AG  
Dierikon, Switzerland

60

countries with  
sales and  
service support

42

Komax  
companies  
worldwide



# GLOBAL LOCAL

Customer proximity together with short reaction and supply times are crucial to success. This is why Komax has been applying the motto “global local” for many years now – global production with a unique local sales, engineering, and service network across all continents. Komax produces standardized products and customer-specific systems at 20 locations worldwide. More than 2 200 employees currently work in the 42 companies of the Komax Group.

Komax has production sites spread across five continents: the company’s standardized (off-the-shelf) products for wire processing are manufactured at locations in Switzerland, Belgium, Germany, France, China, Japan, Singapore, and the US. The test systems of the TSK brand (see page 34) are manufactured in Germany, Bulgaria, Turkey, the US, Mexico, Brazil, Morocco, Tunisia, and China. Customer proximity is very important when it comes to ensuring short supply times for testing adapters. Customer-specific systems are produced at sites in Switzerland, Belgium, Germany, France, Hungary, China, and the US. Thanks to its production sites in all the most important market regions of the world, Komax meets the expectations of its global customers, who require their suppliers to have a local presence.

## **The distribution and service network is a unique selling proposition**

The Komax Group has a unique global presence that enables it to provide efficient and competent support to its locally and globally active customers at all times. It provides sales and service support in more than 60 countries through its subsidiaries and independent agents. Around 260 employees work in Komax’s global service organization. Customers can also submit their orders via the e-commerce platform Komax Direct.

Thanks to its customer proximity, Komax has its finger on the pulse of industry. This is crucial for Komax if it is to deploy its experience of 45 years to develop high-quality, innovative automation solutions for local needs in global markets. In addition, the company’s international orientation helps mitigate the repercussions of currency fluctuations. Komax seeks to ensure that costs and revenues are generated or incurred in the same currencies to the greatest extent possible.

Following the establishment of its own company in Thailand and the acquisition of US enterprise Artos Engineering, Komax strengthened its proximity to customers in Asia and North America. The new company in Southeast Asia is responsible for Komax’s distribution and service portfolio in Thailand. Meanwhile the Komax Group numbers five of its own companies in Asia – in Thailand, China, India, Japan, and Singapore. The takeover of long-established enterprise Artos Engineering (see page 33) marks a further step in the Komax Group’s efforts to bolster its position in North America too. The con-

clusion of an asset deal with the Application Tooling business area of TE Connectivity at the end of 2018 likewise enabled Komax to expand its proximity to its customers in North America. TE Connectivity has distributed Komax products in the US, Canada, and Mexico for more than 15 years while also providing services. As a result of the asset deal, Komax has again assumed direct responsibility for this distribution business, and is therefore closer to more customers.



**Artos Engineering, headquartered in Brookfield, Wisconsin, USA, was founded in 1911 and stands out for its customer focus.**

#### **Expansion of production capacity at various locations**

Komax has grown considerably in the past few years, pushing it to the limits of its capacity at a number of locations. To permit further growth, Komax invests continually in the expansion of production capacity – both by scaling up the infrastructure at existing locations and by opening new production sites. Above all in order to expand the production of TSK test systems, Komax has opened a number of new sites over the past few years, including in Yambol, Bulgaria, and Tangier, Morocco, in 2017 and 2018 respectively. The next TSK production site is scheduled to open in Ciudad Juárez, Mexico, in the early months of 2020. This site is located in direct proximity to the numerous customers based in the region.

In response to a very strong performance since its establishment in 2017, the TSK company in Bulgaria moved staff into a newly built extension at the existing site towards the end of 2019. TSK in Bulgaria also benefited from the services of several software developers in the year under review, and these developers are now responsible for software development within the entire TSK Group. Additional reinforcement for the Group came in the shape of the approximately 60 Exmore employees (see page 34), who brought with them a wealth of experience in application development. Komax acquired the Belgian company Exmore in autumn 2019.

#### **Largest investment program in Komax's history**

In a drive to expand capacity, Komax has invested over CHF 90 million in four construction projects in Switzerland, Germany, and Hungary since 2016. This volume of investment is unique in the history of Komax to date. Komax made the largest investment in Switzerland, channelling more than CHF 70 million into the new production and development building at the headquarters in Dierikon. The extension building is designed as a vertical factory with total floor space of more than 20 000 m<sup>2</sup>, spread across seven levels (lower ground floor, ground floor, five storeys). Each level can be used for production as

well as office work, and the lower ground floor accommodates a state-of-the-art, automated small-parts storage area with an intralogistics system. Guaranteeing the automatic receipt into and removal from storage of some 15 000 articles, the installation transports them autonomously to the respective storey of the building for assembly into the machines. The process of stocking the warehouse began at the end of 2019. To avoid production interruptions as far as possible, the move into the new building will be staggered. All materials are to be installed first, with personnel following as of March 2020. When the removal has been completed, Komax will give up the rented site in Küssnacht am Rigi and operate just two locations in Switzerland, namely Dierikon and Rotkreuz.

### Three new buildings go into service in 2019

The building projects in Germany and Hungary were completed in 2019. After a construction period of just under one year, Kabatec employees moved into their new location in Burghaun, Germany, at the end of March. The workforce now has a large production and assembly hall plus a three-storey office building at their disposal for the development and production of their highly sought-after solutions in the area of taping and assembly technology. Employees were previously spread over two locations in Hünfeld and Burghaun.

Since mid-September, Komax Thonauer staff have been working at the newly constructed e-mobility competence center in Budakeszi, Hungary, where the company develops and produces automation solutions for the processing of high-voltage cables. Demand for these solutions is increasing as the number of electric vehicles produced rises.

Employees of Komax SLE in Grafenau, Germany, moved into the new extension building in November following a two-year construction period. The previous space of some 5 000 m<sup>2</sup> has more than doubled thanks to the new-build. With the rise of integrated networks in vehicles and the growing trend towards autonomous driving, demand for the customized wire processing systems produced in Grafenau is very high, since they cover such areas as data connectivity and high-frequency technology.



Since September 2019, Komax Thonauer has had ample space for the development and production of its e-mobility solutions.

# AUTOMOTIVE INDUSTRY IN A STATE OF FLUX

Demand for automation solutions in the area of wire processing weakened in 2019. By contrast, solutions for new technologies in connection with trends such as autonomous driving and e-mobility remained very much in demand. Compared to previous years, however, there were significantly fewer orders for off-the-shelf products, which are dependent on the number of vehicles produced.

According to IHS Markit analyses, some 89 million cars and light commercial vehicles were manufactured worldwide in 2019. This is 5.7% or approximately 5.5 million fewer vehicles than in the previous year. Production figures were already down slightly in 2018, showing a 1.0% decrease after the 2.2% year-on-year growth seen in 2017.

The decline in production figures is largely due to developments in China, which – with 24.6 million vehicles produced – is still by far the biggest automotive market. Production figures have been trending downwards for two years, though. While 2018 saw a decline of around 4%, over 8% or 2 million fewer vehicles were manufactured in 2019. The weakening economy and the trade dispute between the US and China have had a negative impact on China's vehicle sales. IHS Markit is expecting China to stabilize at the 2019 level in 2020. It is, however, still too early to estimate the impact the coronavirus will have on the automotive industry. Fewer vehicles were produced not only in China, but in other Asian regions as well. Nonetheless, Asia still accounts for around 52% of all cars and light commercial vehicles made. This in turn reflects a decline in vehicle production on the other continents as well.

## **New vehicle purchases on hold**

The automotive industry currently finds itself in a state of flux. Issues such as e-mobility, digitalization, and autonomous driving play a key role, necessitating very sizeable investments from automotive manufacturers. While it is exciting for motorists to follow this trend, many are left unsure as to the consequences. A great many consumers are presently uncertain about which drive technology to opt for when buying a new vehicle and whether the time is ripe to switch to a newer technology. The selection is large and automotive groups have announced a lot of new models for the years ahead. In addition to

fuel- and diesel-powered vehicles, there are alternatives such as electric, hybrid, plug-in hybrid, natural gas, and fuel cell vehicles. This uncertainty, combined with the economic downturn and various political question marks, is causing countless consumers to put new vehicle purchases on hold. That is why vehicle production volumes are down outside Asia too.

**Higher production volumes from 2021 onwards**

In Europe, 21.2 million cars and light commercial vehicles were produced in 2019, representing a year-on-year decline of 3.8%. In 2018, a decrease of 1.0% was recorded. IHS Markit is assuming a decline of 0.7% for 2020. In North America, IHS Markit is expecting an increase of 2.0% in 2020. This is after falls in production volumes in the preceding three years: in 2017 by 3.9%, in 2018 by 0.6%, and in 2019 by 3.8%. 16.3 million vehicles were produced in North America in 2019. South America also reported a decrease – by 2.9% to 3.3 million vehicles. With growth rates of 19.7% (2017) and 4.1% (2018), this region witnessed very strong momentum in the previous years, attributable mainly to the Brazilian automotive market. IHS Markit is projecting a return to growth for 2020 (2.3%).

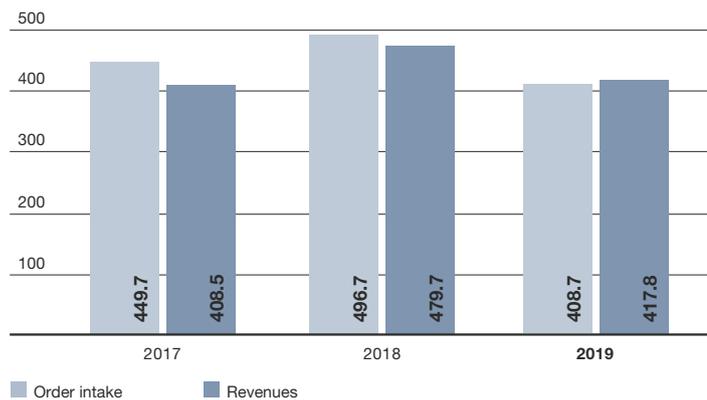
The prediction from IHS Markit for 2020 is that vehicle production will generally stagnate, with the number of cars and light commercial vehicles produced worldwide again in the vicinity of 89 million. It is forecasting a return to higher production volumes in the subsequent years.

**Substantial decrease in volume-based business**

Declining production figures in the automotive industry had a considerable impact on Komax’s order intake and revenues in 2019. Approximately one third of Komax’s revenues hinges on the number of vehicles produced. This figure fell sharply in 2019. The year-on-year decrease in production volumes meant that many customers already had a sufficient stock of wire processing machines at their plants to handle their orders. The outcome for Komax was a 17.7% reduction in order intake to CHF 408.7 million and a 12.9% slide in revenues to CHF 417.8 million.

**Order intake and revenues**

in CHF million



If Komax were dependent entirely on the number of vehicles produced per year, the decrease in revenues in 2019 would have been much more severe. Demand remained solid for solutions which are linked to new technologies, such as autonomous driving and e-mobility, and/or which play a role in further increasing the level of automation in wire processing. Bearing in mind that rising wage costs, a lack of staff availability, the trend towards wire miniaturization, and the need for traceability in the individual process steps for quality assurance purposes are decisive factors, customers will continue to come under pressure to increase the degree of automation at their plants further (see also “Global megatrends” beginning on page 26).

#### Need for automation solutions in all four market segments

Not only in the automotive industry, but also in the aerospace, data/telecom and industrial market segments, customers are striving to increase the degree of automation in wire processing. Even though these three market segments are much smaller than the automotive sector, they nonetheless made an important contribution to Komax’s revenues in 2019. The slowing economy is felt in these market segments as well. Komax has, however, benefited from having the broadest portfolio, which enabled it to offer its customers a wide spectrum of automation solutions.

#### Marked decrease in revenues in Asia and Europe

The development of revenues varied considerably in the individual regions in 2019. While revenues were down sharply in Asia (–22.5%) and Europe (–17.5%), Komax posted solid growth in North/South America (+5.7%). The greater part of Asian revenues is generated in China. The economic slowdown, combined with the excess capacity built up in 2018, led to a distinct falloff in investments in automation solutions in China. Already facing sizeable investments in connection with new technologies in the automotive industry, customers in Europe too adopted a cautious approach. In evidence for several years already, the trend continued among wire harness manufacturers towards relocating part of their production to North Africa to offset a growing lack of personnel in Eastern Europe. In North/South America, Mexico in particular proved robust. The 2019 acquisition of Artos Engineering (see pages 6 and 7) was also a factor in the growth in revenues witnessed by Komax in this region. As a result of this development, Komax again sold more in North/South America than in Asia for the first time in two years.

This regional difference in revenue trends also led to a change in the breakdown of revenues by individual currency from 2018 to 2019. While, for example, the share of revenues in USD increased by 16.8% to 21.4%, in CNY it fell by 13.6% to 10.3%. The changes in the key currencies and their respective sensitivities are set out on page 108.

Revenues by region	2019	2018	+/- in %
in TCHF			
Switzerland	8 479	8 454	0.3
Europe	169 991	205 936	–17.5
Asia/Pacific	79 767	102 929	–22.5
North/South America	103 907	98 270	5.7
Africa	55 627	64 109	–13.2
<b>Total</b>	<b>417 771</b>	<b>479 698</b>	<b>–12.9</b>

A percentage breakdown of revenues by region can be found on page 91.

## Market segments and service

Komax focuses on four market segments. The core business is the automotive market segment, which accounts for around 80% of revenues. Komax is continuously strengthening its presence in the other three segments – aerospace, data/telecom, and industrial – and exploiting the synergy potential with the core business. All segments benefit from the global service network of the Komax Group and from service offerings such as the Komax Academy.



### Automotive

The automotive segment is by far the most important market segment for Komax. There are a number of reasons for this. In no other industry is the volume of wires to be processed so large. With an annual production output of around 90 million vehicles, each containing on average some 1500 wires with 2500 crimp contacts, the demand for automation solutions is enormous. This is because the number of wires per vehicle is continually rising owing to an increase in electrical functions. Although the automotive industry has no peer when it comes to the degree of standardization and automation in the production process, there is still plenty of potential for additional automation steps, as wire harnesses are still manufactured by hand to a large extent.

### Aerospace

Issues such as safety, lightweight construction, and lower emissions have been at the forefront of developments in aerospace for many years. Komax can draw on the experience gained in these areas when it comes to its core business too, as these themes continue to gain in importance in the automotive industry. Komax secured expertise in the aerospace area in a targeted way through its acquisition of Laselec in 2017 (see page 34). There is very little automation of wire processing in the aerospace industry. However, as the barriers to entry in this market are very high for suppliers, it has taken several years for Komax to record its first major success. The breakthrough was made in late 2017. Following years of negotiations, Komax succeeded in winning new orders from two leading aerospace companies for several large-scale systems, which are currently being built and since 2019 delivered in phases.





### Data/telecom

The transfer of large volumes of data and the permanent networking of people have become standard practice in the data/telecom market segment. The wiring used for these applications is being increasingly used in vehicles too, as cars become ever more interconnected, with comprehensive information systems that will facilitate autonomous driving in the future. Komax can therefore also use the experience gained from the data/telecom market segment in the automotive segment.

### Industrial

The processing of wires for industrial applications such as control cabinets often involves working with very small batches. To ensure that automation is nevertheless a cost-efficient option for control cabinet manufacturers, Komax has developed specific machines of the Zeta type. These machines manufacture all the various wires that are needed automatically, ensuring that they are in the right sequence and of the right length. This has the effect of reducing manual labor to a minimum. Manual processes such as cutting, stripping, marking, and sleeve insertion are rendered obsolete. Automation of this kind has proven its worth in the area of wire processing in the automotive industry for many years, and is now increasingly finding its way into industrial applications.



### Service

In all market segments, customers benefit from Komax's global distribution and service network. Among other things, the service offering includes the Komax Academy, which provides a modular training program, including final certification. The training modules are aligned with the various customer needs, e.g. those of service and maintenance personnel, shift managers, and quality control staff. Participants receive certification based on both theoretical and practical learning assessments – involving standardized global criteria with identical quality levels. Komax conducts On.Site training in nine countries: Brazil, China, Germany, Mexico, Romania, Switzerland, Singapore, Tunisia, and the US. The course languages are Chinese, German, English, French, Spanish, and Portuguese. Since 2018, Komax has also offered a wide spectrum of courses which are also available as On.Line training and accessible to employees 24/7.

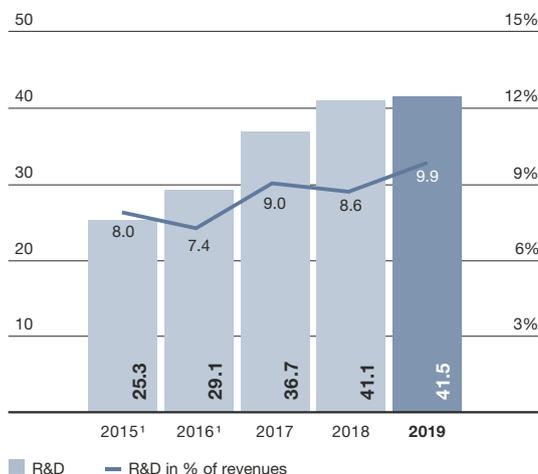
# SECURING THE FUTURE WITH INNOVATION

Innovation is crucial to long-term success. This is why Komax has been channeling above-average investment into research and development for years. Global trends such as e-mobility, autonomous driving, and digitalization allow Komax to develop additional unique selling propositions and consolidate its technology leadership.

Innovation is a driver of success for Komax. In order to retain market and technology leadership over the long term and stand out with innovative solutions, the company spends 8%–9% of Group revenues on research and development (R&D) annually. Owing to the fact that Komax continued to work as intensively as ever on its numerous innovation projects in 2019 despite lower revenues, the R&D quota increased to 9.9% (2018: 8.6%). Komax invested CHF 41.5 million in the optimization of existing products and the development of new ones. This is CHF 0.4 million more than in the previous year. The figure includes expenditure on both internal development services (CHF 34.0 million) and the development services of third parties (CHF 7.5 million).

## R&D expenditure

in CHF million



<sup>1</sup> Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly. 2015 is reported according to IFRS.

Komax reduced external development costs by CHF 1.3 million year-on-year. Higher internal expenditure, resulting in part from additional R&D investments by the companies Artos Engineering and Exmore acquired in 2019 (see pages 33 and 34), more than compensated for this reduction. Since 2015, Komax has spent CHF 173.7 million on R&D, securing a leading position from which to further drive forward the automation of wire processing and actively shape the transition underway in the automotive industry.

#### **More than 440 staff employed in research and development, and engineering**

As at 31 December 2019, the Komax Group employed a total of 241 employees (2018: 217 employees) in the research and development area. The majority of these staff (185 employees) work in Switzerland, which is why the lion's share of R&D expenditure is incurred there. In addition, Komax has development units in Belgium, China, Germany, France, Japan, Singapore, and the US. The Group's innovative strength is further bolstered by 203 engineers (2018: 173 engineers), who make an important contribution through the development of customer-specific applications. The personnel costs of these engineering employees are not contained in research and development expenditure if the staff in question have worked directly on customer projects.

The number of employees working in research and development has risen by around 45% since 2016. Since the takeovers of Laselec and Practical Solution (both in 2017) as well as of Artos Engineering and Exmore (both in 2019), Komax has had additional development teams in France, Singapore, the US, and Belgium. In 2017, Komax increased expenditure for research and development from 7%–8% to 8%–9% of Group revenues. This increase in headcount represents a form of investment in an opportunity to leverage further unique selling propositions and to secure the company's future.

#### **Wire harness production of the future**

The technological transformation of the automotive industry not only means substantial investments for automotive companies, it also poses a challenge for suppliers, since they need to develop solutions to meet new customer requirements. Issues such as e-mobility, autonomous driving, and digitalization will shape the automotive industry for years to come. Wheels are already being set in motion that will have long-term technological implications. This is why Komax is striving to play an active part in shaping this development. The acquisition of company Exmore strengthened Komax's position in the autonomous driving sector. Exmore focuses on the development of applications relating to the processing of sensor cables. Sensors are essential for making vehicles smarter. When it comes to current trends, Komax also works together with leading companies in the automotive industry.

One such collaborative project is taking place at the ARENA2036 (Active Research Environment for the Next Generation of Automobiles) research campus of the University of Stuttgart. ARENA2036 brings science and business together to conduct interdisciplinary research into manufacturing the car of tomorrow. "What does the car of the future look like?" and "How do production processes need to be adapted?" are among the key questions.

The goal of a pre-competitive initiative launched in 2019 under ARENA2036 is to expedite automation in wire harness development and production from initial definition to installation in the vehicle. This goal includes increasing product quality, saving costs over the long term, and reducing CO<sub>2</sub> emissions, for instance, by shortening transport routes between the wire harness manufacturer and the automotive manufacturer. In order to achieve this, care must be taken from the point at which the complete wire harness is defined to ensure that the harness can be produced on an automated basis by, for example, breaking it down into smaller units. Komax is well aware of what is required to attain a higher level of automation. Feeding this awareness into ARENA2036, the company cooperates with such notable automotive manufacturers and suppliers as BMW, Daimler, Porsche, Aptiv, Dräxlmaier, Kromberg & Schubert, Nexans, and Yazaki.

**ARENA2036**

**Industry 4.0: interconnectedness thanks to a uniform language**

Komax also works with leading companies in the area of digitalization. It is a member of the Open Industry 4.0 Alliance, founded in 2019 by companies in the mechanical engineering, factory automation, and IT industries. The Alliance’s goal is to ensure that up to 80% of machines in a smart factory can communicate with each other. This means that all the networked units in a factory’s value chain – from the production systems and the intralogistics to the IoT cloud – must speak a uniform language. To this end, the Alliance does not itself develop standards, but draws up a framework which is based on existing guidelines and facilitates compatibility between the units. Komax brings to the network its core technical competencies from the mechanical engineering sector. This Alliance gives Komax an opportunity to actively play a part in shaping Industry 4.0 and so ensure the optimum interconnectedness of newly developed Komax solutions. Alliance members include such companies as Beckhoff, Endress+Hauser, Fujitsu, Kuka, Samson, and SAP.

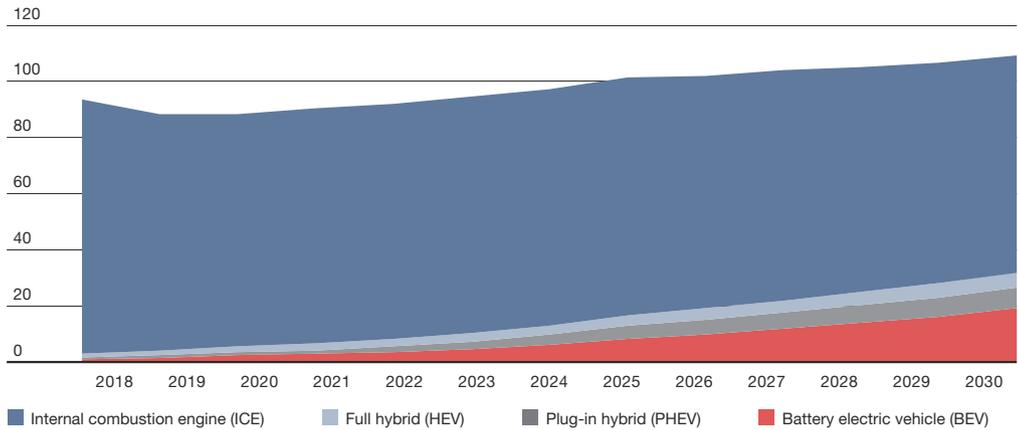


**Number of electric vehicles continually rising**

Another area where Komax demonstrates its innovative strength is e-mobility. Of the 89 million vehicles produced in 2019 “only” around two million were electric vehicles, i.e. pure battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs). However, with volumes rising continuously, consulting firm McKinsey is expecting this number to double to some four million electric vehicles by 2021.

**Number of produced cars and light commercial vehicles by drive technology**

in million



Source: McKinsey and Komax

### Innovative leap forward in the processing of high-voltage cables

Komax's e-mobility center of competence in Hungary (see page 8) is already feeling an increase in demand for automation solutions for the processing of orange high-voltage cables. Up until now, production has been largely by hand, entailing complex quality controls and costly remachining. In order to ensure the efficient and economic processing of the growing volume of shielded and unshielded high-voltage cables, it is becoming increasingly crucial to automate processes. In 2018, Komax already boasted a portfolio of solutions covering the entire value chain from processing high-voltage cables to testing harnesses. Plug manufacturing called for multiple machines from the Lambda 2 series. These are semi-automatic, with every machine needing an operator. Optimum productivity therefore requires a team of several people to process the high-voltage cables in parallel on multiple machines.

Komax took the next innovative step forward in 2019 and presented the Lambda 440, the first machine for the automated production of high-voltage cables. The Lambda 440 is made up of process modules from the Lambda 2 series. The system automatically manufactures the cable in a straight-through process from preparation stage to housing assembly. The precise sequence depends on the types of plug to be processed and is always developed in close collaboration with customers.



The Lambda 440 automates the processing of high-voltage cables.

Komax does more than just offer solutions for processing individual high-voltage cables. Its portfolio also contains the Omega 750 MEB, a machine capable of automatically producing complete wire harnesses for electric vehicles. Under a joint project with Leoni, Komax adapted its Omega 740 fully automatic block loader machine to manufacture high-voltage wire harnesses. The aim of the venture was to manufacture the wire harness for the auxiliary unit for the new modular electric drive matrix (MEB) from Volkswagen in a process as fully automated as possible. Being used in the VW ID.3 for the first time, this wire harness connects the battery with various systems such as air conditioning, battery heat management or the direct current converter. In 2019, Leoni used the Omega 750 MEB to produce countless high-voltage wire harnesses for the ID.3, which was unveiled in the year under review.

## SMART FACTORY by KOMAX

For decades, Komax has been renowned for its innovative products and leading market position. But what does Komax want to achieve and accomplish with its work? And what contribution is it making to society? Komax's purpose can be summarized in just a few words:

As a driver of innovation and market leader in automated wire processing, we develop and produce intelligent, reliable, and optimally cost-effective wiring solutions for smart mobility and smart city applications. We work closely with our customers to make life simpler, more convenient, and safer.

Komax understands smart mobility to mean today's increasingly diverse range of mobility options, which are used in very different ways. Many of these means of transport – from e-bikes to electric cars and trains – are increasingly powered by electricity. Where electricity is used there are wires, and where there are wires there are fields of application for Komax. What's more, the optimal usage of these mobility options is supported by smart city solutions, be they traffic management systems or intelligent power usage, distribution or storage systems. These solutions also need wires, for transmitting either power or data.

### **The challenge: sustained high quality at low costs**

The megatrends of smart mobility and smart city are increasingly becoming part of everyday life. And a large number of products are becoming increasingly more intelligent and power-hungry. Komax's customers are involved in these trends and supply key components, so they have to overcome huge challenges: despite the increasing complexity, they have to deliver sustained high quality while keeping costs as low as possible. To make this possible, Komax provides its customers with SMART FACTORY by KOMAX, which encompasses products and solutions that substantially reduce quality costs and significantly increase wire processing productivity. In specific terms, this means demonstrably fewer faults and greater efficiency, even in complex production tasks. In this way, Komax – together with its customers – is providing consumers with intelligent products that are not only continuously improving, but also operate reliably and are affordable.



**SMART FACTORY by KOMAX is characterized by four attributes: it is intuitive to use, it automates production as well as material and dataflows, it is connected within a network, and it self-regulates its production processes.**

#### **What benefits does SMART FACTORY by KOMAX have to offer?**

If operating Komax machinery is intuitive, human error can be largely eliminated because the system specifies the settings and the correct operating procedure. This minimizes not only the operator's influence and scope for decision-making, but also the need for customer training. The products are also automated to such an extent that they can instigate and complete increasing numbers of tasks themselves. Once they are started up, significantly fewer human-led intermediate steps are needed. This applies not only to material flows but also data exchanges.

Smart factory solutions are integrated into a network, with all the stages of production being linked to each other. Connectivity standards and the use of cloud technology enable full transparency and make it possible to achieve fact-based increases in productivity and quality. Komax is working towards enabling its systems to adjust themselves, thereby autonomously controlling the production process. This could be the case for simple process and monitoring tasks, but may also extend as far as optimizing entire production processes. And this could even conceivably take place across different plants. Customers would be able to reduce bottlenecks, downtimes, scrap, and rejects. At the same time, smart factory solutions can systematically track and register any number of production stages so they can be traced back if problems occur with deliveries.

#### **Smart factory solutions 2019**

Komax has been developing intelligent products for years, well before the existence of terms such as Industry 4.0, Smart Factory, and Industry 2025. SMART FACTORY by KOMAX is therefore the continuation of a long tradition. It is helping Komax to continue fulfilling its role as a pioneer and technology leader, thereby enabling its customers to benefit from an additional competitive edge. In 2019, Komax launched several smart factory solutions onto the market. One of these is the Q1250 quality tool – the digital eye. With its intelligent image analysis, the Q1250 module monitors crimp quality completely automatically (intuitive and automated), thereby eliminating the need for laborious visual checks by the machine operator. Other important new elements of the smart factory include the Komax Connect range of products (intuitive and connected) and the Sigma 688 ST. These products feature the maximum degree of automation for manufacturing twisted-pair wires (automated). These three smart factory solutions are described in more detail on the next two pages.

## New products

Thanks to its targeted investment in research and development, Komax succeeds in bringing a variety of new products and product enhancements to market every year. 2019 was no different in this regard. Komax was able to demonstrate its technology leadership impressively, setting new standards with numerous market launches. We provide a selection of these new products below.



### Sigma 688 ST

The Sigma 688 ST is the first automated solution to deliver fully automatic wire processing with twisting and simultaneous spot taping of both open wire ends. For UTP wires (unshielded twisted pairs) for applications with high data transfer speeds, vehicle manufacturers (OEMs) demand the spot taping of open wire ends for quality reasons. This prevents the unintended opening of the ends in downstream logistics steps or during manual insertion processes. Marking a first, the Sigma 688 ST provides a fully automatic solution that meets these OEM quality requirements. The automated overall process allows Komax customers to improve performance, productivity, and cost effectiveness. At the same time, the integrated spot taping function simplifies logistics and guarantees the quality of downstream work processes.

### Komax Connect

The modular Komax Connect service transmits production data from Komax machines to the Komax Cloud, where they are processed in real time and presented in a clearly structured visual format. Customers get a snapshot of the productivity of their machines and can react immediately if necessary, so preventing a machine that has been less than optimally set up from producing a lot of expensive scrap. A further advantage of the cloud solution becomes relevant when problems occur: the customer loses no time because the Komax service technicians can analyze the production data of the machine in question online and propose solutions. Komax Connect is particularly attractive for customers manufacturing wires using Komax machines at different plants. This is because those in charge of the machines have global access 24/7 and can compare and systematically optimize productivity, efficiency, and quality between the different sites.



### Gamma 450

The compact, fully automatic Gamma 450 processes crimps and seals on both sides and takes up minimum space. It guarantees high production availability and traceable quality. The wire processing machine has all the necessary key functions and can also be extended for specific purposes using an extensive range of options. High-performance modules ensure seamless quality monitoring. Optimized quick-change systems reduce setup and changeover times. Handling is intuitive and ergonomic as well as easy and error-free thanks to the Komax HMI operating software.



### Komax Smart Stock

Komax Smart Stock is a delivery program for spare and wear parts that follows the consignment principle. The key component is a vending machine set up at the customer's facilities and managed by Komax. The vending machine is individually configured and stocked with spare and wear parts required to maintain and repair Komax machines installed on-site. As it is connected to the Komax Direct e-commerce platform, Komax is always aware of the current stock levels and will replace the relevant parts in good time. This means considerably shorter machine downtimes because spare parts are immediately available. Parts taken from the vending machine are logged in real time and subsequently invoiced by Komax.

### Q1250

Used on Alpha series machines, the Q1250 module automates the optical inspection of the entire crimping process, largely eliminating the need for visual checking by the operator. Since the intelligent system is far superior to the human eye in terms of precision and speed, the quality of the monitoring of the crimping process is significantly higher. This also lightens the operator's workload and frees up time for other tasks. Prior to crimping, the fully automatic Q1250 checks each wire end for correct seal quality and seal insertion. After crimping it inspects the quality of the crimps. The camera system provides superior-quality traceable images and process data. A must, for instance, when it comes to wiring for autonomous driving.



## 2019 financial year and mid-term targets

# THE ADVANCE OF AUTOMATION CONTINUES

In 2019, Komax witnessed a fall in revenues, battled with declining profitability, launched a number of innovative digital services, and introduced measures to cut costs. The Board of Directors has adapted the mid-term targets.



Beat Kälin, Chairman

### **Beat Kälin, how would you assess the 2019 financial year?**

Beat Kälin: Following the record results in 2018, the 2019 financial year represents a major setback in a form that we did not expect. Factors such as the trade dispute between the US and China and the emergence of economic slow-down in a number of regions have had an increasingly negative impact on the investment behavior of our customers. If you're in the business of selling capital goods, you have to be able to deal with exogenous influences that you cannot change. Given the circumstances, we did that well. What is unsatisfactory, however, is that our annual results were additionally impacted by a number of internal difficulties relating to certain customer-specific projects.

### **Matijas Meyer, at the start of 2019 could you ever have anticipated that revenues would decline by more than 10%?**

Matijas Meyer: Right up until the end of 2018, our customers were ordering a very large number of machines from us. We were also anticipating further growth in 2019 on the basis of the forecasts communicated to us. But the whole picture suddenly changed in January and February. In particular, the part of our business that depends on the number of vehicles produced deteriorated dramatically. From that point onwards, we assumed that 2019 could turn out to be a challenging year. At the start of the year we were still hoping that our customers would only postpone their investment projects by one or two months. Unfortunately, as it turned out over the course

of 2019, they repeatedly pushed back their projects – initially into the second quarter, then into the second half of the year, and finally into the following year.

**Did you experience a decline in revenues in all regions?**

Matijas Meyer: In North/South America we increased revenues by 5.7%. That was attributable in part to the acquisition of Artos Engineering with effect from 1 April 2019. Revenues declined in all other regions. We suffered the strongest fall of all in the Asia/Pacific region, with a drop of 22.5%. In China, which is by far the most important market for us in Asia, our customers had invested a great deal in our automation solutions in 2018. As a result, we experienced excess capacity in a number of plants in 2019, while demand for additional solutions was also more modest.

**Did you sell less in all product categories?**

Matijas Meyer: The revenue decline was particularly pronounced in what we call volume business. This essentially

“Our customers are aware that there is no way of avoiding the trend towards increasing the level of automation going forward.”

Matijas Meyer

involves crimp-to-crimp machines, where our sales figures rise when the number of produced vehicles rises. When production volumes rise, our customers increase their capacity with additional crimp-to-crimp machines in order to be able to manufacture the wire harnesses they require. For the majority of our other machines, sales figures declined much less sharply, or indeed mirrored the sales level of the previous year.

**Why is that?**

Matijas Meyer: At the moment, the lion's share of the wire harness manufacturing process is still carried out manually. Our customers are aware that there is no way of avoiding the trend towards increasing the level of automation going forward. Why? Because factors such as rising wage costs, lack of personnel, the process of wire miniaturization, seamless traceability, and higher quality demands are all strong arguments in favor of automation solutions. For that reason, in 2019 our customers invested above all in new technologies that can help them increase the degree of automation in their factories. For example, these include



Matijas Meyer, CEO

our machines from the Omega and Zeta ranges, as well as our fully automatic twisting machines.

**What strategic considerations lay behind your acquisitions of Artos Engineering and Exmore in 2019?**

Beat Kälin: Artos is a traditional US company with a history dating back more than a century. Our acquisition of Artos has brought a significant amount of additional expertise into the Group when it comes to development of innovative applications and allows us to strengthen our customer proximity in North America, thanks to the local engineering skills. From a strategic perspective, both aspects are very important to us. The Belgian company Exmore is extremely experienced in the development of applications relating to the processing of sensor cables. Sensor cables are a key element in enabling vehicles to drive autonomously – or at least in a highly automated way – in the future. The acquisition of Exmore means that we are well positioned to take advantage of this trend in the automotive industry.

**Are you planning any further acquisitions?**

Beat Kälin: If the opportunity arises to acquire a company that represents a good fit for the Komax Group – both from a strategic and a corporate culture perspective – we will be open to the idea and examine it carefully. Obviously, an important element in assessing such projects is the amount of financial and management resources available. Following numerous acquisitions over the last years, Komax is currently first and foremost preoccupied with integrating the new companies in the best way possible, as well as making the most of the strengths and competencies acquired.

**Why did EBIT fall by more than 60% when revenues slid by “only” around 13%?**

Matijas Meyer: The above-mentioned machines in the volume business are serial production machines that give us operating leverage if we can produce a high number of units. Due to the significant decline in 2019, EBIT suffered to a disproportionate degree. Moreover, we continued to invest heavily in R&D in 2019. The current process of upheaval that we are witnessing in the automotive industry offers numerous opportunities to develop unique selling propositions, and that's what now has to be worked on. R&D expenses rose by a total of CHF 0.4 million in 2019 – as opposed to falling by CHF 5.3 million, which would have been the case if they had developed in parallel with revenues. As a consequence, the R&D ratio witnessed an increase from 8.6% to extraordinary 9.9%.

**Are there any other reasons that explain the EBIT margin of 5.8%, which is unusually low for Komax?**

Matijas Meyer: We faced a number of major challenges in certain customer-specific projects in 2019, which led to additional expenditure running into high single-digit millions. Here I am thinking of pioneering projects in the automotive and aerospace industries which have the potential to make a noticeable contribution to growth for Komax. Given the potential here, we decided a few years ago to assume this entrepreneurial risk and work together with customers to build new

“From a strategic perspective, it is important that we strike the right balance between the development of serial production machines and customer-specific projects.”

Beat Kälin

large-scale equipment for the fully automatic processing of special cables. There's always a likelihood that multiyear projects like these will deviate from planned developments on occasions. That said, we did not anticipate this magnitude of cost consequences.

**How will you be able to prevent this from recurring in the future?**

Matijas Meyer: The first thing to point out is that the various pioneering projects that we have been pursuing simultaneously are now completed or on the road to completion. In addition, in 2019 we strengthened our risk management function, adjusted our processes, and – in an extra step – decided to focus on projects with lower risk profiles going forward. We have analyzed the mistakes made and learned the corresponding lessons so that we can be successful in the future in the project business, too.

**Does it make strategic sense to continue to pursue the project business? After all, Komax did not have a lasting success with its Solar and Medtech activities in the past...**

Beat Kälin: Customer-specific projects are a core component of our strategy and an important element in continuing to expand our technology leadership, in particular with regard to key customers. Unlike the former activities you mention, today's customer-specific projects always involve systems for automatic wire processing – which is our core competency. The things we learn and develop on these projects often feed through into our serial production machines further down the line. With such projects, the objective must always be for there to be as many repeat orders as possible and not to involve just one system. An advantage of customer-specific projects is that we work on these together with customers, hence we know that they meet a particular need. In contrast, when developing a serial production machine we conduct market appraisals several years in advance, with the expectation that these will prove accurate when we bring the machine to market a few years down the line. The risk with serial production machines is thus structured differently and, as a consequence, can be much higher – particularly in times of radical upheaval such as being experienced by the automotive industry currently. In addition, we have to bear all the development costs ourselves. This means they are a form of up-front investment. From a strategic perspective, it is important that we strike the right balance between the development of serial production machines and customer-specific projects, whereby the project business is much smaller and will remain so.

**Komax has invested more than CHF 90 million in expanding capacity at four locations in recent years.**

**Are you facing a problem of excess capacity at the moment?**

Matijas Meyer: We moved into two new buildings in Germany and one in Hungary in 2019. We have long had space problems at these three locations, so it's pleasing that we now have more capacity here. We will move into the new build-

“We once again demonstrated our position as technology leader in 2019.”

**Matijas Meyer**

ing at our headquarters in Switzerland in the first quarter of 2020, and then give up the premises that we currently lease in Küsnacht am Rigi. In order to be able to grow further in the future, we planned right from the start to have reserves of space once the various construction projects were complete. However, due to the current development of business these reserves are greater than anticipated.

**What measures are you taking by way of a response?**

Matijas Meyer: Our 20 production sites have different levels of capacity utilization. Where necessary and possible, we have made preparations for short-time working, or indeed already initiated this. In addition, we are currently reviewing the structures of the entire Komax Group with a view to streamlining them and increasing profitability. We will complete this process in the first half of 2020. Redundancies have been implemented at certain locations in connection with this process. But the structural measures we take will not have an impact on costs until the second half of the year at the earliest.

**What pleasing developments did you see in 2019?**

Matijas Meyer: We launched a number of new products in 2019, once again demonstrating our position as technology leader. We also launched a number of digital services for the first time, thereby showing the importance we attach to digitalization. Innovative products are obviously valuable things in their own right, but I get particular pleasure from seeing how well our innovations go down with customers. I was also pleased to see how committed our employees were to Komax throughout this difficult financial year, and how they are adapting to what remains a challenging situation. I am extremely grateful to all of them for their dedication.

**The Board of Directors is proposing to the AGM a dividend of CHF 1.80 per share, after CHF 7.00 the previous year. Why are you not distributing more?**

Beat Kälin: In our strategy, we specified that we would be distributing 50%–60% of Group profit after taxes. If this profit figure falls, so too will the dividend. The proposed dividend of CHF 1.80 corresponds to a payout ratio of

52.3%, which keeps us within our stated strategic bandwidth. We have positioned ourselves clearly with our payout strategy. In other words, our shareholders know that there is no reason to expect a minimum dividend – it will be aligned with business performance each year.

**What can we expect to see from Komax in 2020?**

Matijas Meyer: Making concrete forecasts from today's standpoint is difficult. Our visibility as regards business development is very low, which means we cannot yet properly appraise the first half of the year. The spread of the coronavirus has added another layer of complication. How long this epidemic will last and what consequences it will have for global economic development – and for the automotive industry in particular – is not something that can be accurately predicted right now. But basically, we are assuming that 2020 will be another very challenging year, as existing forecasts – even prior to the outbreak of coronavirus – assumed similar annual vehicle production figures to 2019.

**What consequences will this have for the 2017–2021 strategic targets?**

Beat Kälin: The Board of Directors has been scrutinizing these targets for quite some time now. In view of the developments forecast for the automotive industry over the next few years, it has decided to adapt the targets and define a new time horizon – 2023 – for them. We defined the 2017–2021 targets in the second half of 2016, and were aware at the time that they were ambitious. Up until 2018 we were well on track to meet them. The 2019 financial year has set us back considerably, however, and we cannot assume that we will make a major step forward in 2020. Consequently, we would have to make up all this lost ground in 2021, which appears to us to be unrealistic. For 2023 we are targeting revenues of CHF 450–550 million and EBIT of CHF 50–80 million. These targets reflect Komax's unchanged ambition to outstrip growth in the market and achieve above-average profitability. In addition, we are continuing to distribute 50%–60% of EAT.

**How confident are you of achieving the targets set by the Board of Directors?**

Matijas Meyer: As I mentioned, there are still a number of reasons why our customers are seeking to significantly increase the degree of automation in their factories. Trends such as e-mobility and autonomous driving are also important growth drivers for us. Assuming there is no serious slowdown in global economic growth to the point where our customers become even more reticent about investing, I'm confident we can meet the targets set. With our product portfolio and unique sales, service, and engineering network, we are extremely well positioned to harness any pent-up demand that emerges.

# GLOBAL MEGATRENDS

Environmental awareness, safety, as well as networked and affordable vehicles are global megatrends, and will act as key drivers of the steady rise in demand for automation solutions in the medium and long term. Each of these trends is resulting in more and new types of wire being installed in vehicles, and automated processing is increasingly required for reasons of quality, efficiency, complexity, cost, miniaturization, and traceability.

Global megatrends will support Komax's business in the long term. These include growing environmental awareness on the part of consumers and the associated goal of emission-free vehicles. A key role will be played in this respect by e-mobility (see page 16). Another megatrend is increasing interconnect- edness. Infotainment systems in vehicles are becoming increasingly comprehensive and complex, while integrated information systems are laying the basis for the future: autonomous driving. The need for greater road traffic safety represents a further megatrend. Here the emphasis is now no longer just on protection in the event of an accident, but above all on avoiding accidents. As a consequence, the number of sensors in vehicles will continue to rise. Finally, a global megatrend towards affordable vehi- cles is emerging. This requires greater cost efficiency in manufacturing, which in turn is increasing the pressure to automate wire processing further.

## **More wires per vehicle**

These megatrends are leading to an increase in the number of electronic functions in vehicles. Accord- ingly, the number of wires that need to be assembled per vehicle is on the rise. The electrical systems in today's compact passenger cars comprise as many as 1 300 wires, 2 300 crimp contacts, and 250 plug housings. Full-size vehicles require as many as 1 800 wires, 3 200 crimp contacts, and 350 plug housings. Innovations in vehicle construction, new functionalities, and an ever-rising fit-out level in all vehicle classes are leading to a further increase in demand for wires and crimp contacts. This trend, which has been perceptible for a number of years now, will strengthen further in the future.

**Low degree of automation**

A large part of the wire harness manufacturing process is still done by hand, but rising wage costs and an increasing lack of personnel are driving the trend towards automation solutions. As systems become increasingly complex, the potential sources of error in manual wire processing and assembly become more numerous. Manual processes are becoming less capable of meeting these demands. Furthermore, the end-to-end traceability of the individual process steps cannot be ensured with the same degree of reliability that comes with automation solutions. For example, in the absence of automation, the retrospective search for a source of error is more complicated. Intelligent automation solutions, quality assurance tools, and systems for testing harnesses before they are installed in vehicles help to guarantee and increase the efficiency and reliability of the production process. This has been recognized by automotive manufacturers, who are therefore increasingly calling on their suppliers to further automate their production processes.

**Simplifying wire harnesses and miniaturization**

The individual subsystems and assemblies in vehicles – and wire harnesses in particular – are becoming increasingly complex, which throws up challenges for automatic production. To counter this, various automotive manufacturers are seeking to radically simplify the wire harness. The aim is a zonal electrical system with several smaller wire harnesses rather than one big, complex one. This reduces wire length, but not necessarily the number of wires used, and this is the key element for Komax. Simpler wire harnesses with shorter wires will help significantly increase the degree of automation in processing.

Another factor driving automation is the ongoing miniaturization of wires, a development that has been around for some years now. Wire cross sections are becoming ever smaller, which makes manual processing difficult or even impossible.

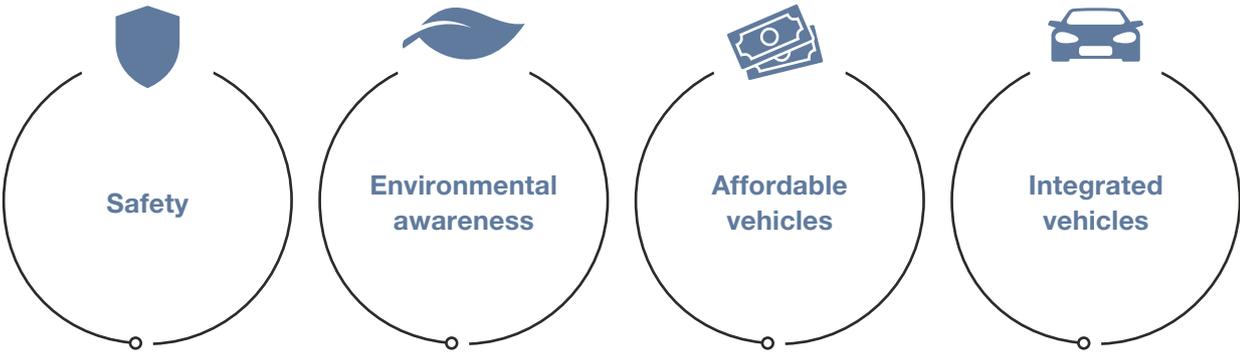
**Growth opportunities for Komax**

The automotive industry suffered in all geographical regions in the year under review, and this is reflected in lower production figures (see page 9). Consequently, Komax customers did not invest in capacity expansion. The aforementioned factors that are driving a higher degree of automation in wire processing – such as rising wage costs, a lack of personnel, the ongoing process of miniaturization, seamless traceability, and higher quality and efficiency demands on the part of automotive manufacturers – nevertheless had an impact. Customers are aware that there is no way of avoiding the trend towards automation. They therefore invested in automation solutions in 2019, too, albeit to a lesser extent, with lower investment volumes, given the economic backdrop. This momentary snapshot does not change the fact that global megatrends will lead to a step-by-step increase in the degree of automation in wire processing over the next few years. The current projects of various automotive manufacturers and suppliers that aim to simplify wire harness topology are also designed to increase the degree of automation significantly. Komax is involved in some of these projects, and is demonstrating what changes are needed to wire harnesses in order to facilitate a greater degree of automation in the production process. Modern wiring concepts (e.g. for infotainment systems or electric vehicles) also present opportunities for Komax to establish further unique selling propositions and thereby create additional sales potential.

The rapid proliferation of the zero-error tolerance principle means there is an increasing need for the kind of test systems produced by TSK, for example. Test systems of this kind guarantee the 100% functionality of wire harnesses and electronic assemblies installed in vehicles.

Komax possesses a broad spectrum of solutions that provides its customers with convincing answers to the current global megatrends. Komax is also seeing a number of trends from the automotive industry gain momentum in other market segments in which it is active. Thanks to its expertise and the market proximity of its product range, Komax is in a very good position to generate growth outside the automotive industry, too.

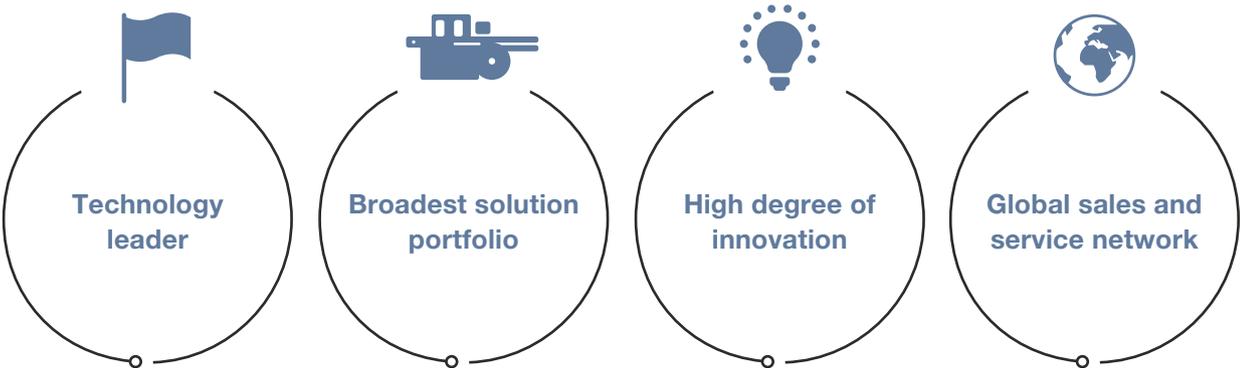
## GLOBAL MEGATRENDS



## GROWTH DRIVERS

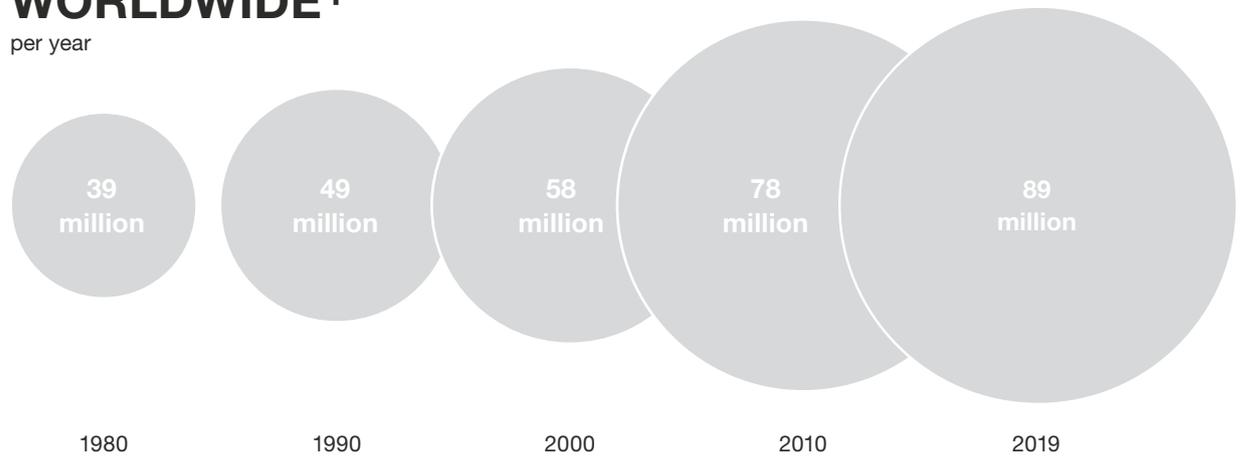


## ADVANTAGES OF KOMAX



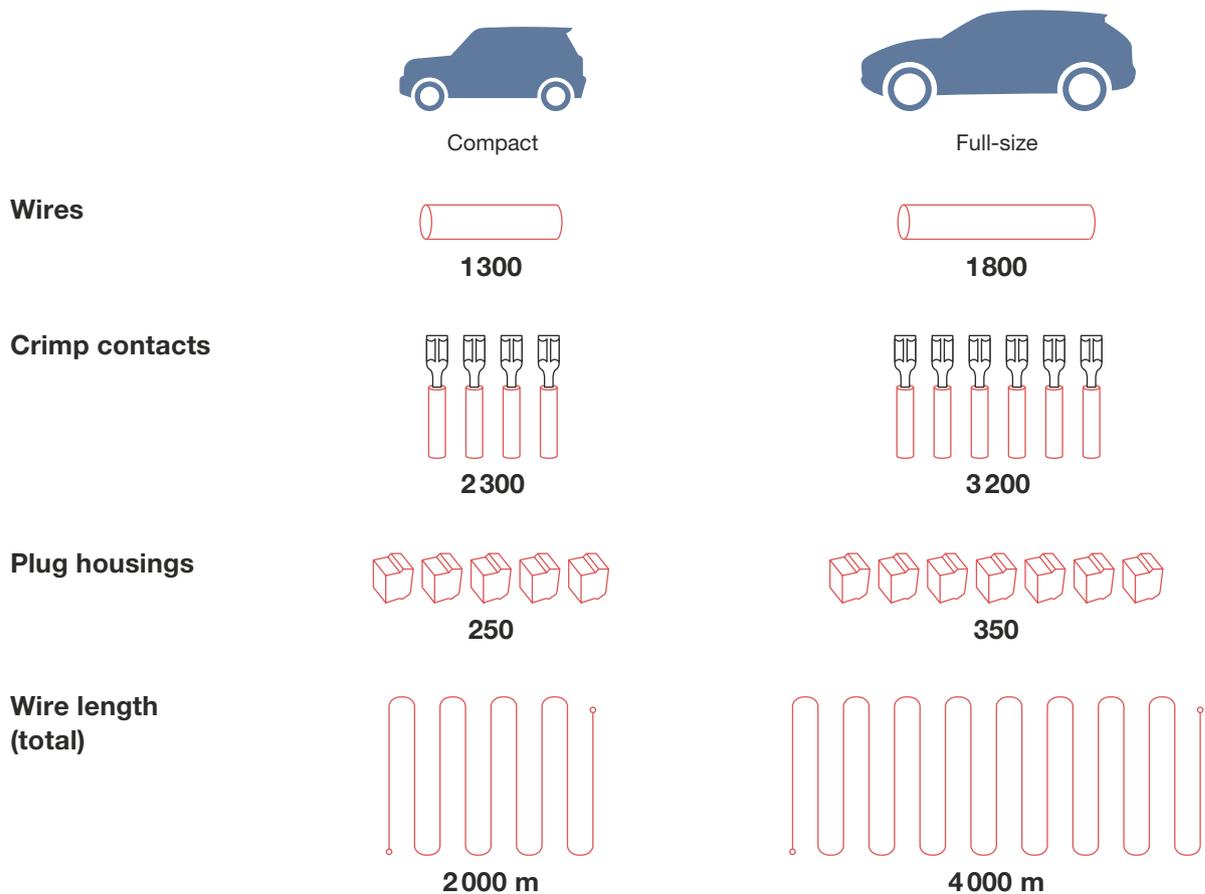
## NUMBER OF VEHICLES PRODUCED WORLDWIDE<sup>1</sup>

per year



<sup>1</sup> Passenger cars and light commercial vehicles (source: IHS Markit).

## INCREASE IN ELECTRICAL FUNCTIONS



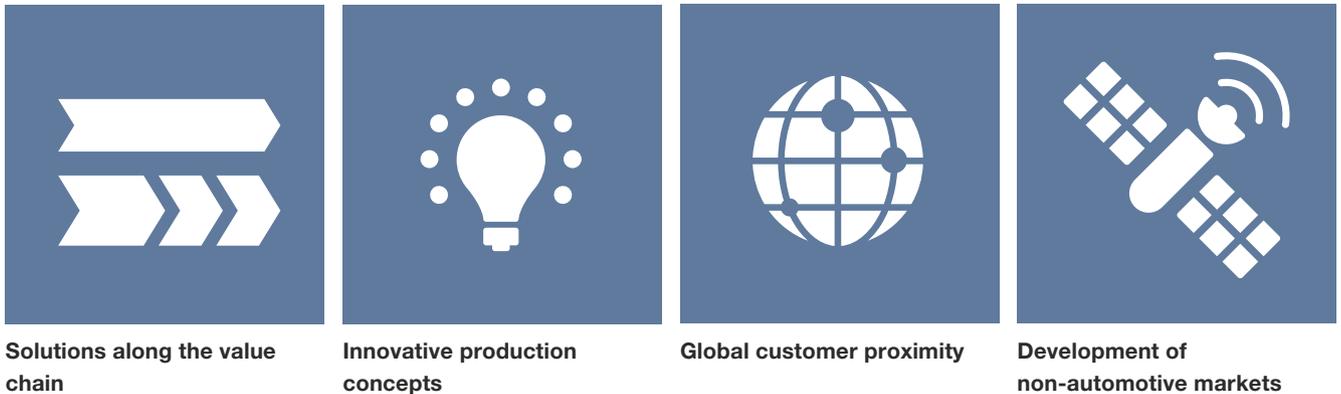
# BUSINESS MODEL AND STRATEGY

Developing solutions for automated wire processing in four market segments is Komax's strength. Here Komax is a pioneer, as well as a market and technology leader, and is looking to further consolidate this leading global position. To this end, it pursues four key strategic priorities. Above-average profitability and further sustainable growth are important objectives here. This goes hand in hand with environmentally conscious, socially aware, and responsible conduct towards all stakeholder groups.

Komax specializes in innovative solutions for all wire processing applications and for the testing of wire harnesses. The emphasis is on processes such as measuring, cutting, stripping, crimping, taping wires, and block loading. Komax offers its customers fully automated and semi-automated serial production models as well as customer-specific systems (for all degrees of automation and individualization), which optimize processes while at the same time increasing productivity. These are supplemented by an extensive range of quality assurance modules, testing devices, and networking solutions for the reliable and efficient production of wire harnesses. Digital services that increase the availability of installed systems and test their productivity also form part of the range, as does intelligent software. All of this provides ideal conditions for Komax's customers to consolidate and increase their competitive advantage.

## Four key strategic priorities

Komax has 45 years' experience in the development of customer-oriented solutions for wire processing. The company is both the technology and market leader in its field, with a market share more than twice that of its nearest competitor. In order to further strengthen this global leadership position, Komax pursues a growth strategy that involves four key priorities:



**Solutions along the value chain**

**Innovative production concepts**

**Global customer proximity**

**Development of non-automotive markets**

### Solutions along the value chain

Thanks to many decades of experience and its proximity to its customers, Komax understands their needs and offers them a comprehensive range of innovative and reliable automation solutions. The offering covers the most capital-intensive and critical processes of customer value chains – from measuring and cutting wires to the taping process and finally the testing of the completed wire harness (see pages 36 and 37). Komax relies not only on its proprietary developments, but also on the expertise of established partners. As a result, customers receive solutions for the key wire processing applications from a single source. This approach is unique in the world. Thanks to a number of acquisitions in recent years, Komax has succeeded in closing the existing gaps in its spectrum of products and solutions, with the result that it can now offer its customers end-to-end solutions. Komax has the broadest portfolio of solutions, which means that it can address a whole range of customer needs in a targeted way. To enable its customers to continue to increase productivity in the future, Komax works with a number of partners in the field of software, among others. Komax strives to network and manage the individual processes in the value chain, such as through Komax MES (Manufacturing Execution System) and Komax Cloud MES, a form of production control software for the wire processing industry 4.0, launched in collaboration with iTAC Software.

### Innovative production concepts

For a market leader like Komax, innovations are of maximum strategic importance. Komax has therefore been investing in innovations to optimize its existing product range, as well as in new developments, for many years (see pages 20 and 21). Every year, Komax channels some 8%–9% of revenues into research and development. All activities are systematically geared to customer needs and expectations. That is why Komax typically employs interdisciplinary teams – consisting of marketing experts, product managers, and development engineers – on innovation projects. For example, skillfully combining different processes and technologies reduces interfaces and lead times. At the same time, processing reliability is increased.

### Global customer proximity

Komax has 20 production sites located in Europe, Asia, North and South America, and Africa. The company provides sales and service support in more than 60 countries through its subsidiaries and independent agents, which gives it a unique global presence. It has set itself the goal of being close to its customers so that it can provide outstanding service combined with the shortest possible response and supply times.

To remain competitive, Komax's customers need to be flexible and select the optimal economic locations for their production processes – in other words, set up operations wherever their end customers are. This is also true for Komax. To ensure that it stays close to its customers, including when these customers choose to relocate, Komax likewise has to show flexibility. For this reason, Komax seeks to expand its global reach in a targeted way, be it through acquisitions – as described in the section entitled “Selective acquisitions” – or through the establishment of new sites (see pages 6 and 7). Komax's strong global presence is also reflected in the percentage breakdown of its revenues by region. The individual regions – Europe (including Africa), Asia/Pacific, and North/South America – each generated between 19% and 56% of Komax's revenues in 2019.

### Development of non-automotive markets

Komax now generates around 80% of its revenues through customers in the automotive industry. Market estimates indicate that some 60% of globally processed wiring is used in automotive manufacturing. This high proportion is explained by the fact that the automotive industry is peerless when it comes to standardization and automation. The high volume of wires needed for large-batch processing and the stringent requirements in place with regard to finish quality are key arguments in favor of automated solutions.

In addition to the automotive industry, there are countless other markets in which numerous wires are processed. Komax focuses predominantly on three additional market segments (see pages 12 and 13), all of which have synergy potential with the core business: aerospace, data communication and telecommunication (data/telecom), and industrial applications (industrial). As these offer attractive long-term growth opportunities, Komax is seeking to increase its penetration of these markets. If this is to be achieved, targeted investment in marketing and sales are essential. The success of this approach over many years is bearing fruit, as is evident from the fact that a first major order was received towards the end of 2017 from the aerospace industry, for example. Thanks to the large installations that Komax began supplying to the client in 2019, the automation of wire processing will be raised to a level that has never been seen before in the aerospace industry.

The megatrends evident in the automotive sector are influencing these three market segments in different ways. However, the potential for synergies with the existing core business in the automotive industry is considerable. The three other market segments are already addressing issues such as safety, lightweight construction, multimedia, small-batch production, and integrated production/Industry 4.0, and have been doing so for years. Moreover, Komax uses the experience gained in these areas in the development of automation solutions for the automotive industry. Conversely, the aerospace, data/telecom, and industrial market segments benefit from Komax's great expertise in the core business: in particular, Komax can adapt existing automotive solutions and, where necessary, specifically develop new products for particular segments.

R&D expenditure accounts for  
**8% – 9%**  
of revenues

## Selective acquisitions

The primary goal of the Komax Group is to grow organically. In addition, potential candidates and opportunities for acquisitions are carefully examined as part of a clearly defined acquisition strategy that revolves around its four key strategic priorities. Komax pursues this strategy as it intends to strengthen its leading market position, also making use of acquisitions and equity stakes.

The acquisitions made in recent years have played a significant role in the implementation of the strategic priorities. Examples of such acquisitions include the TSK Group (2012; solutions along the value chain), SLE quality engineering (2014; innovative production concepts), Thonauer Group (2016; increase in global reach), Laselec (2017; innovative production concepts and development of non-automotive markets), Artos Engineering (2019; increase in global reach and innovative production concepts), and Exmore (2019; innovative production concepts).

## Komax Group brands

The acquisitions of recent years mean that the Komax Group is present in the market with six further brands in addition to the Komax brand itself.

The Komax logo consists of the word "komax" in a lowercase, blue, sans-serif font. The letter "o" is stylized with a red dot above it.

Komax manufactures innovative serial production machines as well as customer-specific systems for automated wire processing. These are used for the automation of various processes, such as cutting, stripping, labelling, crimping, and twisting, but they can also be used for the fully automatic production of entire wire harnesses. Komax's customers are active primarily in the automotive, aerospace, datacom/telecom, and industrial market segments.

When it was founded by Max Koch in 1975, Komax was just a three-man operation. But even in these very early days, the company was noted for its pioneering spirit. It launched the first cutting and stripping machine with a stepping motor drive after just one year, and would go on to develop the world's first microprocessor-controlled fully automatic crimping machine in 1982. Expansion abroad likewise started at an early stage – with the foundation of Komax USA in 1981.

Komax's headquarters and largest production site are located in Dierikon, Switzerland. Outside of Europe, Komax has production sites in Asia.

*The first name in wire processing*  
**ARTOS**  
ENGINEERING COMPANY

Artos Engineering, headquartered in Brookfield, Wisconsin, USA, is a leader in the automation of wire processing in North America. The company, which was founded in 1911, has a subsidiary in France and develops serial production machines for wire processing automation. In addition, Artos Engineering has considerable experience of optimizing its machines to accommodate innovative applications tailored to customers' specific needs.

Artos Engineering has been part of the Komax Group since April 2019 and primarily serves customers in the industrial applications, automotive, and aerospace market segments.

Founded in 1993, Exmore specializes in developing customer-specific solutions for automatic wire processing. In keeping with its motto “making industrial standards work,” Exmore develops sophisticated applications with which it optimizes serial production machines and thereby meets its customers’ specific requirements. In doing so, the company focuses on the development of applications relating to the processing of sensor cables. These cables are a key element in vehicles that drive on a highly automated or even autonomous basis.

Exmore has been part of the Komax Group since October 2019 and has its headquarters in Beerse, Belgium. The technology company predominantly supplies customers from the automotive, consumer electronics, industrial applications, aerospace, and medical technology market segments.



Kabatec is a global market leader in the field of taping technology systems. This leading technology company, which is headquartered in Burghaun, Germany, specializes in taping, bundling, and fixing of holding parts to wire harnesses. Founded in 2008 by Heinz Billing and Markus Reisinger, its core expertise involves the development and production of semi-automatic and fully automatic machines for processing adhesive and non-adhesive tapes. It mainly serves customers in the automotive supply industry, offering them both serial production machines and customized systems.

Kabatec has been part of the Komax Group since 2016. The two companies had enjoyed a strategic partnership for several years prior to that.



Headquartered in Toulouse, France, Laselec develops laser-based solutions for stripping and marking wires as well as intelligent assembly boards for wire harness manufacturing. These are used mainly in the aerospace industry. The company was founded in 2001 and has a subsidiary in the US.

Laselec is one of the leading companies in the world for the development and production of serial production machines and customized solutions for laser-based wire processing. The company meets all significant international quality standards in the aviation industry and counts renowned aircraft manufacturers among its customers.

Laselec has been part of the Komax Group since 2017. Komax acquired a 20% stake in Laselec back in 2015, and the two companies have been working successfully together on various projects since then. Thanks to this partnership, Laselec’s solutions have increasingly found their way into the automotive industry.



Thonauer was founded in 1988 by Friedrich Thonauer in Austria, and is headquartered in Vienna. In addition to Austria, Thonauer is also represented in Romania, the Czech Republic, Hungary, and Slovakia. The main focus of its activities is the sale of machines for wire processing, particularly for the automotive, electric systems, and electronics industries.

The Thonauer Group has been part of the Komax Group since 2016. Prior to this acquisition, the two companies had been working together very successfully as partners for decades. Thonauer has been Komax’s representative in seven countries in Central and Eastern Europe right from the start.



TSK develops and sells test systems and adaptation units for testing wire harnesses and further electrical-electronic assemblies and components. TSK products are used predominantly in the automotive supplier industry and wherever the functionality of complex assemblies needs to be tested in order to recognize errors within the manufacturing process at an early stage.

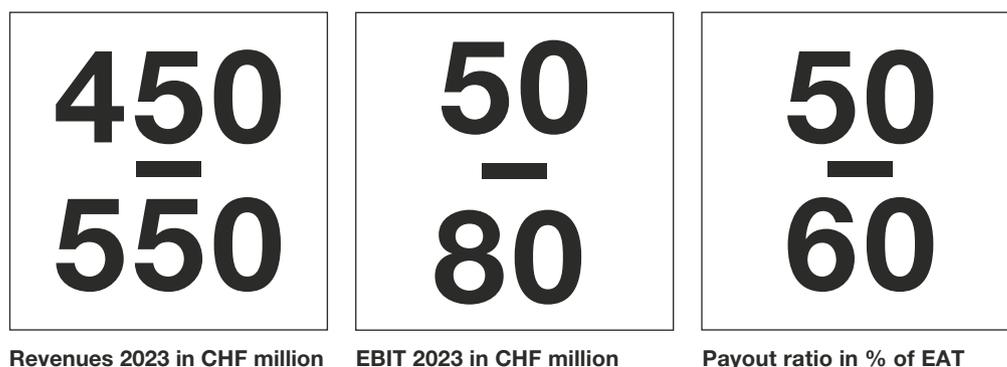
TSK has decades of experience in quality assurance in wire assembly. The company was founded in 1983 by Helmut Kahl as Test Systeme Kahl, or TSK for short, and has its headquarters in Porta Westfalica, Germany. The TSK Group manufactures in Europe, North and South America, Africa, and Asia. It has been part of the Komax Group since 2012.



## Mid-term targets

The Komax Group is distinguished by its robust equity base and strong profitability. This solid foundation enables Komax to systematically pursue opportunities to develop the company further. As an additional benefit, it offers security in challenging times.

For the current strategy period, Komax has set itself ambitious targets for growth and profitability. Given IHS Markit's current assessment of developments in the automotive market over the next few years, the Board of Directors has decided to adapt the mid-term targets (2017–2021) and define a new time horizon – 2023. Up to 2023 the following targets are in place:



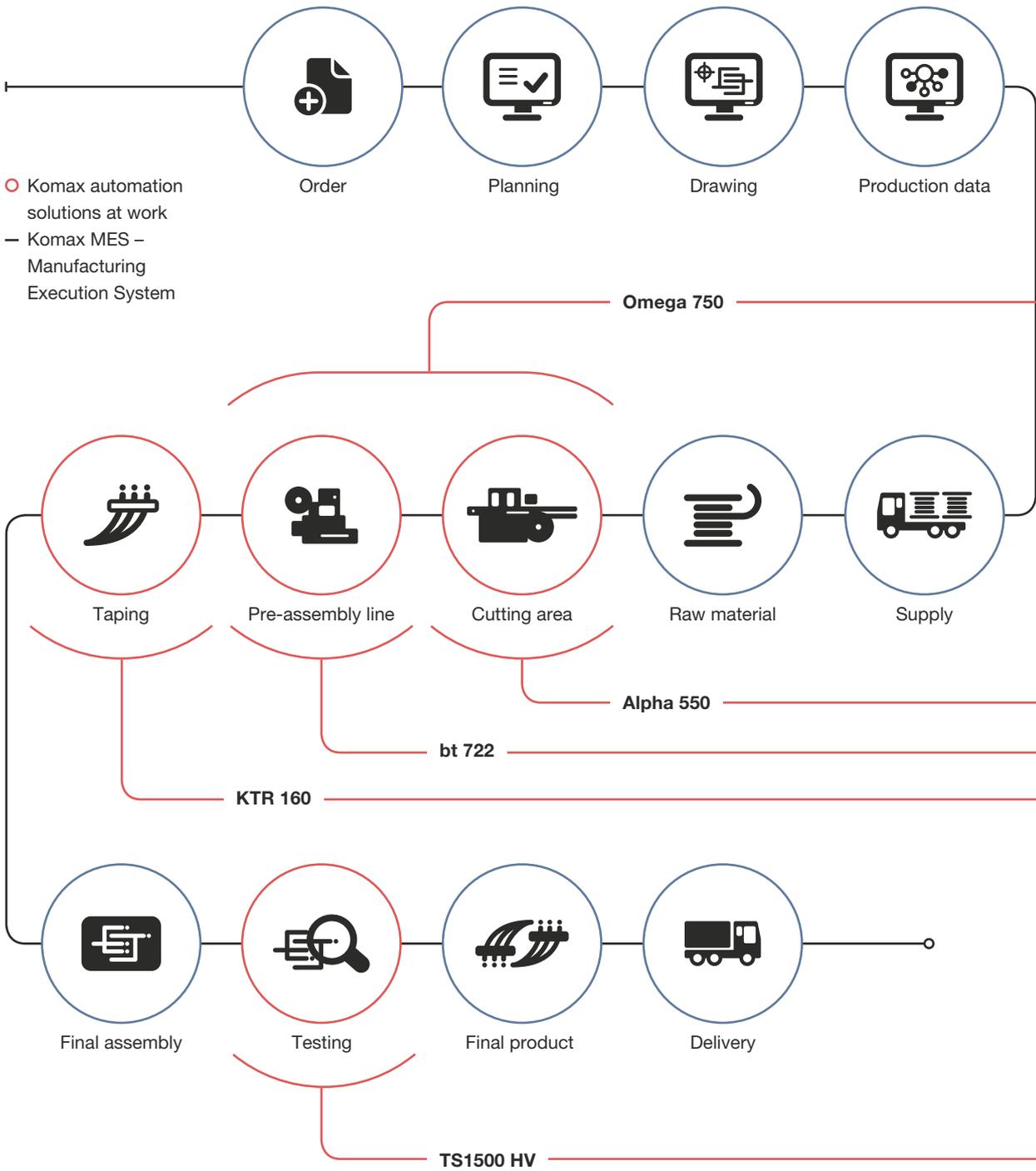
The targeted revenues figure of CHF 450–550 million by 2023 is to be achieved mainly through organic growth. Komax is expecting two factors to contribute to annual market growth of 3%–5% from 2021 onwards: the annual increase in the number of vehicles produced globally (CAGR: 1%–2%) and the steady rise in the degree of automation in wire processing (CAGR: 2%–3%). Komax is expecting to generate annual organic revenue growth at least in line with the growth of the market.

Komax has the broadest portfolio of solutions, and benefits from its global presence in growth phases. Rising revenue figures and an advantageous product mix enable Komax to deliver disproportionately high increases in profitability. It is seeking to achieve EBIT of CHF 50–80 million by 2023.

Thanks to a business strategy that is geared to long-term success, Komax creates sustainable value that benefits investors too. Komax remains committed to its payout ratio and has thus set itself the goal of distributing 50%–60% of Group profit after taxes (EAT) to its shareholders every year until 2023.

	2019	2018
Revenues (in CHF million)	<b>417.8</b>	479.7
EBIT (in CHF million)	<b>24.0</b>	67.3
Payout ratio (in % of EAT)	<b>52.3</b>	52.0

# SOLUTIONS ALONG THE VALUE CHAIN



The majority of Komax customers are wire harness manufacturers whose business consists of processing the individual wires – predominantly by hand – into wire harnesses and delivering these to vehicle manufacturers (OEMs). Komax offers its customers a wide range of solutions and systems for the automated and efficient processing of wires and for the taping and testing of wire harnesses. These are used in the cutting room, at the pre-assembly stage, and when taping and testing. In addition, Komax supports its customers along the entire value chain – from planning through to delivery – with the Komax MES. This software automates the planning, controlling, monitoring, and analysis of all resources and production processes. This has the effect of optimally deploying machines, materials, and employees, so that wire harnesses can be completed to deadline, as well as to the requisite quality.



**Cutting, stripping, crimping, block loading**

With the Omega 750, the cutting, stripping, crimping, and loading of terminals is undertaken with just one machine. The end product is a wire harness fitted with contact housings on both sides, produced in a fully automated way.



**Cutting, stripping, crimping**

Fully automatic crimping (crimp to crimp) and twisting machines can be found in the cutting room. For the double-sided crimping and fitting of seals, Komax customers use the fully automated Alpha 550 crimping machine, which can twist and tinplate the braids, among other things.



**Semi-automatic crimping**

In order to be able to process individual lines at the pre-assembly stage, customers use a machine like the bt 722 benchtop crimping press. The programmable crimp height, integrated crimp force analysis, and bad-crimp cutter ensure a final product of top quality.



**Taping**

In order to reduce sources of noise and prevent electromagnetic disruptions, wire harnesses are taped, as with the KTR 160 from Kabatec. The act of bundling wires or attaching clips to wire harnesses is likewise covered by this section of the value chain.



**Testing**

Before Komax customers deliver the completed wire harnesses to the OEM, they subject every single wire harness to a connection test (electrical test). For this they resort to the test systems of TSK, such as the TS1500 HV for high-voltage cables.

## BOARD OF DIRECTORS



### **Beat Kälin (1957)**

Non-executive, independent member and Chairman of the Board of Directors since 2015, elected until 2020, Swiss citizen, resident in Birmensdorf (CH).

Member of the Board of Directors of listed company Huber + Suhner AG, Pfäffikon ZH, Chairman of the Board of Directors of Sevensense Robotics AG, Zurich, and member of the Board of Directors of CabTec Holding AG, Rotkreuz.

Beat Kälin holds a master's degree and a doctorate in engineering from ETH Zurich. He also holds an MBA from INSEAD. From 1987 to 1997 he held various management positions in the Elektrowatt Group, Stäfa and Zug; from 1998 to 2004 he was a member of the Group Executive Board of SIG Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen am Rheinfall; from 2004 to 2006 he was a member of the Board of Management responsible for the Packaging Technology Division at Robert Bosch GmbH, Stuttgart (DE). He was COO of the Komax Group from 2006 to 2007, and CEO from 2007 to 2015. In the last three years, Beat Kälin has not been a member of the Executive Committee or had any material business relationships with the Komax Group.



### **David Dean (1959)**

Non-executive, independent member of the Board of Directors since 2014, Vice Chairman since 2019, elected until 2020, Swiss citizen, resident in Penang (MY).

Member of the Board of Directors of listed company Agta Record Ltd, Fehraltorf, Bossard Holding AG, Zug, and Burckhardt Compression Holding AG, Winterthur; he is also a member of the Board of Directors of the Brugg Group AG, Brugg, and Haag-Streit Holding AG, Köniz, as well as a member of the USA Chapter Board of the Swiss-American Chamber of Commerce, Zurich.

David Dean is an expert in accounting and controlling. He holds a federal diploma and is a certified accountant. Furthermore, he has also completed management training at Harvard Business School and IMD Lausanne. From 1980 to 1990 he worked for PricewaterhouseCoopers AG in various management functions in auditing and business consulting. Between 1990 and 1992 he was corporate controller and a member of the Executive Committee of an international logistics group. He then started working for Bossard Group, Zug – first as Corporate Controller, from 1998 to 2004 as CFO and from 2005 to 2019 as CEO. In the last three years, David Dean has not been a member of the Executive Committee or had any material business relationships with the Komax Group.



### **Andreas Häberli (1968)**

Non-executive, independent member of the Board of Directors since 2017, elected until 2020, Swiss citizen, resident in Bubikon (CH).

Member of the Industrial Advisory Board, ETH Zurich, and the Swissmem Research Commission, Zurich.

Andreas Häberli holds a master's degree in electrical engineering from ETH Zurich. He then went on to obtain a doctorate (Dr. sc. tech.) at ETH Zurich's Laboratory for Physical Electronics. Since 2003, he has held various management roles at the dormakaba Group (formerly Kaba Group), where he has been Chief Technology Officer (CTO) and a member of the Executive Committee since 2011. He was a member of the Executive Board of Sensirion AG in Stäfa from 1999 to 2003, and worked for Invox Technology (USA) from 1997 to 1999. In the last three years, Andreas Häberli has not been a member of the Executive Committee or had any material business relationships with the Komax Group.



**Kurt Haerri (1962)**

Non-executive, independent member of the Board of Directors since 2012, elected until 2020, Swiss citizen, resident in Birrwil (CH).

Member of the Board of the Swiss-Chinese Chamber of Commerce (Head of the MEM Industry Chapter), Zurich, and President of Gemeindienststiftung Emmen.

Kurt Haerri holds a degree in mechanical engineering from Lucerne University of Applied Sciences as well as an Executive MBA HSG from the University of St. Gallen. He has worked for Schindler since 1987. From 1996 to 2003 and from 2017 to 2019, he was based in China for Schindler. Since 2019 he has been Head of New Installations and Modernization of Europe North. Kurt Haerri was the President of the Swiss-Chinese Chamber of Commerce from 2006 to 2013. He was also responsible for the Asia module of an Executive MBA program at ETH Zurich. In the last three years, Kurt Haerri has not been a member of the Executive Committee or had any material business relationships with the Komax Group.



**Mariel Hoch (1973)**

Non-executive, independent member of the Board of Directors since 2019, elected until 2020, Swiss and German citizen, resident in Zurich (CH).

Member of the Board of Directors of listed company SIG Combibloc Group AG, Neuhausen am Rheinflall, and of Comet Holding AG, Flamatt; in addition, she is a member of the Board of Directors of MEXAB AG, Lucerne, as well as a member of the Foundation Board of The Schörling Foundation, Lucerne, and Co-Chair of the Zurich committee of Human Rights Watch.

Mariel Hoch obtained a PhD (Dr. iur.) from the University of Zurich and was admitted to the Zurich Bar in 2005. Since 2002 she has been with the law firm Bär & Karrer AG in Zurich, where she specializes in M&A transactions and advises listed companies on corporate and regulatory matters. Mariel Hoch has been a partner since 2012. In the last three years, Mariel Hoch has not been a member of the Executive Committee or had any material business relationships with the Komax Group.



**Roland Siegwart (1959)**

Non-executive, independent member of the Board of Directors since 2013, elected until 2020, Swiss citizen, resident in Schwyz (CH).

Member of the Board of Directors of Evatec Holding AG, Trübbach, of NZZ Media Group (AG für die Neue Zürcher Zeitung), Zurich, and of Sevensense Robotics AG, Zurich; he is also Chairman of the Board of Trustees of Gebert Rüt Stiftung, Basel, member of the Foundation Board of the BlueLion Foundation, Zurich, and a member of the Thematic Equity Advisory Board of Credit Suisse Asset Management, Zurich.

Roland Siegwart holds a master's degree in mechanical engineering as well as a doctorate from ETH Zurich. He was Professor of Microrobotics at EPFL Lausanne from 1996 to 2006, and Vice President of Research and Corporate Relations at ETH Zurich from 2010 to 2014. He has been Professor of Robotics at ETH Zurich since July 2006 and Co-Director of the Wyss Translational Center Zurich, a joint research center of ETH Zurich and the University of Zurich, since 2015. In the last three years, Roland Siegwart has not been a member of the Executive Committee or had any material business relationships with the Komax Group.

## EXECUTIVE COMMITTEE



**Matijas Meyer (1970)**

Chief Executive Officer (CEO) since 2015, member of the Executive Committee since 2010, at Komax since 2007, Swiss citizen, resident in Ebikon (CH).

Matijas Meyer holds a degree in engineering from ETH Zurich and an MBA from Cranfield University (UK). From 1998 to 2004, he was active in product development at OC Oerlikon/ESEC, Cham, and from 2005 to 2006 in product management at Tornos SA, Moutier. He joined the Komax Group in 2007, heading up the French production and development site in Rousset until 2010. He then took over as Head of the Wire business unit and was appointed member of the Komax Executive Committee. He has been CEO of the Komax Group since 2015.



**Andreas Wolfisberg (1958)**

Chief Financial Officer (CFO) since 1996, member of the Executive Committee since 1996, at Komax since 1991, Swiss citizen, resident in Adligenswil (CH).

Chairman of the Board of Directors of Kowema AG, Rotkreuz, and of its subsidiary CabTec Holding AG, Rotkreuz.

Andreas Wolfisberg is a Swiss Certified Expert in Accounting and Controlling. Before joining the Komax Group, he worked in finance at von Moos Stahl AG in Lucerne. He joined the Komax Group in 1991, initially as Department Head in finance and accounting and since 1996 as CFO and, thus, member of the Executive Committee.



**Marc Schürmann (1971)**

Executive Vice President, member of the Executive Committee since 2019, at Komax since 1995, Swiss citizen, resident in Zug (CH).

Marc Schürmann graduated as a business technician and has an Executive MBA through the Rochester-Bern executive program. He joined the Komax Group in 1995, initially as a service technician and then in various management positions in Switzerland and abroad. Among his various positions, Marc Schürmann worked for Komax France for five years and was Managing Director of Komax China in Shanghai for two years. From 2010 to 2017, he was a member of the Executive Committee of the Wire business unit of the Komax Group, latterly as Head of Marketing, Sales & Service. He has headed up a unit focusing on wire processing since 2018 and is Managing Director of Komax AG in Switzerland.



**Marcus Setterberg (1978)**

Executive Vice President, member of the Executive Committee since 2019, at Komax since 2007, Swedish citizen, resident in Bäch (CH).

Marcus Setterberg has a master of science in industrial engineering & management from the KTH Royal Institute of Technology in Stockholm, as well as a master of science in business administration and economics from the University of Stockholm. From 2004 to 2007, he was a project manager and process engineer for SIG Pack/Bosch Packaging in Neuhausen am Rheinfall in post-merger projects and projects aimed at developing the service business. Marcus Setterberg joined the Komax Group in 2007, working first in Switzerland for the global service unit. He then spent around five years in China, three of which as Managing Director of Komax China in Shanghai. Since August 2016 he has headed up a unit that focuses on testing systems for wire processing, and he is responsible for the TSK companies. In both these functions, he was a member of the Executive Committee of the Wire business unit of the Komax Group until the end of 2017.



**Günther Silberbauer (1971)**

Executive Vice President, member of the Executive Committee since 2019, at Komax since 2014, Swiss citizen, resident in Grafenau (DE).

Günther Silberbauer has a degree in mechanical engineering and business technology, as well as an Executive MBA through the Rochester-Bern executive program. From 1997 until 2010, he worked for Müller Martini in Zofingen and then until 2013 for the Bystronic Group in Niederönz. He was a member of executive management at both these companies, and held management positions in development and global distribution. Günther Silberbauer has been with Komax since 2014. He heads a unit that addresses automation along the value chain whose primary focus is on customer-specific solutions for wire processing; his roles include that of Managing Director of Komax SLE in Grafenau (Germany). He was a member of the Executive Committee of the Wire business unit of the Komax Group until the end of 2017.

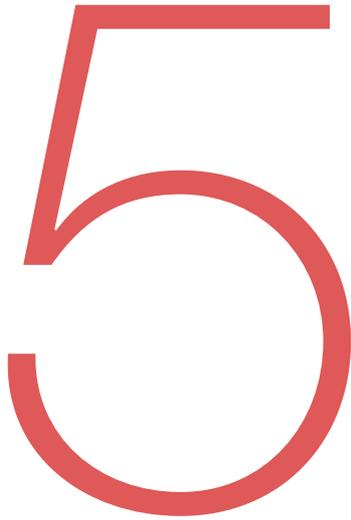
# SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Sustainability and social responsibility are core elements of Komax's corporate strategy. They are incorporated not only into the Group's long-term targets, but also into its operating activities. Komax is determined to develop its competencies in questions of sustainability and social responsibility on an ongoing basis – for the benefit of its stakeholders and the environment.

The way Komax is perceived by its customers, business partners, shareholders, and other stakeholders depends to a significant extent on the conduct of its employees. For this reason, Komax has a Code of Conduct that is binding for all employees of the Group and reviewed on a regular basis. In 2018, it was completely revised and published in 15 languages.

The Code of Conduct builds on the ethical principles Komax has been applying for many years. It defines general rules of conduct and addresses issues such as equality of opportunity, conflicts of interest, health and safety, and sustainability. In addition, it defines the five core values – innovation, customer focus, success, quality, and responsibility – that constitute a key component of the Komax Group's identity. All employees are given training on the Code of Conduct when they join the company. Violations of this code are not tolerated, and will have the corresponding consequences for the employees concerned. Anyone becoming aware of a violation may report this to their line manager, to the HR department, or to the independent external whistleblowing service ([codeofconduct@ssrlaw.ch](mailto:codeofconduct@ssrlaw.ch)).

In its commercial relationships, Komax sets great store by respect, decency, social responsibility, and consistent adherence to international guidelines. For this reason, Komax has drawn up codes of conduct for both suppliers and business partners, and where possible makes compliance with these codes a contractual obligation.



## CORE VALUES OF THE KOMAX GROUP



### INNOVATION

As a pioneering and visionary company, we ensure that our business activity has a long-term focus. We are always open to new ideas and regularly re-examine our approach. This includes looking beyond our immediate concerns. We are willing to take risks – on the basis of knowledge and understanding – in order to reinforce our leadership in terms of innovation. Following new paths can lead to mistakes. We realize and tolerate this because it gives us an opportunity to become even better. We are increasing our lead by continuing to press ahead with innovations proactively, quickly, and determinedly while remaining committed to our usual high quality standards.



### CUSTOMER FOCUS

The varying needs of our customers are at the center of our activities. We listen to them carefully and ask the right questions. Understanding their requirements enables us to keep on improving. We strive to ensure that our solutions offer our customers added value, so that they can increase their efficiency and productivity and thus gain a competitive advantage. We are close to our customers, communicate actively, and foster friendly, long-term relationships and partnerships based on respect and esteem.



### SUCCESS

We pursue ambitious targets and make an effort to achieve them every day. As a market and technology leader we make high demands of ourselves and strive to find the best solution for our customers. Our long history of success encourages us to continue the success story and create sustainable value. This benefits our customers, employees, and investors. We want all these stakeholders to share equally in our success. We nurture competent, committed employees who enable us to retain loyal, satisfied customers.



### QUALITY

Our day-to-day work is driven by quality and a willingness to examine what we do critically. We provide our customers with solutions that fully meet our quality requirements and supply what we have agreed. This commitment lies at the heart of our long-term, trusting customer relationships. Our efforts to keep on getting better include always delivering the agreed quality and actively asking customers how we can improve further. It is clear to us that this creates trust, which is of inestimable value.



### RESPONSIBILITY

We take our responsibility towards our customers, employees, and investors seriously and act as a reliable, trustworthy partner. Our integrity and ability to keep to our agreements and meet our deadlines make us stand out from the crowd. We keep our word and ensure that our partners and colleagues do so too. A strong sense of shared responsibility is important to us and we are careful to foster it. We take responsibility for our actions, make decisions, and carry them out. If we pass our responsibility on to others, we do so deliberately and ensure that they assume it in turn.

## Product sustainability

The machines developed by Komax are characterized by their exceptionally high quality and longevity. The Group's own global service network and its collaboration with partners ensure that these machines are professionally maintained. This has a positive impact on their performance, value retention, and life span, and it saves resources generally. Komax also ensures servicing and the availability of upgrades and replacement parts years beyond its contractual obligations. Thanks to their modular construction, the machines can usually be adapted to new technological developments or changing needs. As a result, numerous products have been used by customers for decades.

### Reduction in consumption of resources

When developing new machines, Komax goes to great lengths to ensure that the consumption of resources is continuously reduced – both in the production process and during the life cycles of the machines at the factories of its customers. For example, in the past few years, Komax has paid particular attention to electricity consumption in new machine models. Thanks to the optimization of specific elements, such as ventilation for cooling a control cabinet, Komax has been successful in reducing energy consumption of individual machine models. Extrapolated to the level of annual production of these models, this results in a saving of hundreds of megawatt hours of electricity each year.

### Declining consumption of fuel and materials

The wire processing solutions delivered by Komax do not contain any environmentally harmful components. In the automotive supply industry, these solutions are used to process wiring for new fuel-saving propulsion concepts such as electric and hybrid vehicles, among other things. Moreover, the innovative technologies mean that ever smaller wire cross-sections and innovative materials such as aluminum can be machine-processed, thereby contributing to a reduction in vehicle weight and, as a result, fuel consumption. In addition, the automated taping solutions, for example, help Komax's customers to use less adhesive tape than they would in the case of manual taping.

Komax commissions independent market research companies to carry out customer satisfaction analyses on a regular basis. These evaluate the degree of customer loyalty and the extent to which Komax meets customer expectations, for example. Komax sets particular store by customer feedback on improvement potential.

In 2011, Komax launched its "Oekomax" program in Switzerland with the aim of continually optimizing environmental protection. Ever since, a team comprising employees from various areas of the company has been looking at sustainability issues. The spectrum of themes ranges from campaigns that motivate employees to be sparing in the use of resources through to ideas as to how the energy efficiency of newly developed machinery can be increased.

10 %  
fewer occupational  
accidents since  
2016/2017

**5** %  
**reduction in  
consumption of  
electricity and  
drinking water by  
2021**

### Sustainability in procurement

The company believes in long-term partnerships, and selects suppliers which demonstrate an environmentally aware approach and whose products conform to sustainability criteria. This is ascertained with the assistance of a supplier evaluation questionnaire, which evaluates new as well as existing partners on the basis of uniform criteria. These criteria include the status that suppliers attach to sustainability, quality, price, supply chain, delivery reliability, and production technology. Furthermore, in a code of conduct drawn up specially for suppliers, Komax obliges its suppliers to comply with legislation and to act in an environmentally aware and ethical way. Compliance with agreed guidelines and indicators is reviewed in regular supplier audits. If violations are uncovered, a supplier partnership may be immediately terminated as a result.

In addition to the investment volume, key criteria when evaluating and selecting new production systems include energy efficiency, environmental friendliness, and the economical use of resources.

### Sustainability in production

A large proportion of Komax Group's value creation consists of engineering services. The majority of components are manufactured and supplied by third parties, which means that actual production at Komax primarily comprises the assembly of components. Accordingly, Komax generates relatively few emissions compared to other industrial companies.

#### Operational Excellence

Highly automated, state-of-the-art production systems are used for strategically important components that Komax manufactures in-house. These are based on lean management concepts, the aims of which include the avoidance of errors and minimization of rejects. The careful and efficient use of resources has top priority: wherever possible, waste materials and wastewater are recycled or disposed of appropriately, while the volume of waste is reduced continuously thanks to optimization programs. Wherever possible, Komax uses renewable energies such as solar or hydroelectric power. For example, in Switzerland – the country in which Komax has the highest production volume – the company obtains natural energy from Central Switzerland's RegioMix scheme, and has its own photovoltaic power plant on the roof of its production building in Rotkreuz.

A photovoltaic power plant was also installed at the new production and development building in Dierikon (see page 7). This plant is able to cover the electricity requirement of the new building for around one month. In order to save resources, Komax is sparing in its use of technical solutions, such as artificial ventilation, illumination, and motorized shading. The internal courtyard plays a key role here, as it brings plenty of light to the inner zone. In addition, as a vertical flue it dissipates warm air and thereby stimulates natural ventilation via the external facade. When it comes to the heating of the new building, Komax has opted for district heating. Komax will also heat the other existing buildings in Dierikon on a CO<sub>2</sub>-neutral basis in the future: the transition will be made from oil heating to district heating in the first quarter of 2020.

Key factors in Komax's pursuit of Operational Excellence include safety and the protection of its employees' health. Management attaches high priority to this issue, which is why internal processes are regularly reviewed for safety and health risks. Furthermore, employees are sensitized to possible risks in the workplace at the individual production sites in a targeted way. The low number of occupational accidents over a period of many years is testimony to the success of initiatives in this area. In 2019, the number of occupational accidents across the Komax Group as a whole increased somewhat, from 25 to 30. Komax has set itself the target of reducing occupational accidents by 10% (compared with the average for 2016 and 2017, namely 33 work-related accidents) by 2021. Although Komax has more production sites and 20% more employees than in 2016/2017, the number of occupational accidents has decreased by 10% in this time frame. Komax is keen to see this positive trend persist, and is looking to exceed the target it has set for 2021 thanks to the implementation of various measures.

#### Certification status and integrated management system

The key production locations of the Komax Group, namely in Brazil, China, Germany, France, Switzerland, Tunisia, Turkey, Hungary, and the US, are all ISO 9001-certified. In addition, Komax AG's sites in Dierikon, Rotkreuz, and Küssnacht am Rigi, as well as Komax SLE in Grafenau, TSK in Porta Westfalica, and SC Thonauer Automatic in Bucharest all have ISO 14001 certification. These six sites employ around 950 people. All have integrated management systems that encompass all company processes, the environment, health protection, and workplace safety.

Country	Company	Certification		
<b>Brazil</b>	TSK do Brasil Ltda.	ISO 9001		
<b>China</b>	Komax Shanghai Co. Ltd.	ISO 9001		
<b>Germany</b>	Komax SLE GmbH & Co. KG	ISO 9001	ISO 14001	DE AEOC 104360
	TSK Prüfsysteme GmbH	ISO 9001	ISO 14001	
<b>France</b>	Laselec SA	ISO 9001		
<b>Austria</b>	Thonauer Gesellschaft m.b.H.	ISO 9001		
<b>Romania</b>	SC Thonauer Automatic s.r.l.	ISO 9001	ISO 14001	OHSAS 18001
<b>Switzerland</b>	Komax AG	ISO 9001	ISO 14001	ISO 45001
<b>Czech Republic</b>	Thonauer spol. s.r.o.	ISO 9001		
<b>Tunisia</b>	TSK Tunisia s.a.l.	ISO 9001		
<b>Turkey</b>	TSK Test Sistemleri Ltd. Şti.	ISO 9001		
<b>Hungary</b>	Komax Thonauer Kft.	ISO 9001		
<b>USA</b>	Artos Engineering Company	ISO 9001		
	Komax Corporation	ISO 9001		
	TSK Innovations Co.	ISO 9001		

#### Resource and energy savings targets

In collaboration with the Energy Agency for the Economy (Energie-Agentur der Wirtschaft, EnAW), Komax has established resource and energy savings targets for the Swiss sites in Dierikon and Rotkreuz. For example, by the end of 2021, per head electricity consumption is to be reduced by 3% versus the 2018 level (2923 MWh or 4.7 MWh per employee). This follows on from a reduction in per head electricity consumption of approximately 20% between 2014 and 2018. Komax took its first step towards attaining its target in 2019. A total of 2870 MWh of electricity was consumed at both locations, corresponding to per head consumption of 4.5 MWh or a reduction of over 4% versus the prior year. Electricity consumption is expected to increase in 2020 as the new additional building in Dierikon is occupied, which means that the reduction target of 3% remains ambitious.

Even though it could result in a slight increase in electricity consumption, Komax is promoting e-mobility at its sites in Dierikon and Rotkreuz. Since February 2019, a total of six charging stations at the two locations are available for use by employees and customers for electric vehicles. The mobility bonus introduced in 2017 is helping to cut carbon emissions: all employees in Switzerland who forego motorized private transport on their journey to and from work will receive CHF 100 a month.

Komax is successively expanding its reporting on sustainability issues. To give just one example, Komax now reports electricity consumption figures for all its production sites – whereby these sites encompass the consumption of more than 80% of the Komax Group’s workforce. Up to 2017, only around half of the production sites were covered for reporting purposes. Komax has set itself the target of reducing electricity and drinking water consumption by 5% in each case compared to 2017. The Group’s per head electricity consumption has fallen significantly since 2017 – by 7.7% or 3.9 MWh to 3.6 MWh. Per head consumption of drinking water at the Swiss locations witnessed an even more substantial drop since 2017, down 18.4%, or from 7.6 m<sup>3</sup> to 6.2 m<sup>3</sup>.

<b>Sustainability: key figures</b>	2019	2018
Consumption/accidents <sup>1</sup>		
Electricity in MWh	<b>6 696</b>	6 088
Electricity per head in MWh	<b>3.6</b>	3.7
Number of occupational accidents	<b>30</b>	25
Number of occupational accidents for every 1 000 employees	<b>16.0</b>	15.1
Consumption/waste <sup>2</sup>		
Drinking water in m <sup>3</sup>	<b>4 233</b>	5 359
Drinking water per head in m <sup>3</sup>	<b>6.2</b>	8.0
Paper in kg	<b>5 655</b>	6 799
Paper per head in kg	<b>8.3</b>	10.2
Refuse in kg	<b>32 784</b>	46 889
Refuse per head in kg	<b>48.0</b>	70.0

<sup>1</sup> Covering all production sites of the Komax Group.

<sup>2</sup> Covering the production sites in Dierikon (CH), Rotkreuz (CH), Küssnacht am Rigi (CH).

## Contribution to regional development

Komax has been firmly rooted in the Canton of Lucerne, Switzerland, since 1975, where it is one of the region’s biggest employers. The Group is committed to Switzerland as a business location because it offers a good environment, facilitates very high productivity, and has a large pool of highly qualified labor. As well as being an important employer in the region, Komax is also committed to advancing young people in a number of different areas (including education, sport, the arts, and social involvement).

The production and distribution sites that the Group has established around the world since 1975 remain in their original locations, which generates a strong sense of identification with local areas. Among other things, this manifests itself in the fact that a large number of employees can be recruited regionally and preference can be given to local suppliers wherever this is feasible and makes commercial sense.



“As the driving force in the market, Komax gives its employees the opportunity to shape the industry and take control of their success.”



## Attractive employer

At the end of 2019, Komax employed 2 211 staff worldwide (2018: 2 006 staff). Average headcount in 2019 worked out at 2 125 employees (2018: 1 936 employees). This increase is essentially related to the acquisition of Artos Engineering and Exmore, plus an increased headcount in companies in North Africa, which have reported a marked growth in orders. Personnel expenses in the year under review amounted to CHF 161.0 million (2018: CHF 157.4 million).

### 2019

	CH <sup>1</sup>	Europe <sup>1</sup>	Americas <sup>1</sup>	Asia <sup>1</sup>	Africa <sup>1</sup>	Total
Production	224	336	95	76	75	<b>806</b>
Research and development	159	50	5	27	0	<b>241</b>
Engineering	26	121	23	17	16	<b>203</b>
Marketing and sales	191	135	63	54	19	<b>462</b>
Service	20	90	65	65	17	<b>257</b>
Administration <sup>2</sup>	63	90	46	32	11	<b>242</b>
<b>Total headcount as at 31 December 2019</b>	<b>683</b>	<b>822</b>	<b>297</b>	<b>271</b>	<b>138</b>	<b>2211</b>

### 2018

	CH	Europe	Americas	Asia	Africa	Total
Production	241	309	84	78	45	<b>757</b>
Research and development	149	38	0	30	0	<b>217</b>
Engineering	31	97	19	15	11	<b>173</b>
Marketing and sales	181	116	57	53	16	<b>423</b>
Service	24	80	54	61	17	<b>236</b>
Administration <sup>2</sup>	51	77	36	27	9	<b>200</b>
<b>Total headcount as at 31 December 2018</b>	<b>677</b>	<b>717</b>	<b>250</b>	<b>264</b>	<b>98</b>	<b>2006</b>

<sup>1</sup> The individual companies and their locations are listed on page 112.

<sup>2</sup> Including management and IT.

The companies of the Komax Group ensure that their employees enjoy equal opportunities, equal treatment, and fair employment conditions, receive pay that is in line with the market, and benefits that are in line with national and industry standards. Participation in the pay comparison survey conducted by industry association Swissmem showed that pay at the Swiss production sites is in line with market averages and that men and women receive equal pay. The proportion of women in the Group's global workforce was 20.2% in 2018 (2018: 20.4%). Komax is not alone within the industry in having a relatively low proportion of women in its workforce. The main reason for this phenomenon is the large number of technical positions within the company, for which the recruitment potential among women is limited.

The Group's staff turnover rate has been gratifyingly low for many years. In 2019, it amounted to 8.3% (2018: 6.9%).

### Active employee development

Komax has a very good reputation as an attractive employer, which is partly explained by its corporate culture. This is characterized by mutual respect, trust, and awareness of the paramount importance of quality. In addition, the needs of employees themselves are not neglected, despite ambitious targets. As part of an active staff development policy, Komax organizes regular management seminars and training for its employees, as well as providing financial support for individual training activities. Each year, Komax spends some 1% of its personnel budget on training. Moreover, Komax also encourages international exchanges to allow its staff to gain new experiences and expand their career perspectives.

As the world's leading company in automated wire processing, Komax gives its employees the opportunity to shape the industry and take control of their careers. Here Komax relies on three principles: the scope to create change, responsibility, and togetherness.



## Scope to create change

### Room for ideas

We give our employees the room to maneuver to pursue their tasks and develop as individuals. Everyone counts.

We facilitate development.

## Togetherness

### Inspiration through community

We maintain a valued working atmosphere with international character and sense of togetherness. Everyone is part of the whole.

We maintain an inspiring togetherness.

## Responsibility

### Commitment builds trust

Room to maneuver requires commitment and shared responsibility. We challenge our employees. Everyone takes responsibility.

We take and delegate responsibility, which forms commitment between us.

### Young Community @Komax

In order to better understand the needs of our younger employees (those under 30) and thereby provide them with more targeted support, Komax founded the Young Community in Switzerland in 2018. The Young Community is a network comprising some 60 young Komax employees, and is organized like an association. It offers its members a platform on which they can communicate their needs relating to their employer and working environment, and develop any necessary measures and solutions. Once a year, the Young Community's steering committee discusses with the CEO the themes that it has addressed; it is also responsible for maintaining a direct line of communication between younger employees and their employer throughout the year. A multifaceted program involving workshops, specialist talks, and events to strengthen the Community is spread across the year. A further core component is the promotion of knowledge exchange and an understanding of the different activities pursued at Komax. This is achieved, for example, by two members of the Young Community exchanging roles for half a day. Komax is convinced that it can continue to develop as an employer with the help of the Young Community, as well as making itself attractive to talented young employees.

**YOUNG  
COMMUNITY**

### Major investment in tomorrow's workforce

Komax is committed to the training of tomorrow's professional specialists as a way of safeguarding its global market and technology leadership. In 2019, 51 apprentices (2018: 47) were undergoing training in 10 professions at the Group's Swiss sites, and 57 apprentices (2018: 43) were being trained in Germany (Grafenau, Porta Westfalica, and Burghaun). Komax has steadily increased the number of apprenticeships on offer since 2016 – from 74 to 108.

Komax offers its apprentices a wide-ranging training experience. The young professionals are right at the heart of the action, actively following every step of a machine's development from inception through to production readiness. During their training, they get an insight into the various departments' activities and thus gain an understanding of the numerous processes that take place in a company. Komax has state-of-the-art workstations as well as well-equipped mechanical workshops and assembly areas for the specific apprenticeship subjects. The budding professionals are supervised by a motivated team of trainers who not only possess strong technical and teaching skills, but also sensitivity to the social needs of the young people in their charge.

In addition to professional training, Komax also offers apprentices a number of interesting benefits such as language courses, cultural events, preventive health measures, and its own team building events. Once apprentices have completed their training, Komax helps them make the transition to full professional life, either at the site where they trained or at one of the company's locations abroad. Moreover, the company supports the people it has trained in their professional development and further vocational training.

### Satisfied and healthy employees

Employee satisfaction is systematically measured and evaluated in the course of annual performance review meetings. Komax uses the results of regular employee surveys as a valuable basis for developing and implementing improvement measures. The results of the surveys conducted in conjunction with external partners in recent years have for the most part been very positive, and in many places far above the industry average. No employee surveys were carried out in 2019. Employee surveys are planned at a number of companies in 2020.

It goes without saying that Komax satisfies all legal requirements with respect to working conditions in the countries it operates in. Furthermore, it actively promotes the health of its staff at the various locations by means of various measures. In Switzerland, for example, staff benefit from the occupational health management scheme fit@work. The focal points of the fit@work initiative are movement, nutrition, and relaxation. Komax helps its employees to improve their physical and mental fitness with a multi-faceted offering that encompasses free sports offers, fruit initiatives, workshops, and specialist talks. Another key element of fit@work is the employee health survey, which is conducted every three years.

As a further measure to promote the health of its workforce, Komax also takes part in the "bike to work" initiative that takes place in Switzerland every year. This involves Komax encouraging its employees to commute by bike as often as possible in the month of June. In 2019, 112 employees (2018: 100 employees) participated in this initiative, racking up more than 26 000 kilometers (2018: more than 30 000 kilometers) in the saddle.

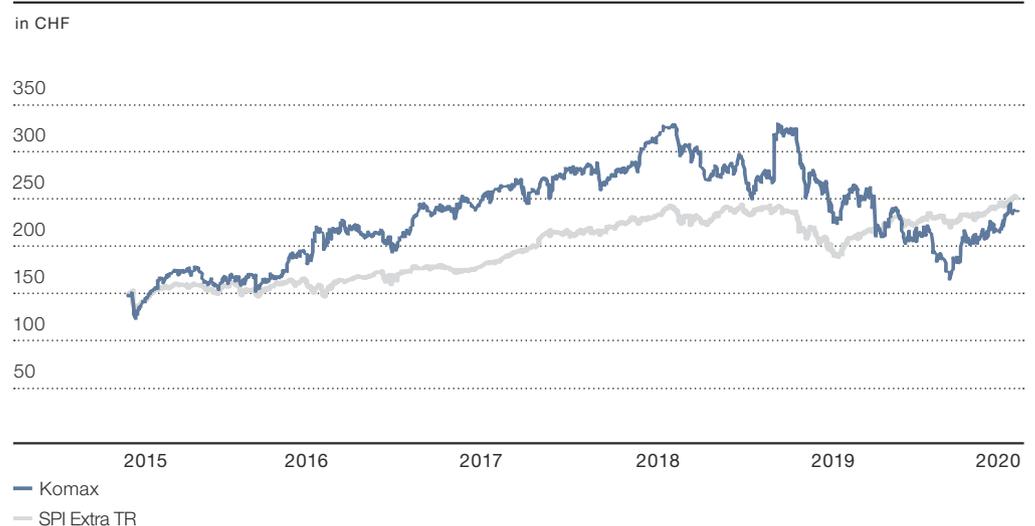
fit@work

# INFORMATION FOR INVESTORS

Komax cultivates a policy of open and transparent communication with its investors. It allows shareholders to participate in the company's success through its attractive, sustainable dividend policy (payout ratio 50%–60%).

Over the course of 2019, the daily closing price of the Komax share ranged between CHF 165.10 and CHF 264.00. The year-end closing price was CHF 236.40. This represents an increase of 2.8% on the 2018 year-end closing price (CHF 230.00). The very positive stock market environment seen in Switzerland in 2019 prompted a substantially stronger increase in the SPI Extra – up 30.4%. As a result, the SPI Extra outperformed the Komax share on a five-year comparison as well. While the value of the Komax share rose by around 60% in the last five years, the SPI Extra gained approximately 69% in the same period.

## Share price development (5 January 2015 – 31 December 2019)



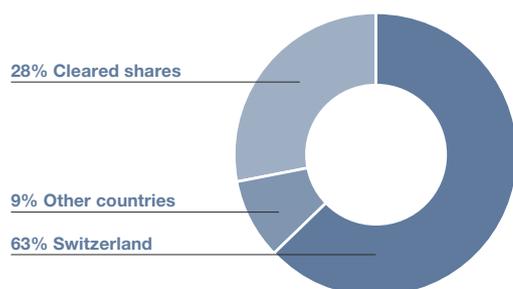
## Listing

Komax is listed on SIX Swiss Exchange. The market capitalization of the Komax Group at the end of 2019 was CHF 910.1 million.

ISIN	CH0010702154
Security number	1070215
Bloomberg code	KOMN SW
Thomson Reuters code	KOMN.S

## Geographical distribution of shareholdings

The majority of shares not held in Switzerland are held in Germany, the United Kingdom, Luxembourg, and the United States.



## Breakdown of shareholders by number of registered shares held

	31.12.2019	31.12.2018
1–100	4 325	3 787
101–1 000	2 493	1 964
1 001–10 000	276	247
10 001–100 000	22	25
> 100 000	4	4

As in the two preceding years, the shareholder base widened significantly in 2019. At the end of 2019, 7 120 shareholders were entered in the share register. This represents an increase of 1 093 shareholders compared to the end of 2018. Over the last three years the company's shareholder base has more than doubled (3 150 shareholders as at 31 December 2016).

## Free float

The free float as defined by SIX Swiss Exchange stands at 100%.

**52%**  
**payout ratio**

### Disclosure of shareholdings / significant shareholders

Under Art. 120 of the Financial Market Infrastructure Act, FinMIA, anyone who acquires or sells equity securities on their own account and thereby attains, falls below, or exceeds the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50%, or 66⅔% of the voting rights in a company (whether or not such rights may be exercised) is subject to a reporting obligation. Information on these significant shareholders can be found on page 58 of this report.

The reporting obligation applies to anyone who directly, indirectly, or in concert with third parties acquires or disposes of shares in a company incorporated in Switzerland whose equity securities are listed in whole or in part in Switzerland. It also applies to anyone who can exercise the voting rights attached to such equity securities at their own discretion. Disclosure must be made to the company and stock exchanges on which the equity securities in question are listed.

### Dividend policy

The Board of Directors has defined an attractive dividend policy with a payout ratio of 50%–60% for the current strategy period. It is proposing to the Annual General Meeting of 21 April 2020 a dividend of CHF 1.80 per share (2018: CHF 7.00), corresponding to a payout ratio of 52.3% (2018: 52.0%). Accordingly, Komax continues to achieve its strategic target. CHF 0.20 per share (2018: CHF 0.80) will be distributed from capital contribution reserves, and will therefore be tax-free for natural persons domiciled in Switzerland who hold the shares as part of their private assets. Following this distribution, the capital contribution reserves will be practically used up, allowing no further distribution from these reserves.

### Financial calendar

Annual General Meeting	21 April 2020
Dividend payment	27 April 2020
Half-year results 2020	18 August 2020
Investor Day	23 October 2020
Preliminary information on 2020 financial year	26 January 2021
Annual media and analyst conference on the 2020 financial results	16 March 2021
Annual General Meeting	14 April 2021

## Komax registered share: key data

		2019	2018	2017	2016 <sup>1</sup>	2015 <sup>1</sup>
Share capital as at 31 Dec.	in TCHF	<b>385</b>	385	383	377	369
Number of shares as at 31 Dec.	No.	<b>3 850 000</b>	3 847 510	3 834 482	3 774 148	3 691 651
Average number of outstanding shares	No.	<b>3 843 352</b>	3 830 864	3 810 276	3 741 364	3 652 728
<b>Key data per share</b>						
Par value	CHF	<b>0.10</b>	0.10	0.10	0.10	0.10
Basic earnings	CHF	<b>3.44</b>	13.52	11.05	10.34	8.00
EBITD	CHF	<b>9.58</b>	20.52	17.35	17.22	16.19
EBIT	CHF	<b>6.25</b>	17.56	14.45	14.81	13.67
Shareholders' equity	CHF	<b>63.53</b>	73.20	67.33	65.23	76.70
Distribution	CHF	<b>1.80<sup>2</sup></b>	7.00	6.50	6.50	6.00
Payout ratio	%	<b>52.3<sup>2</sup></b>	52.0	59.2	63.4	75.0
Dividend yield as at 31 Dec.	%	<b>0.8<sup>2</sup></b>	3.0	2.0	2.6	3.1
<b>Share price development</b>						
Highest price	CHF	<b>264.00</b>	329.00	319.50	251.25	194.90
Lowest price	CHF	<b>165.10</b>	223.00	243.50	180.10	122.90
Closing price as at 31 Dec.	CHF	<b>236.40</b>	230.00	319.50	251.25	194.90
Average daily trading volume	No.	<b>16 802</b>	13 342	12 274	8 191	7 881
P/E (price-earnings ratio) as at 31 Dec.		<b>68.7</b>	17.0	28.9	24.3	24.4
<b>Total return per share</b>						
Distribution from prior-year profit	CHF	<b>7.00</b>	6.50	6.50	6.00	5.00
Change in value	CHF	<b>6.40</b>	-89.50	68.25	56.35	50.40
Total (total return)	CHF	<b>13.40</b>	-83.00	74.75	62.35	55.40
Annual return <sup>3</sup>	%	<b>5.83</b>	-25.98	29.75	31.99	38.34

<sup>1</sup> Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly. 2015 is reported according to IFRS.

<sup>2</sup> Proposal of the Board of Directors of Komax Holding AG: distribution of CHF 1.80 per registered share.

<sup>3</sup> Change on prior-year-end closing price.

Further information on the Komax registered share can be found on the internet at [www.komaxgroup.com](http://www.komaxgroup.com).

# CORPORATE GOVERNANCE

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Ensuring good corporate governance is very important to Komax. Objectives in this area include safeguarding company value and success in the interest of customers, shareholders, staff, creditors, suppliers, and the public, as well as the provision of transparent, rapid, and simultaneous information to all stakeholder groups. Komax takes as its starting point the principles and regulations of the “Swiss Code of Best Practice” of Economiesuisse and the Directive on Information Relating to Corporate Governance (Directive Corporate Governance, DCG) of SIX Exchange Regulation, and gives account of developments in this area each year in the Annual Report. The key elements are laid down in the Articles of Association, the Organizational Regulations, and the Regulations on the Remuneration Committee and the Audit Committee. In addition, the Board of Directors regularly looks at the issue of corporate governance and initiates the corresponding adjustments where appropriate.

## 1 Corporate structure and shareholders

### Corporate structure

The Group structure and subsidiaries belonging to the Group are set out on pages 112 and 113 of the Annual Report. With the exception of Komax Holding AG, no companies with listed participation securities form part of the scope of consolidation.

Komax Holding AG, the holding company of the Komax Group, has its headquarters in Dierikon, Switzerland. Details on the place of listing, market capitalization, security, and ISIN numbers are set out on page 54 (“Information for investors”).

### Major shareholders

Shareholders whose share of the company’s share capital exceeds or falls below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50%, and 66⅔% have a reporting obligation under the Financial Market Infrastructure Act (FinMIA). According to the disclosure reports submitted, the company had the following major shareholders holding more than 3% of the votes as at 31 December 2019:

Shareholder / Shareholder group	Number of shares 31.12.2019	Share in % 31.12.2019 <sup>1</sup>
Max Koch, Meggen, Switzerland	190 285 <sup>2</sup>	4.946
BlackRock, Inc., New York, USA	145 963 <sup>3</sup>	3.794
Leo Steiner, Steinhausen, Switzerland	126 954 <sup>4</sup>	3.300

<sup>1</sup> The calculation is based on the 3 847 510 registered shares listed in the Commercial Register as at 31 December 2019.

<sup>2</sup> Notification of position falling below 5% threshold on 13 March 2018.

<sup>3</sup> Notification of breach of 3% threshold on 26 June 2019.

<sup>4</sup> Notification of breach of 3% threshold on 19 December 2007.

All shareholdings reported to Komax Holding AG and the Disclosure Office of SIX Swiss Exchange during the 2019 financial year as per Art. 120 of the Financial Market Infrastructure Act have been published on SIX Swiss Exchange AG’s electronic publication platform, and can be viewed at [www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

### Cross-shareholdings

There are no cross-shareholdings.

## 2 Capital structure

### Capital

in CHF	
Ordinary capital	385 000.00
Conditional capital	0.00
Authorized capital	0.00

Further details are provided in the sections below.

#### Authorized and conditional capital in particular

For details on conditional capital, please see page 107 of the consolidated financial statements of Komax Holding AG as well as Art. 3.2 of the Articles of Association.

The Annual General Meeting of 13 May 2009 approved the creation of new conditional capital up to a maximum of CHF 18 000, thereby allowing the share capital of the company at that time to rise by up to CHF 46 248 to cover the exercising of option or subscription rights issued as part of the Executive and Employee Participation Programs of Komax Holding AG. The subscription and advance subscription rights of the remaining shareholders in the company are excluded.

The allocation of options was undertaken in a framework determined by the Remuneration Committee. The option plan of Komax Holding AG was authoritative. The individual allocation of options was at the discretion of the Board of Directors and senior management. These options had a duration of five years and were subject to a three-year lock-in period. The predetermined exercise price of the option corresponds to the lower of the following two values: the average price of the fourth quarter of the preceding year, or the average price in March of the year the option was issued. In 2015, the allocation of share options was discontinued and replaced by share-based programs. The most recently allocated options, i.e. those allocated in 2014, were convertible into shares up to 31 December 2018 at the latest. Further information on the Komax Group's employee participation programs can be found on pages 76 and 77 and 115 to 117 of the Annual Report.

In 2010, 13 360 options were converted into shares with a par value of CHF 0.10. In 2011, no options were exercised, and in 2012, 42 909 options were exercised. The number of options exercised in 2013 amounted to 79 991; the figure for 2014 was 81 321, for 2015 86 550, 2016 82 497, 2017 60 334, and for 2018 13 028. In 2019, 2 490 new shares were created from the conditional capital remaining as at 31 December 2018 (CHF 249.00). There was thus no conditional capital as at 31 December 2019.

The new capital created in 2019 was reported within the deadline stipulated under Art. 635h of the Swiss Code of Obligations (CO).

Komax Holding AG has no authorized capital.

#### Capital changes

Details of capital changes in 2018 and 2019 can be found on page 86 of the financial section of this Annual Report. The corresponding information for 2017 can be found on page 82 of the financial section of the 2018 Annual Report.

#### Shares, participation certificates, and bonus certificates

As at 31 December 2019, Komax Holding AG had fully paid-up capital of CHF 385 000.00 and distributed over 3 850 000 registered shares with a par value of CHF 0.10 each. Each registered share entitles the holder to vote at the Annual General Meeting as long as the shareholder is listed in the share register as a "voting shareholder" (see also "Restrictions on transferability of shares and nominee registrations" on page 60). Registered shares are fully entitled to receive dividends. Komax Holding AG has not issued any participation certificates or bonus certificates.

### **Restrictions on transferability of shares and nominee registrations**

The Komax Holding AG share register is divided into the categories of “non-voting shareholders” and “voting shareholders.” “Non-voting shareholders” may exercise all property rights, but not the right to vote or rights associated with that of voting. “Voting shareholders” may exercise all rights associated with the share (Articles of Association, Section 6 para. 2).

Registration of an acquirer of shares as a “voting shareholder” may be refused under Komax Holding AG’s Articles of Association (Section 6 para. 4) if, as a result of such recognition, the acquirer would directly or indirectly hold more than 15% of the total number of shares recorded in the Commercial Register. Legal entities and groups with joint legal status which are connected through capital, voting rights, management, or in some other manner, along with all natural persons, legal entities, and groups with joint legal status which act in concert by virtue of agreement, syndicate, or in some other manner, are regarded as a single acquirer for the purposes of this provision. This limitation also applies in the case of the acquisition of registered shares through the exercising of subscription rights, option rights, or conversion rights. No requests for an exception were made in the year under review. This restriction does not apply to the acquisition of shares through inheritance, division of an estate, or joint marital property.

Komax Holding AG’s Articles of Association (Section 6 paras. 5 and 6) also empower the Board of Directors to refuse entry in the share register if the acquirer does not expressly declare, at the request of the Board, that the shares were acquired in his/her own name and for his/her own account. Nominees are listed in the share register as “non-voting shareholders.” After hearing the affected party, Komax Holding AG may delete entries in the share register if such entries occurred in consequence of false statements by the acquirer. The acquirer must be informed of the deletion immediately.

### **Convertible bonds and options**

Komax Holding AG has no outstanding convertible bonds. Details on employee options can be found on the previous page under “Authorized and conditional capital in particular” as well as on page 115 of the Annual Report.

### **Management transactions**

The Listing Rules of SIX Swiss Exchange stipulate a disclosure obligation for management transactions. The Board of Directors has issued a set of regulations to comply with these provisions. Members of the Board of Directors and Executive Committee have a disclosure obligation towards the company in this respect. A total of three notifications were submitted in the 2019 financial year (2018: 19 notifications). At [www.six-exchange-regulation.com/en/home/publications/management-transactions.html](http://www.six-exchange-regulation.com/en/home/publications/management-transactions.html) (website of SIX Swiss Exchange) published notifications can be found.

### 3 Board of Directors

The Board of Directors comprised six individuals as at 31 December 2019. No member of the Board of Directors was a member of the Executive Committee in the three financial years prior to the reporting period, and no member of the Board of Directors has any material business relationship with any Group companies.

#### Members of the Board of Directors

	Appointed	Term expires	Committees
Beat Kälin, Chairman	2015	2020	RC (Chairman)
David Dean, Vice Chairman	2014	2020	AC (Chairman)
Andreas Häberli	2017	2020	RC
Kurt Haerri	2012	2020	AC
Mariel Hoch	2019	2020	AC
Roland Siegwart	2013	2020	RC

AC: Audit Committee

RC: Remuneration Committee

There are no cross-involvements among the Board of Directors. Biographies of the individual Board members and details of their other activities and interests are provided on pages 38 and 39 of the Annual Report.

#### Statutory regulations with respect to the number of permissible activities as per Art. 12 para. 1 point 1 ERCO

According to Section 21 para. 3 of the Articles of Association, the number of permissible mandates of members of the Board of Directors in the highest management or administrative bodies of legal entities which are obliged to have themselves entered in the Commercial Register or in a corresponding foreign register and which are not controlled by the company or do not control the company shall be

- four additional mandates for listed companies,
- five additional mandates for non-listed companies, and
- five additional mandates for charitable organizations,

as long as this does not involve any breach of statutory provisions and in particular the due diligence obligations of the Board of Directors. Mandates with different companies that belong to the same corporate group count as a single mandate. Mandates undertaken by a member of the Board of Directors at the behest of a Group company or to exercise an office under public law are not covered by the restriction on additional mandates described above.

The assumption of mandates other than those stipulated above is permissible without numerical restriction, as long as these mandates are unremunerated and do not interfere with the Board member's fulfilment of his/her obligations in respect of the company. The reimbursement of expenses does not count as compensation.

#### Election and term of office

According to the Articles of Association (Section 14 para. 1), the Board of Directors consists of three to seven members. It is predominantly composed of independent, non-executive members, who are elected individually by the Annual General Meeting for a term lasting until the end of the next Annual General Meeting. The Annual General Meeting also elects the Chairman. Members may be re-elected. There is no restriction on the length of a member's term of office. The Articles of Association provide no regulations regarding the appointment of the Chairman and the members of the Board of Directors that deviate from statutory provisions.

The Chairman and all other members of the Board of Directors will be proposed for re-election at the next Annual General Meeting on 21 April 2020.

### Internal organization

The Board of Directors consists of the Chairman and a maximum of six other Board members. With the exception of the Chairman, who is elected by the Annual General Meeting unless that position becomes vacant during the year, the Board of Directors organizes itself. If the office of Chairman becomes vacant during the period of office, the Board of Directors will nominate a new Chairman for the remaining period of office, whereby this person must be an existing member of the Board of Directors.

The Chairman is responsible for chairing meetings. The Board of Directors additionally appoints a Secretary, who does not need to be a member of the Board of Directors. The Board of Directors meets as often as business requires, but no less than four times per year. It convenes at the invitation of the Chairman. Each member of the Board of Directors is also entitled to demand that a meeting be called to discuss a particular topic. In this case, the Chairman convenes the meeting within 14 days of receiving the request.

The Board of Directors is deemed to have a quorum if an absolute majority of its members are present in person. The resolutions of the Board of Directors are adopted by an absolute majority of votes present. In the event of a tie, the Chairman casts the deciding vote. All resolutions are minuted. In cases of urgency, a meeting of the Board of Directors may be held by telephone or other appropriate medium. Resolutions by circular letter are permissible provided no Board member calls for verbal discussion.

Five ordinary meetings of the Board of Directors were held in 2019. All Board members were present at all meetings. On average, these meetings lasted around eight hours. However, these average times pertain to the actual duration of the meetings themselves, and do not take into account the preparatory and follow-up work done by the individual members. Within the Board of Directors, there are two committees that are exclusively made up of non-executive Board members.

Every year, the Board of Directors undertakes an evaluation of its own work as well as that of its committees. In addition, it regularly scrutinizes the composition of the Board.

#### – Remuneration Committee

This Committee amalgamates the tasks of a remuneration and nomination committee. The Remuneration Committee consists of a maximum of three non-executive members. The Committee is elected by the Annual General Meeting. Members' term of office ends with the conclusion of the next Annual General Meeting. Re-election is permissible. The current members are Beat Kälin (Chair), Andreas Häberli, and Roland Siegwart. The Board of Directors is proposing to the Annual General Meeting of 21 April 2020 that the three existing members be re-elected.

The Articles of Association provide no regulations regarding the appointment of Committee members that deviate from statutory provisions. If a member leaves the company prior to completing his term of office, the Board of Directors will appoint a replacement from among its number for the remaining period of office.

The Remuneration Committee meets as often as business requires, but at least twice a year. The invitation, which contains details of the agenda items, is issued in writing at least ten days prior to the meeting. The CEO and other members of the Executive Committee may attend these meetings in an advisory capacity. However, they do not take part in discussions concerning their own compensation. The Committee Chairman reports to the Board of Directors on the activities of the Committee after every meeting. The minutes of Committee meetings are made available to members of the Board of Directors.

In 2019, the Committee held two ordinary meetings; in each case, all members were present. On average, these meetings lasted a good four hours. These average times do not include the preparatory and follow-up work done by the individual members.

The tasks of the Remuneration Committee include supporting the Board of Directors in the fulfilment of the compensation and staff policy duties assigned to it by current legislation and the Articles of Association. In particular, the Remuneration Committee puts forward proposals on remuneration policy and prepares all relevant decision-making material for the Board of Directors with respect to the appointment and remuneration of members of the Board of Directors and the Executive Committee. The

detailed tasks and competencies of the Remuneration Committee are formulated in a set of Regulations for the Remuneration Committee. Further details on the Remuneration Committee can be found in the Compensation Report on pages 69 to 81.

– **Audit Committee**

The members of the Audit Committee are David Dean (Chair), Kurt Haerri, and Mariel Hoch. The Committee meets at least twice a year. Two ordinary meetings took place in 2019, with all members being present on both occasions. On average, these meetings lasted four hours. These average times do not include the preparatory and follow-up work done by the individual members.

The tasks of the Audit Committee include the overall supervision of the external and internal auditors, as well as financial reporting. The Audit Committee sets out the scope and schedule of the audits to be carried out by the two auditing bodies and also coordinates their work.

Both the external and internal auditors draw up a report on their audit work, and the Audit Committee monitors implementation of the audit findings. Furthermore, the Audit Committee evaluates the reliability of the internal control system and risk management, and acquires a picture of the extent to which statutory and internal regulations are being adhered to (compliance).

The CEO and the CFO both attend meetings of the Audit Committee. The external auditor is invited to attend. The CFO represents the internal audit unit. Both bodies have access to the minutes of the meetings of the Board of Directors and Executive Committee. The detailed tasks and competencies of the Audit Committee are set out in the Organizational Regulations for the Audit Committee.

**Definition of areas of responsibility**

According to Art. 716a para. 1 CO and Section 19 of the Articles of Association, the Board of Directors must fulfil the following tasks:

- Overall management of the company and issuance of the necessary directives
- Defining the company's organizational structure
- Determining the principles of accounting, financial controlling and financial planning, insofar as this is necessary for the management of the company
- Appointing and removing the persons entrusted with managing and/or representing the company
- Ultimate supervision of the persons entrusted with managing the company, specifically with respect to prevailing legislation, the Articles of Association, regulations, and directives
- Producing the Annual Report, making preparations for the Annual General Meeting, and executing the resolutions passed by the Annual General Meeting
- Drawing up the Compensation Report
- Informing the courts in the event of excessive indebtedness
- Passing resolutions on supplementary contributions for shares not fully paid in
- Resolutions for the approval of capital increases and the resulting amendments to the Articles of Association

The tasks, obligations, and powers of the Board of Directors, its Chairman, and the Committees are set out in detail in the Articles of Association, the Organizational Regulations of Komax Holding AG, and the Regulations for the Remuneration Committee and the Audit Committee. These also define the rights, obligations, and competencies of the CEO and Executive Committee. The relevant regulations are reviewed on a regular basis and amended where necessary. The most recent adjustments have been in force since 13 June 2019.

To the extent permitted by law and by the Articles of Association, the Board of Directors has delegated operational management of the company to the CEO of the Komax Group. The Executive Committee is made up of the CEO, CFO, and three further members. The members of the Executive Committee are appointed by the Board of Directors at the proposal of the Remuneration Committee.

#### **Information and control instruments in respect of the Executive Committee**

The CEO informs the Board of Directors at each ordinary meeting about the course of business, the Group's most important transactions, and the status of the tasks delegated to the Executive Committee. In addition, the key data generated by the management information system (MIS) is discussed at length with the CEO and CFO at these meetings. The Board of Directors is provided with full details of the current course of business and the financial situation of the Group between each meeting. In addition, the Chairman of the Board of Directors and the CEO are in regular contact to discuss important questions of company policy.

The risks associated with the Group's commercial activities are systematically identified, analyzed, monitored, and managed through an institutionalized risk management function. These risks are amalgamated into groups according to their nature, namely general external risks, business risks, financial risks, risks arising in connection with corporate governance, trade compliance, and IT risks. The Executive Committee is responsible for the operational side of risk management, whereby specially appointed process owners are assigned responsibility for the management of key individual risks. These process owners take specific measures and monitor their implementation. Every year, the Executive Committee informs the Audit Committee of the risks identified and measures taken as part of risk management activities.

The MIS of the Komax Group is organized as follows: each subsidiary's key balance sheet and profit and loss figures are compiled and consolidated once a month. The subsidiaries' balance sheets, income statements, cash flow statements, and various indicators are compiled and consolidated on a quarterly, half-yearly, and yearly basis. A comparison is then made with the previous year and the budget. The budget forecast is checked for attainability against the quarterly statements for each individual company and on a consolidated basis.

Using key controls, the internal control system (ICS) ensures proper and efficient management, safeguards assets, prevents and identifies offences and errors, and ensures accurate and complete accounting records as well as timely preparation of reliable financial information. A report setting out the results of these investigations and the corresponding measures taken is submitted to the Audit Committee.

The internal audit function evaluates the effectiveness of the ICS as well as management and monitoring processes. It also supports the Executive Committee in the risk management process. Internal audit duties are performed by the Finance & Accounting unit of Komax Management AG, Dierikon. This unit scrutinizes the individual operating units of the Group and the various business areas of the parent entity at regular intervals, and on the basis of an annually updated audit plan. The internal auditors report the results of their investigations to the Audit Committee. The Audit Committee reviews and approves the scope of the audit, the audit plan, and the corresponding responsibilities. It also decides on any measures to be implemented as a result of internal audit findings.

## 4 Executive Committee

The Executive Committee is made up of the CEO, CFO, and three further members.

	Function exercised since
Matijas Meyer, CEO	2015
Andreas Wolfisberg, CFO	1996
Marc Schürmann	2019
Marcus Setterberg	2019
Günther Silberbauer	2019

The Executive Committee was expanded from two to five members with effect from 1 January 2019. Previously, it consisted of the CEO and CFO. Biographies of the members of the Executive Committee are provided on pages 40 and 41. Jürgen Hohnhaus is replacing Günther Silberbauer on the Executive Committee with effect from 1 January 2020.

### Other activities and interests

Aside from the mandates listed on pages 40 and 41, the members of the Executive Committee did not exercise any activities on management or supervisory bodies of significant Swiss and foreign corporate entities, institutions, or foundations under private or public law outside the Komax Group as at 31 December 2019.

### Statutory regulations with respect to the number of permissible activities as per Art. 12 para. 1 ERCO

According to Section 26 para. 1 of the Articles of Association, the number of permissible mandates of members of the Executive Committee in the highest management or administrative bodies of legal entities which are obliged to have themselves entered in the Commercial Register or in a corresponding foreign register and which are not controlled by the company or do not control the company shall be

- two additional mandates for listed companies,
- two additional mandates for non-listed companies, and
- five additional mandates for charitable organizations,

as long as this does not involve any breach of statutory provisions and in particular the applicable due diligence obligations and the duty of loyalty. Mandates with different companies that belong to the same corporate group count as a single mandate. Mandates undertaken by a member of the Executive Committee at the behest of a Group company are not covered by the additional mandate restriction.

Executive Committee members may not accept any of the above-mentioned mandates without the prior written approval of the Board of Directors. The assumption of mandates other than those stipulated above is permissible without numerical restriction, as long as these mandates are unremunerated and do not interfere with the Executive Committee member's fulfilment of his obligations regarding the company. The reimbursement of expenses does not count as compensation.

### Management contracts

No management agreements exist with companies or natural persons outside of the Group in relation to transferred management responsibilities.

## 5 Compensation, shareholdings, and loans

Details of compensation, shareholdings, and loans are set out in the Compensation Report on pages 69 to 81 of this Annual Report.

## 6 Shareholder participation rights

The fundamental participation rights of shareholders are set out in the Swiss Code of Obligations (CO) and supplemented by the provisions of the company's Articles of Association. There are no regulations on participation in the Annual General Meeting that deviate from statutory provisions. The Articles of Association of Komax Holding AG are available in electronic form on the website [www.komaxgroup.com/articles-of-association](http://www.komaxgroup.com/articles-of-association).

### **Voting rights and representation restrictions**

Shareholders registered in the Komax Holding AG share register are entitled to vote; each share is entitled to one vote. Treasury shares do not confer the right to vote. No single shareholder may directly or indirectly exercise the votes of more than 15% of the total number of shares recorded in the Commercial Register for his/her own registered shares and shares voted by proxy. Legal entities and groups with joint legal status which are connected through capital, voting rights, management, or in some other manner, along with all natural persons, legal entities, and groups with joint legal status which act in concert by virtue of agreement, syndicate, or in some other manner, are regarded as one person for the purposes of this provision. Representation by the independent proxy remains reserved.

Shareholders may be represented at the Annual General Meeting by another shareholder with voting rights on the basis of a written power of attorney, and by the independent proxy on the basis of electronic or written power of attorney. The Chairman of the Annual General Meeting shall decide on the permissibility of representation. The independent proxy is elected by the Annual General Meeting up until the end of the next Annual General Meeting. The Articles of Association provide no regulations regarding the appointment of the independent proxy that deviate from statutory provisions. The statutory voting rights limitation may be removed by a resolution by the Annual General Meeting. Such a resolution must be carried by an absolute majority of voting shares represented.

### **Statutory quorums**

The Annual General Meeting votes and passes its resolutions with the absolute majority of votes represented, unless prevailing legislation or the Articles of Association contain mandatory provisions under which resolutions have to be passed in a different way. In addition to the resolutions specified in CO Art. 704, under the Articles of Association of Komax Holding AG, a two-thirds majority of votes cast and an absolute majority by value of shares voted is required to dismiss members of the Board of Directors.

### **Convocation of the Annual General Meeting of shareholders and agenda**

The convocation of the Annual General Meeting is governed by applicable law. Shareholders representing at least 1% of the share capital can request that items be placed on the agenda for discussion by submitting the proposed motions in writing by the deadline published by the company.

**Entries in the share register**

Any person acquiring shares is listed as a “shareholder with voting rights” up to a maximum of 15% of the total number of shares published in the Commercial Register. Any person owning more than 15% of the published shares will be entered as a “non-voting shareholder” for the portion in excess of 15% (Komax Holding AG Articles of Association, Section 6 para. 4; see also “Restrictions on transferability of shares and nominee registrations” on page 60).

**Invitation to the Annual General Meeting of 21 April 2020**

All shareholders registered in the Komax Holding AG share register as at 5:00 p.m. on 14 April 2020 are entitled to vote in respect of the number of shares registered in their name at the Annual General Meeting of 21 April 2020. Shareholders registered on 11 March 2020 will receive an invitation indicating the proposals of the Board of Directors together with a reservation and entry ticket coupon. Shareholders who acquire shares later and whose registration application is received by the Komax Holding AG share register no later than 14 April 2020 will receive the invitation at that time, or ballot materials will be waiting for them at the front desk of the Annual General Meeting. Shareholders who dispose of their shares before the Annual General Meeting are not entitled to vote. In the event of a partial sale or purchase of additional shares, the entry ticket received should be exchanged at the front desk on the date of the Annual General Meeting.

## 7 Changes of control and defense measures

**Duty to make an offer**

Upon reaching or exceeding a threshold of 33⅓, a shareholder must submit an offer to all shareholders for the purchase of their shares (Art. 135 FinMIA). The Articles of Association do not contain any opting-out or opting-up regulations.

**Clauses on change of control**

At the Komax Group, change-of-control clauses are not included in employment contracts. However, the members of the Board of Directors, Executive Committee, and middle management are entitled to exercise their share-based remuneration in part or in full, without regard to the applicable time limits, in the event of a change in control.

## 8 Auditors

**Duration of the mandate and term of office of the lead auditor**

PricewaterhouseCoopers AG, Basel, has been the statutory auditor of Komax Holding AG and the Komax Group’s consolidated financial statements since 1994. Pursuant to the provisions of the Swiss Code of Obligations, the lead auditor is replaced after a maximum term of seven years. The lead auditor has been responsible for the audit mandate since 2017.

**Audit fee**

PricewaterhouseCoopers invoiced the Komax Group CHF 737 079 in the 2019 financial year for services in connection with auditing the annual statements of Komax Holding AG and the Group companies, as well as the consolidated statements of the Komax Group.

**Additional fees**

During the 2019 financial year, PricewaterhouseCoopers invoiced additional fees amounting to a total of CHF 74 515. This breaks down into fees of CHF 48 964 for tax and legal advice and CHF 25 551 for transaction services and other consultancy fees.

### Information instruments of the external audit

The Audit Committee is responsible for evaluating the external auditors, who submit an audit report to the Board of Directors and senior management. At least two consultations are held each year between the external auditors and the Audit Committee, at which the material findings for each company (management letters) and the consolidated financial statements covered by the audit report are discussed in detail. The auditors also explain the audits conducted (audit and review) for each company along with recent changes in Swiss GAAP FER standards and their impact on the Komax Group's consolidated annual statements.

The services provided by the statutory auditors are evaluated by the Audit Committee on the basis of the quality of reporting and the audit reports, the implementation of the audit plan, and the level of cooperation with the internal audit team. The independence of the auditors is verified by comparing the fee for additional services charged by the external auditors with the audit fee, taking into account the scope of these additional services.

## 9 Information policy

Komax Holding AG informs all stakeholders transparently, rapidly, and simultaneously. The CEO, CFO, and the Head of Investor Relations/Corporate Communications are available as contact partners for information purposes.

The consolidated financial statements are compiled in conformity with Swiss GAAP FER standards. Komax Holding AG publishes comprehensive financial results twice a year, for the first half and the full year. In addition to the financial results, shareholders and the financial markets are also regularly informed of significant changes and developments.

Komax Holding AG publishes facts relevant to its share price in conformity with the disclosure policies of SIX Swiss Exchange Ltd. (ad hoc publicity, Art. 53 of the Listing Rules). The Listing Rules can be downloaded at [www.six-exchange-regulation.com](http://www.six-exchange-regulation.com). The official publication for company notices is the "Swiss Official Gazette of Commerce" ("Schweizerisches Handelsamtsblatt").

Information on share price trends, annual and half-year reports, the financial calendar, the minutes of the most recent Annual General Meeting, media releases, and Komax Holding AG's Articles of Association and Organizational Regulations are available at [www.komaxgroup.com](http://www.komaxgroup.com). Media and analyst conferences are held at least once a year. Anyone who wants to receive all media releases of Komax Holding AG by e-mail should sign up to the mailing list on the Komax website.

### Contact

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# COMPENSATION REPORT

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This Compensation Report provides an overview of the compensation policy and compensation systems of Komax Holding AG, as well as the principles used to determine the compensation of the Board of Directors and the Executive Committee. In addition, the compensation paid in 2019 is disclosed in detail. The Compensation Report has been drawn up in accordance with the provisions of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), the Directive Corporate Governance (DCG) of SIX Swiss Exchange, and the principles of the “Swiss Code of Best Practice for Corporate Governance” of Economiesuisse.

## 1 Introduction by the Chairman of the Remuneration Committee

Dear Shareholder,

Komax generates around 80% of its revenues through customers in the automotive industry. Since this industry is currently encountering difficulties, 2019 was a very challenging year for Komax. After the record result in 2018, revenues declined by 12.9% in the year under review, while EBIT contracted by 64.2%. This Compensation Report reflects this development. The Komax compensation system is structured in such a way that, in a year in which financial performance is unsatisfactory, the cash bonus decreases accordingly. The amount of the cash bonus awarded annually to the Executive Committee is linked to the development in revenues and EBIT, as well as the degree to which individual objectives are attained in the year under review. As you can see in the Compensation Report (see page 79), this has resulted in the Executive Committee receiving a cash bonus for 2019 that is significantly lower than that for 2018.

2019 was a demanding year for Komax, and it was a year in which the Remuneration Committee addressed various personnel and organizational issues. On behalf of the Remuneration Committee, I would like to provide you with more detail on this over the following paragraphs.

One of the topics facing the Remuneration Committee in 2019 was appointing a replacement on the Executive Committee for Günther Silberbauer, who will focus exclusively on his role as Managing Director of Komax SLE in Grafenau, Germany, from 2020. In Dr. Jürgen Hohnhaus, who holds a degree in mechanical engineering, Komax has recruited a successor with many years' experience in executive roles as general manager, business unit head, and CTO in the mechanical engineering and automation sectors. He was appointed to the Komax Executive Committee on 1 January 2020. The Board of Directors also witnessed a change – as announced in 2018 – in the year under review. Daniel Hirschi did not stand for re-election at the 2019 Annual General Meeting. Dr. Mariel Hoch, partner at the law firm Bär & Karrer AG in Zurich, was elected to the Board of Directors with an outstanding result. She now sits on our Audit Committee.

To withstand a difficult market environment, being able to react swiftly to changes is vital. Two important elements of this are an agile organization and a flexible workforce that knows the market well and can implement effective measures at the right time. Consequently, in 2019 the Remuneration Committee focused intensively on the topic of agile organizational structures. Another area looked at in connection with this was talent management. As a market and technology leader, it is imperative that Komax is an attractive employer for both internal and external talent.

As in past years, you will have the opportunity at the Annual General Meeting, to be held on 21 April 2020, to vote on this Compensation Report and thereby formally register your opinion on our compensation system. Your vote is important to us, too, because it is an important part of the Annual General Meeting's approval of the maximum possible total compensation for the Board of Directors and the Executive Committee for the 2021 financial year. I can assure you that we remain unwaveringly committed to our restrained compensation policy and are aware of our responsibilities. You can find detailed information on our compensation model and the compensation granted to the Board of Directors and the Executive Committee in 2019 on the following pages.

Yours sincerely,



Dr. Beat Kälin  
Chairman of the Remuneration Committee

## 2 Tasks and competencies of the Remuneration Committee

Under the Articles of Association, Organizational Regulations and Regulations of the Remuneration Committee of Komax Holding AG, the Remuneration Committee is the supervisory body for staff and compensation policy within the Komax Group. The Committee amalgamates the tasks of a remuneration and nomination committee.

It has the following responsibilities and competencies:

- Development and regular review of staff policy and compensation policy, including the principles of variable compensation and shareholding program
- Annual review and determination of the maximum total compensation amounts payable to the Board of Directors and the Executive Committee, as well as preparation of the related proposals to the Annual General Meeting
- Proposal on the individual compensation payable to members of the Board of Directors and the CEO within the limits approved by the Annual General Meeting
- Resolutions on the compensation payable to the other members of the Executive Committee within the limits approved by the Annual General Meeting
- Succession planning for the Board of Directors, Executive Committee, and other key functions
- Annual assessment of the independence of the members of the Board of Directors
- Annual assessment of the performance of the CEO and the members of the Executive Committee
- Preparation of the Compensation Report

The Committee monitors and regularly discusses trends and developments in the area of compensation, including any changes to statutory provisions or changes to provisions on corporate governance.

### Delineation of competencies

	CEO	Committee	BoD	AGM
Compensation policy, including the principles of variable compensation and participation program		proposes	approves	
Maximum total compensation for the Board of Directors and the Executive Committee		proposes	submits	approves (binding vote)
Individual compensation of the members of the Board of Directors		proposes	approves	
Evaluation of the performance of the CEO		proposes	approves	
Compensation of the CEO		proposes	approves	
Evaluation of the performance of the other members of the Executive Committee	proposes	approves		
Individual compensation of the other members of the Executive Committee	proposes	approves		
Compensation Report		proposes	approves	confirms (advisory vote)

Under the Articles of Association, the Remuneration Committee consists of a maximum of three non-executive members of the Board of Directors. The Committee is elected by the Annual General Meeting. Members' term of office ends with the conclusion of the next Annual General Meeting. Re-election is permissible. The 2019 Annual General Meeting elected Beat Kälin (Chairman), Andreas Häberli, and Roland Siegwart to the Committee.

The Remuneration Committee meets as often as business requires, but at least twice a year, generally in March and December. Compensation issues are discussed at the March meeting. These discussions include the assessment of the individual performance of the CEO and other members of the Executive Committee for the previous year, the determination of the individual compensation payable to members of the Board of Directors and the Executive Committee, and the approval of the Compensation Report. At the December meeting, staffing questions are discussed, along with corporate governance issues. In addition, the performance targets for the CEO and the other members of the Execu-

tive Committee are set for the following year. In the reporting year, the Committee held two ordinary meetings; in each case, all members were present. The Chairman of the Committee may invite the CEO and other members of the Executive Committee to meetings in an advisory (non-voting) capacity. However, they do not take part in discussions concerning their own performance and compensation. The Committee Chairman reports to the Board of Directors on the activities of the Committee after every Committee meeting. The minutes of Committee meetings are made available to all members of the Board of Directors.

Furthermore, the Committee may call in external consultants and draw on their assistance when fulfilling its duties.

### 3 Provisions of the Articles of Association on compensation

In compliance with the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), the Articles of Association contain provisions relating to remuneration which are reproduced below in abbreviated form (as an excerpt) and set out in detail in sections 13 and 25 of the Articles of Association:

<b>Principles for the compensation of members of the Board of Directors</b>	<ul style="list-style-type: none"> <li>– Members of the Board of Directors receive fixed compensation in cash as well as in shares under the company's employee participation program.</li> <li>– The calculated value (fair value) of the shares at the time of allocation may not exceed the amount of compensation paid in cash.</li> <li>– The Board of Directors determines the conditions that apply to shares.</li> <li>– The lock-in periods are at least three years.</li> </ul>
<b>Principles for the compensation of members of the Executive Committee</b>	<ul style="list-style-type: none"> <li>– Members of the Executive Committee receive a fixed base salary, variable performance-related compensation, and shares under the company's employee participation program.</li> <li>– The Board of Directors determines the conditions for the performance-related compensation component on an annual basis. These are linked to the attainment of one or more performance criteria, whereby these criteria are either company-related or individual in nature.</li> <li>– The target amount may not exceed 50% of the annual fixed compensation. If targets are not attained, the performance-related compensation may fall to zero. If all targets are significantly exceeded, it may go up to a maximum of 100% of the annual fixed compensation.</li> <li>– The Board of Directors determines the conditions that apply to shares. The calculated value (fair value) of the shares at the time of allocation may not exceed 100% of the annual fixed compensation.</li> <li>– The lock-in periods are at least three years.</li> </ul>
<b>Binding vote on the compensation paid to the Board of Directors and Executive Committee</b>	<ul style="list-style-type: none"> <li>– The Annual General Meeting holds a separate vote each year on the total amount of compensation payable to the Board of Directors and to the Executive Committee.</li> <li>– The vote has binding effect, and applies for the coming financial year to the relevant total maximum amounts that may be paid to members of the Board of Directors and the Executive Committee.</li> </ul>
<b>Additional sum for payments to members of the Executive Committee appointed after the binding vote of the AGM</b>	<ul style="list-style-type: none"> <li>– The additional amount for the compensation of members of the Executive Committee appointed after the Annual General Meeting may not exceed 30% of the approved total amount of compensation payable to the Executive Committee.</li> </ul>
<b>Pension benefits</b>	<ul style="list-style-type: none"> <li>– The pension benefits of members of the Executive Committee are only paid within occupational domestic and foreign pension plans provided by the company or its Group companies.</li> <li>– The benefits and the employer contributions are solely drawn from the above-mentioned occupational plans.</li> <li>– Retirement benefits are provided solely within the context of the company's ordinary pension plans.</li> </ul>

The Articles of Association of Komax Holding AG can be found at [www.komaxgroup.com/articles-of-association](http://www.komaxgroup.com/articles-of-association).

## 4 Principles of compensation policy

### Board of Directors

The members of the Board of Directors only receive fixed compensation. This ensures that they are independent in their supervision of the Executive Committee. Their compensation is paid in cash and restricted shares, thereby ensuring alignment with the long-term interests of shareholders. The amount of compensation reflects the importance of the mandate in question, and is generally based on the typical levels of compensation paid to board members of other listed Swiss industrial companies of comparable size and complexity.

### Executive Committee

The compensation policy for members of the Executive Committee is determined by the Board of Directors. It is geared to key principles that take into account the corporate strategy of the Komax Group, which aims for profitable growth, as well as the company's wider values with respect to sustainability and social responsibility. The compensation system is intended to provide an incentive to create and preserve value for shareholders. It is also designed to motivate top managers to achieve exceptional performance and to retain them in the long term. The amount of compensation awarded reflects the company's long-term financial success.

<b>Performance orientation</b>	A significant proportion of compensation is directly linked to the operating and financial performance of the company and the attainment of individual objectives.
<b>Alignment with shareholder interests</b>	A proportion of compensation consists of Performance Share Units, which are intended to align the interests of management more closely with the long-term interests of the shareholders. Furthermore, there is a direct correlation between the amount of compensation paid and the long-term success of the company.
<b>Market comparability</b>	The compensation rates are in line with the market when compared with similar positions in comparable companies.
<b>Fair compensation</b>	The compensation reflects the job profile, the responsibility, the capabilities, and the experience of the function holder.
<b>Transparency</b>	The compensation system is straightforward and transparent.

The compensation paid to the Executive Committee is determined on the basis of the following key factors:

<b>Practice of competitors</b>	Compensation paid by other international Swiss industrial companies listed on the SIX Swiss Exchange and included in the SPI Extra. These are companies of comparable complexity, size and geographic reach to Komax from the sectors systems and mechanical engineering, automation, chemicals, electrical engineering, logistics, and supply engineering. The sources used for the benchmark comparison are publicly accessible data such as compensation reports and the Ethos study on remuneration in Swiss companies. With no benchmark comparison having been undertaken in 2018, various specific benchmark studies were conducted in 2019, on the basis of which the compensation of the members of the Executive Committee was reviewed. The results of the studies indicate that certain target amounts for compensation needed to be increased.
<b>Performance</b>	The financial performance of the company and its relevant business areas, and the attainment of individual targets agreed as part of the annual performance management process.
<b>Available financial resources of the company and market situation</b>	Budget-related considerations, inflation, and wage trends in the local market.

## 5 Structure of the compensation system

### 5.1 Board of Directors

The members of the Board of Directors only receive fixed compensation. To strengthen the alignment of their interests with the long-term interests of shareholders, their compensation is paid partly in cash and partly in restricted shares.

The amount of compensation depends on the responsibilities of the individual as well as the time taken up by their mandate, and is based on the following structure:

in CHF	Basic annual fee	Attendance fee	Annual allocation of restricted shares <sup>1</sup>
Chairman of the Board of Directors	187 500	5 000	60 000
Vice Chairman of the Board of Directors	75 000	2 500	30 000
Board member	75 000	2 500	25 000
Chairman of a committee	0	5 000	0
Member of a committee	0	2 500	0

<sup>1</sup> Fixed amount in CHF: is divided by the share price as per allocation date (average closing price over the last 40 trading days prior to allocation) and rounded up to the nearest number of full shares.

The basic annual fee in cash (incl. expense allowance) and attendance fees are paid out in April and December for the current calendar year. Restricted shares are allocated at the end of the member's period of office shortly before the Annual General Meeting; the lock-in period is three years. In the event of retirement, death, or disability, the entitlement to restricted shares is calculated on a pro rata temporis basis. In such cases, the lock-in period may be either continued or rescinded at the discretion of the Board of Directors. In the event of a change in company control, the lock-in period is automatically rescinded.

Additional compensation may be paid for exceptional efforts that cannot be considered part of the ordinary Board of Directors activity. No such additional compensation was paid in 2019.

The Compensation granted to members of the Board of Directors is subject to the standard social security deductions. The members of the Board of Directors do not participate in the staff pension plans of Komax.

## 5.2 Executive Committee

In keeping with the principles of performance orientation and alignment with the long-term interests of shareholders, the CEO and the other members of the Executive Committee receive a fixed salary component, a variable, performance-related cash bonus, a long-term incentive component in the form of Performance Share Units, and occupational benefits.

	Purpose	Driver	Performance criterion	Period	Instrument
<b>Fixed compensation</b>	Attract, retain, motivate	Function, market comparability	–	Ongoing	Monthly cash payments
<b>Cash bonus</b>	Pay for performance	Financial and individual performance	Revenues, EBIT, individual objectives	One year	Yearly cash payment
<b>Long-term incentive system</b>	Align with shareholder interests, pay for performance	Function	RONCE	Three years	Performance Share Units (PSUs)
<b>Occupational benefits</b>	Protect against risks	Market comparability	–	Ongoing	Retirement savings / insurance plan

### a) Fixed compensation

The fixed compensation component consists of a fixed base salary and a fixed company car allowance, to which members of the Executive Committee are entitled according to the current expense regulations. Expense allowances are not included, as these are not considered compensation. The fixed salary component and the cash bonus for 100% target attainment form the so-called target salary. The target salary is determined on the basis of the following factors:

- the tasks and responsibilities of the individual functions
- the standard market compensation rate for the function in question (external benchmark)
- an internal peer comparison (internal benchmark)
- the individual profile of the function holder, e.g. skills, capabilities, experience, and performance
- the company's available financial resources

### b) Cash bonus

The cash bonus depends on the financial performance of the company and the attainment of the individually agreed objectives in the year under assessment. The target amount (target bonus) may not exceed 50% of the annual fixed basic salary for the CEO and all other members of the Executive Committee. The cash bonus is generally paid out in April of the following year.

### CEO and CFO

The cash bonus payable to the CEO and CFO is calculated as follows: 75% on the basis of the financial performance of the Komax Group and 25% on the basis of individual performance. The reference values relevant to the 2019 financial year were Group revenues and Group EBIT. The Board of Directors determines the performance achievement level and the amount of the cash bonus payable to the CEO annually on the recommendation of the Remuneration Committee. This also forms the basis for determining the performance achievement level and cash bonus of the CFO, which is likewise determined by the Remuneration Committee. If performance objectives are not attained, the cash bonus may fall to zero. If all objectives are significantly exceeded, the cash bonus may amount to a maximum of 175% of the target bonus, but no more than 100% of annual fixed compensation.

### Other members of the Executive Committee

The cash bonus payable to the other members of the Executive Committee is calculated as follows: 25% on the basis of the financial performance of the Komax Group and 75% on the basis of individual performance. The reference value relevant to the 2019 financial year was Group EBIT. The performance achievement level and corresponding bonuses are determined by the Remuneration Committee on the recommendation of the CEO. If performance objectives are not attained, the cash bonus may fall to zero. If all objectives are significantly exceeded, the cash bonus may amount to a maximum of 175% of the target bonus, but no more than 100% of annual fixed compensation.

### Target attainment

The attainment of financial targets is evaluated after the end of the financial year; it may fall anywhere within a bandwidth of 0% to 200%.

The individual performance component is based on the attainment of personal objectives agreed as part of the annual performance management process. These objectives may be both quantitative and qualitative (above all strategic) in nature. Strategic objectives may encompass, for example, the opening-up of new markets, the development of new products, the further development of a center of competence, and the management of key projects or management targets. Attainment of personal objectives is evaluated after the end of the financial year and may fluctuate within a range of 0% to 100%.

	CEO and CFO	Other members of the Executive Committee
<b>Financial performance</b>	25% revenues (Group) 50% EBIT (Group)	25% EBIT (Group)
<b>Individual performance</b>	25% individual objectives	75% individual objectives <sup>1</sup>
<b>Payout bandwidth</b>	0%–175%	0%–175%

<sup>1</sup> Attainment of individual quantitative targets can fall anywhere within a bandwidth of 0% to 200%.

To ensure that the Komax Group does not suffer any competitive disadvantage, the Board of Directors has resolved not to disclose the financial and individual objectives in detail. Any detailed communication of these objectives would allow competitors to acquire an in-depth insight into Komax's strategy, which could in turn jeopardize implementation of this strategy. The annually defined objectives are generally very ambitious, and are designed to help the Komax Group achieve its medium-term financial targets.

### c) Long-term incentive system

To ensure that the interests of the Executive Committee are aligned with long-term shareholder interests, the Komax Group has a long-term incentive system linked to the company's financial performance. This plan comprises Performance Share Units (PSUs) with a three-year vesting period that are dependent on the attainment of a performance target (average RONCE figure over three years) and the continuation of the employment relationship. The Board of Directors determines the allocation amounts in CHF, taking account of the importance of the function and its impact on corporate results.

### Calculation of PSU allocation

The number of PSUs allocated is calculated by dividing a fixed CHF amount by the average closing share price during the 60 days preceding the start of the vesting period. The allocation may amount to a maximum of 66⅔% of fixed base salary. The actual payout at the end of the vesting period takes the form of shares, and is dependent on the average RONCE figure over three years compared to the target determined in advance by the Board of Directors. The payout factor may range between 0% and 150%. The actual value of the allocation at the end of the vesting period depends therefore on the payout factor and the development of the share price over the course of the vesting period.

Shares are definitively issued according to the following vesting rule:

- RONCE figure below threshold value: 0% of PSUs are converted into shares (forfeiture rate of 100%)
- RONCE figure achieved: 100% of PSUs are converted into shares
- RONCE figure at maximum performance level: 150% of PSUs are converted into shares (cap)

The payout factor between the threshold value, the target level, and the cap is obtained by linear interpolation.

Number of shares allocated at time of vesting	=	Number of PSUs originally granted to the individual in question	X	Vesting factor (0%–150%)
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**Duration of plan**

Plan period (2019–2021)		
2019 plan year	2020 plan year	2021 plan year
Average RONCE figure		

1 January 2019  
**allocation of PSUs**

31 December 2021  
**end of the vesting period**  
 (payout factor between 0% and 150%)

In the event of any termination of employment, pro rata vesting applies at the ordinary vesting date. The calculation is based on the number of whole months that have elapsed within the vesting period until the departure date. Dismissals for cause are excluded from this regulation; in such cases, all unvested PSUs are immediately forfeited and become worthless.

In the event of a change in control, accelerated pro rata vesting applies. The calculation is based on the number of whole months that have elapsed until the date of change in control. This date is determined at the discretion of the Board of Directors.

**d) Occupational benefits**

Members of the Executive Committee are insured under Komax’s ordinary staff pension scheme in Switzerland. The amount insured is the annual fixed base salary multiplied by a factor of 1.2 in order to additionally insure at least a proportion of the variable compensation. Contributions are graduated by age, and are shared equally between the insured and the employer. The benefits of the plan go beyond the statutory requirements of the Swiss Federal Law on Occupational Retirement, Survivors’ and Disability Pension Plans, and are in line with the market practice of other industrial companies in Switzerland.

**e) Other provisions in employment contracts**

The employment contracts of members of the Executive Committee are concluded for an indefinite period and stipulate a maximum notice period of twelve months. They do not contain any severance agreement or change of control provisions.

## 6 Compensation and shareholdings of the Board of Directors in 2019

Section 6 of the Compensation Report was audited by the company's external auditor.

### 6.1 Compensation

In 2019, members of the Board of Directors received total compensation of CHF 933 589 (2018: CHF 940 687), of which CHF 687 500 was paid out in cash (2018: CHF 692 500), CHF 192 500 in the form of restricted shares (2018: CHF 190 000), and CHF 53 589 as social benefit contributions (2018: CHF 58 187). Contributions to pensions plans amounted to CHF 0 (2018: CHF 0).

in CHF		Basic annual fee <sup>1</sup>	Allocation restricted shares <sup>2</sup>	Social benefits <sup>3</sup>	Total compensation 2019	Total compensation 2018
Beat Kälin	Chairman	222 500	60 000	10 646	<b>293 146</b>	296 564
David Dean	Member	97 500	28 750	9 147	<b>135 397</b>	132 059
Andreas Häberli	Member	92 500	25 000	8 473	<b>125 973</b>	126 668
Kurt Haerri	Member	92 500	25 000	8 473	<b>125 973</b>	123 973
Daniel Hirschi <sup>4</sup>	Member	30 000	10 000	2 696	<b>42 696</b>	132 059
Mariel Hoch <sup>5</sup>	Member	60 000	18 750	5 681	<b>84 431</b>	n.a.
Roland Siegwart	Member	92 500	25 000	8 473	<b>125 973</b>	129 364
<b>Total Board of Directors</b>		<b>687 500</b>	<b>192 500</b>	<b>53 589</b>	<b>933 589</b>	<b>940 687</b>

<sup>1</sup> Basic annual fee in cash (incl. expense allowance) and attendance fees.

<sup>2</sup> Fixed amount in CHF: is divided by the share price as per allocation date (average closing price over the last 40 trading days prior to allocation) and rounded up to the nearest number of full shares. The share price applied in 2019 was CHF 239.65.

<sup>3</sup> Includes mandatory employer contributions to social insurance. This amount entitles members of the Board of Directors to draw the maximum insured pension benefits in the future.

<sup>4</sup> Member of the Board until 16 April 2019.

<sup>5</sup> Member of the Board since 16 April 2019.

No compensation was paid to former members of the Board of Directors for the 2018 and 2019 financial years. Komax Group companies had not granted any guarantees, loans, advances, or credits to members of the Board of Directors or parties closely linked to such persons as at 31 December 2019. No members of the Board of Directors or persons closely linked to them are or were involved in Komax Group transactions outside their normal duties.

### 6.2 Holdings of shares as at 31 December 2019

As at the end of 2018 and 2019, members of the Board of Directors had the following holdings of shares in the company:

Assets in units		31.12.2019	31.12.2018
		Shares	Shares
Beat Kälin	Chairman	9 972	9 722
David Dean	Member	1 128	1 024
Andreas Häberli	Member	188	84
Kurt Haerri	Member	2 987	2 883
Daniel Hirschi <sup>1</sup>	Member	n.a.	4 730
Mariel Hoch <sup>2</sup>	Member	0	n.a.
Roland Siegwart	Member	2 128	2 024
<b>Total Board of Directors</b>		<b>16 403</b>	<b>20 467</b>

<sup>1</sup> Member of the Board until 16 April 2019.

<sup>2</sup> Member of the Board since 16 April 2019.

## 7 Compensation and shareholdings of the Executive Committee in 2019

Section 7 of the Compensation Report was audited by the company's external auditor.

### 7.1 Compensation at grant value

In 2019, members of the Executive Committee received total compensation of CHF 2 491 180 (2018: CHF 1 608 759). Of this amount, CHF 1 509 274 was paid as fixed compensation (2018: CHF 751 820) and CHF 186 830 as cash bonuses (2018: CHF 458 670), CHF 510 000 was granted as Performance Share Units (2018: CHF 260 000), and CHF 285 076 comprised social security and pension fund contributions (2018: CHF 138 269).

in CHF		Fixed compensation <sup>1</sup>	Cash bonus <sup>2</sup>	Allocation PSU (plan period 2019–2021) <sup>3</sup>	Social benefits <sup>4</sup>	Total compensation 2019	Total compensation 2018
Matijas Meyer <sup>5</sup>	CEO	458 395	52 350	200 000	81 196	<b>791 941</b>	985 494
Total other members of the Executive Committee <sup>6</sup>		1 050 879	134 480	310 000	203 880	<b>1 699 239</b>	623 265
<b>Total Executive Committee</b>		<b>1 509 274</b>	<b>186 830</b>	<b>510 000</b>	<b>285 076</b>	<b>2 491 180</b>	<b>1 608 759</b>

<sup>1</sup> Expense allowances are not included in the fixed compensation as these are not considered as compensation.

<sup>2</sup> Bonus for 2019, to be paid in April 2020.

<sup>3</sup> Fixed amount in CHF: is divided by the share price as per allocation date (average closing price over the last 60 trading days prior to allocation) and rounded up to the nearest number of full shares. The share price applied in 2019 was CHF 265.51.

<sup>4</sup> Includes mandatory employer contributions to social insurance of CHF 70 157 as well as contributions to occupational benefits (BVG). This amount entitles members of the Executive Committee to draw the maximum state-insured pension benefits in the future.

<sup>5</sup> Highest compensated member of Executive Committee in 2019.

<sup>6</sup> Additional three members were appointed to the Executive Committee in 2019.

### Notes on the compensation overview

In 2019, the CEO's cash bonus amounted to 11% of fixed compensation (2018: 68%). This payout level is due to the development of revenues and EBIT and the attainment of individual objectives. For the other members of the Executive Committee, the cash bonus amounted to 13% of fixed compensation (2018: 52%).

The PSUs granted to the CEO in the year under review corresponded to 44% of annual fixed compensation (2018: 42%) and 29% for the other members of the Executive Committee (2018: 25%).

The overall variable compensation of the CEO in 2019 therefore amounted to 55% of the annual fixed compensation (2018: 109%) and that of the other members of the Executive Committee to 42% (2018: 77%). This is in line with the provisions of the company's Articles of Association, which allows for a maximum level of 100% of annual fixed base salary for each element of variable compensation. Further details on the participation plans can be found in the notes to the consolidated financial statements, on pages 115 to 117 of the Financial Report 2019.

No compensation was paid to former members of the Executive Committee for the 2018 and 2019 financial years. Komax Group companies had not granted any guarantees, loans, advances, or credits to members of the Executive Committee or parties closely linked to such persons as at 31 December 2019. No members of the Executive Committee or persons closely linked to them are or were involved in Komax Group transactions outside their normal duties.

## 7.2 Realized compensation

The annually allocated Performance Share Units are paid out to the members of the Executive Committee in the form of shares after a three-year vesting period. For the plan period 2016–2018, members of the Executive Committee received shares with a total value of CHF 503 544 (allocation amount on 1 January 2016: CHF 340 000, relevant share price: CHF 175.19) in 2019. In 2018, when the Executive Committee consisted of two members, shares with a total value of CHF 483 567 were remunerated.

The total compensation figure for 2019 of CHF 2 484 724 (2018: CHF 1 832 326) is significantly below the maximum amount of CHF 4 230 000 (2018: CHF 2 150 000) approved by the 2018 Annual General Meeting.

in CHF		Fixed compensation <sup>1</sup>	Cash bonus <sup>2</sup>	Compensation amount PSU plan period (2016–2018)	Social benefits <sup>3</sup>	Total compensation 2019	Total compensation 2018
Matijas Meyer <sup>4</sup>	CEO	458 395	52 350	224 070	81 196	<b>816 011</b>	1 113 916
Total other members of the Executive Committee <sup>5</sup>		1 050 879	134 480	279 474	203 880	<b>1 668 713</b>	718 410
<b>Total Executive Committee</b>		<b>1 509 274</b>	<b>186 830</b>	<b>503 544</b>	<b>285 076</b>	<b>2 484 724</b>	<b>1 832 326</b>

<sup>1</sup> Expense allowances are not included in the fixed compensation as these are not considered as compensation.

<sup>2</sup> Bonus for 2019, to be paid in April 2020.

<sup>3</sup> Includes mandatory employer contributions to social insurance of CHF 70 157 as well as contributions to occupational benefits (BVG). This amount entitles members of the Executive Committee to draw the maximum state-insured pension benefits in the future.

<sup>4</sup> Highest compensated member of Executive Committee in 2019.

<sup>5</sup> Additional three members were appointed to the Executive Committee in 2019.

## 7.3 Holdings of shares as at 31 December 2019

As at the end of 2018 and 2019, members of the Executive Committee had the following holdings of shares in the company:

Assets in units		31.12.2019	31.12.2018
		Shares	Shares
Matijas Meyer	CEO	4 000	4 534
Andreas Wolfisberg	CFO	500	500
Marc Schürmann <sup>1</sup>	Executive Vice President	200	n.a.
Marcus Setterberg <sup>1</sup>	Executive Vice President	137	n.a.
Günther Silberbauer <sup>1</sup>	Executive Vice President	0	n.a.
<b>Total Executive Committee</b>		<b>4 837</b>	<b>5 034</b>

<sup>1</sup> Member of the Executive Committee since 1 January 2019.



Report of the statutory auditor to the Annual General Meeting of Komax Holding AG, Dierikon

## Report on the audit of the compensation report

We have audited the accompanying compensation report (Art. 6 and 7) of Komax Holding AG for the year ended 31 December 2019.

### Board of Directors' responsibility

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

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the compensation report of Komax Holding AG for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to be 'T. Brüderlin', written over a horizontal line.

Thomas Brüderlin  
Audit expert  
Auditor in charge

A handwritten signature in black ink, appearing to be 'S. Gutmann', written over a horizontal line.

Sebastian Gutmann  
Audit expert

Basel, 16 March 2020



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## Consolidated income statement

in TCHF	Notes	2019	%	2018	%
Net sales		414 968		477 819	
Other operating income	1.2	2 803		1 879	
<b>Revenues</b>	1.2	<b>417 771</b>	<b>100.0</b>	<b>479 698</b>	<b>100.0</b>
Change in inventory of unfinished and finished goods		-2 434		1 061	
Cost of materials		-156 407		-182 856	
<b>Gross profit</b>		<b>258 930</b>	<b>62.0</b>	<b>297 903</b>	<b>62.1</b>
Personnel expenses	1.3	-160 957		-157 355	
Depreciation on property, plant, and equipment	2.3	-8 981		-8 108	
Depreciation on intangible assets	2.4	-3 821		-3 252	
Other operating expenses	1.3	-61 136		-61 934	
<b>Operating profit (EBIT)</b>		<b>24 035</b>	<b>5.8</b>	<b>67 254</b>	<b>14.0</b>
Financial result	1.4	-4 851		-5 225	
<b>Ordinary profit</b>		<b>19 184</b>	<b>4.6</b>	<b>62 029</b>	<b>12.9</b>
Non-operating result	1.5	0		392	
<b>Group profit before taxes (EBT)</b>		<b>19 184</b>	<b>4.6</b>	<b>62 421</b>	<b>13.0</b>
Income taxes	1.6	-5 963		-10 634	
<b>Group profit after taxes (EAT)</b>		<b>13 221</b>	<b>3.2</b>	<b>51 787</b>	<b>10.8</b>
Of which attributable to:					
- Shareholders' of Komax Holding AG		13 221		51 787	
- Non-controlling interest		0		0	
Basic earnings per share (in CHF)	1.7	3.44		13.52	
Diluted earnings per share (in CHF)	1.7	3.43		13.48	

## Consolidated balance sheet

in TCHF	Notes	31.12.2019	%	31.12.2018	%
<b>Assets</b>					
Cash and cash equivalents		47 454		50 965	
Securities		13		15	
Trade receivables	2.1	102 786		124 890	
Other receivables	2.1	22 911		29 008	
Inventories	2.2	110 831		103 433	
Accrued income and prepaid expenses		4 872		5 294	
<b>Total current assets</b>		<b>288 867</b>	<b>60.0</b>	<b>313 605</b>	<b>67.7</b>
Property, plant, and equipment	2.3	163 758		120 229	
Intangible assets	2.4	16 721		15 379	
Deferred tax assets	1.6	11 221		12 830	
Other non-current receivables	2.5	669		861	
<b>Total non-current assets</b>		<b>192 369</b>	<b>40.0</b>	<b>149 299</b>	<b>32.3</b>
<b>Total assets</b>		<b>481 236</b>	<b>100.0</b>	<b>462 904</b>	<b>100.0</b>
<b>Liabilities</b>					
Current financial liabilities	3.1	17 188		0	
Trade payables		20 720		25 187	
Other payables	2.6	31 964		33 903	
Current provisions	2.6	3 263		2 975	
Accrued expenses and deferred income		19 993		22 529	
<b>Total current liabilities</b>		<b>93 128</b>	<b>19.4</b>	<b>84 594</b>	<b>18.3</b>
Non-current financial liabilities	3.1	136 504		90 338	
Other non-current liabilities		2 185		1 167	
Deferred tax liabilities	1.6	4 815		5 165	
<b>Total non-current liabilities</b>		<b>143 504</b>	<b>29.8</b>	<b>96 670</b>	<b>20.9</b>
<b>Total liabilities</b>		<b>236 632</b>	<b>49.2</b>	<b>181 264</b>	<b>39.2</b>
Share capital	3.2	385		385	
Capital surplus		22 113		24 569	
Treasury shares	3.2	-1 656		-2 311	
Retained earnings		223 762		258 997	
<b>Equity attributable to shareholders' of Komax Holding AG</b>		<b>244 604</b>	<b>50.8</b>	<b>281 640</b>	<b>60.8</b>
<b>Total liabilities and shareholders' equity</b>		<b>481 236</b>	<b>100.0</b>	<b>462 904</b>	<b>100.0</b>

## Consolidated statement of shareholders' equity

in TCHF	Notes	Share capital	Premium	Treasury shares	Goodwill offset	Currency differences	Other retained earnings	Total retained earnings	Shareholders' equity of Komax Holding AG
<b>Balance as at 1 January 2018</b>		<b>383</b>	<b>28 649</b>	<b>-4 054</b>	-72 026	1 724	303 502	<b>233 200</b>	<b>258 178</b>
Group profit after taxes							51 787	51 787	51 787
Capital increase from exercise of options	3.2	2	1 665					0	1 667
Distribution out of reserves from capital contributions			-5 745					0	-5 745
Dividend paid							-19 149	-19 149	-19 149
Purchase of treasury shares	3.2			-254				0	-254
Share-based payments				1 997			-474	-474	1 523
Goodwill offset with shareholders' equity	2.4				-241			-241	-241
Currency translation differences recorded in the reporting period						-6 126		-6 126	-6 126
<b>Balance as at 31 December 2018</b>		<b>385</b>	<b>24 569</b>	<b>-2 311</b>	-72 267	-4 402	335 666	<b>258 997</b>	<b>281 640</b>
<b>Balance as at 1 January 2019</b>		<b>385</b>	<b>24 569</b>	<b>-2 311</b>	-72 267	-4 402	335 666	<b>258 997</b>	<b>281 640</b>
Group profit after taxes							13 221	13 221	13 221
Capital increase from exercise of options	3.2	0	620					0	620
Distribution out of reserves from capital contributions			-3 076					0	-3 076
Dividend paid							-23 838	-23 838	-23 838
Purchase of treasury shares	3.2			-1 010				0	-1 010
Share-based payments				1 665			-882	-882	783
Goodwill offset with shareholders' equity	2.4				-18 352			-18 352	-18 352
Currency translation differences recorded in the reporting period						-5 384		-5 384	-5 384
<b>Balance as at 31 December 2019</b>		<b>385</b>	<b>22 113</b>	<b>-1 656</b>	-90 619	-9 786	324 167	<b>223 762</b>	<b>244 604</b>

## Consolidated cash flow statement

in TCHF	Notes	2019	2018
<b>Cash flow from operating activities</b>			
Group profit after taxes		13 221	51 787
Adjustment for non-cash items			
- Taxes	1.6	5 963	10 634
- Depreciation and impairment of property, plant, and equipment	2.3	8 981	8 108
- Depreciation and impairment of intangible assets	2.4	3 821	3 252
- Profit (-) / loss (+) from sale of non-current assets		-186	-1 210
- Expense for share-based payments		783	1 523
- Net financial result	1.4	4 851	5 225
- Other non-cash items		2	6
Interest received and other financial income		264	1 115
Interest paid and other financial expenses		-3 333	-3 311
Taxes paid		-7 878	-9 939
Increase (+) / decrease (-) in provisions		-11	670
Increase (-) / decrease (+) in trade receivables		24 137	-28 065
Increase (-) / decrease (+) in inventories		-2 295	-14 755
Increase (+) / decrease (-) in trade payables		-8 426	3 366
Increase (-) / decrease (+) in other net current assets		1 393	1 223
<b>Total cash flow from operating activities</b>		<b>41 287</b>	<b>29 629</b>
<b>Cash flow from investing activities</b>			
Investments in property, plant, and equipment	2.3	-49 210	-37 118
Sale of property, plant, and equipment		927	8 365
Investments in intangible assets	2.4	-5 238	-4 222
Investments in Group companies and participations <sup>1</sup>		-22 410	-4 298
Sale of Group companies <sup>2</sup>		0	2 000
Increase in granted loans		-2 242	0
Decrease in granted loans		0	1 304
<b>Total cash flow from investing activities</b>		<b>-78 173</b>	<b>-33 969</b>
<b>Free cash flow</b>		<b>-36 886</b>	<b>-4 340</b>
<b>Cash flow from financing activities</b>			
Decrease in current financial liabilities		-1 687	0
Decrease in non-current financial liabilities		-765	-533
Increase in current financial liabilities		17 174	0
Increase in non-current financial liabilities		47 216	21 431
Capital increase (share-based payments)		620	1 667
Distribution out of reserves from capital contributions		-3 076	-5 745
Dividend paid		-23 838	-19 149
Purchase of treasury shares	3.2	-1 010	-254
<b>Total cash flow from financing activities</b>		<b>34 634</b>	<b>-2 583</b>
Effect of currency translations on cash and cash equivalents		-1 259	-1 403
<b>Increase (+) / decrease (-) in funds</b>		<b>-3 511</b>	<b>-8 326</b>
Cash and cash equivalents at 1 January		50 965	59 291
Cash and cash equivalents at 31 December		47 454	50 965

<sup>1</sup> Less cash and cash equivalents acquired.

<sup>2</sup> Less cash and cash equivalents sold.

## Notes to the consolidated financial statements

### General information

Headquartered in Dierikon, Switzerland, Komax Holding AG (parent company), together with its subsidiary companies (the Komax Group), is a pioneer and market leader in the field of automated wire processing, providing clients with innovative, future-oriented solutions in any situation that calls for precise contact connections.

The present consolidated financial statements were adopted by the Board of Directors of Komax Holding AG on 10 March 2020 and released for publication. Their approval by the Annual General Meeting, scheduled for 21 April 2020, is pending.

### Accounting policies

The consolidated financial statements of the Komax Group are based on the individual financial statements of the Group companies, compiled in accordance with uniform standards, as at 31 December 2019. The consolidated financial statements have been drawn up in accordance with the entire existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations). Furthermore, the provisions of the Swiss company law have been complied with. The consolidated financial statements are based on the principle of historic acquisition cost (with the exception of securities and derivative financial instruments, which are recorded at their fair values), and have been drawn up under the “going concern” assumption.

The accounting and valuation principles relevant to an understanding of the annual financial statements are described in the relevant explanatory notes.

### Key recognition and measurement assumptions

Preparation of the consolidated financial statements requires the Board of Directors and Group Management to make estimates and assumptions, whereby such estimates and assumptions have an effect on the accounting principles applied and are reflected in the amounts stated under assets, liabilities, income, expenses, and related disclosures. Their estimates and assumptions are based on past experience and on various other factors deemed applicable in the current situation. These form the basis for reporting those assets and liabilities that cannot be measured directly from other sources. The actual values may differ from these estimates. The following material estimates are included in the consolidated financial statements:

	Page
Recognition of revenue according to POC method	91
Current and deferred income taxes	96
Impairment of property, plant, and equipment	99
Impairment of intangible assets and goodwill	103
Contingent consideration	104
Provisions	104

**Key events of the reporting period**

As mentioned on pages two and three of the Shareholders' letter, 2019 was marked by a sluggish automotive industry and its knock-on effects. Order intake and revenues decreased considerably and were well below the record result achieved in 2018. Due in part to the continuing high level of future-oriented investment in research and development, operating profit and profit after taxes were well below the previous year's figures.

Profit after taxes was reduced by the negative financial result (CHF –4.9 million) and the high tax rate. Whereas the financial result was largely attributable to unrealized currency losses, the high tax rate is primarily explained by the fact that a number of companies generated tax losses that were not capitalized by Komax in the consolidated financial statements. The acceptance of the tax reform package by the Swiss electorate on 19 May 2019 is not expected to have any material impact on the future tax rate in Switzerland. Canton Lucerne, the place of domicile of Komax's headquarters, pre-empted a key measure of the tax reform back in 2012 when it reduced the tax rate on earnings. It is clear that Canton Lucerne is only intending to implement the replacement measures (e.g. patent box and additional deduction for research and development) of the tax reform to a minimal degree.

In addition to the unsatisfactory development of business, the 2019 financial year was characterized by a high level of investment. On the one hand two companies were acquired (Artos Engineering and Exmore), while on the other further investment was channelled into capacity expansion. Accordingly, Komax recorded a higher negative free cash flow in the reporting year of CHF –36.9 million (2018: CHF –4.3 million), while net debt rose from CHF 39.4 million as at 31 December 2018 to CHF 106.2 million as at 31 December 2019. In order to secure financing for the future, the existing syndicated loan facility in the amount of CHF 160 million was increased to CHF 190 million in the first quarter of 2020.

**Events after the balance sheet date**

Komax generates around 20% of its revenues in Asia, the majority of which in China. It is currently difficult to predict how the coronavirus will affect the result for the 2020 financial year.

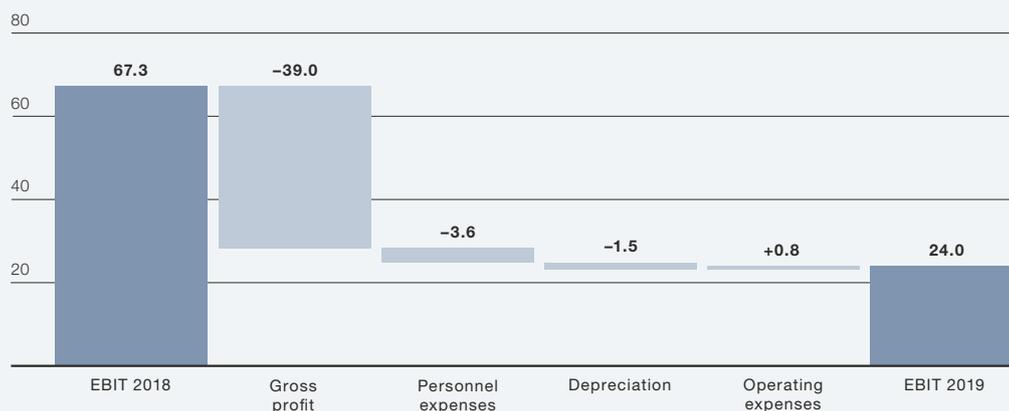
No other significant events occurred between the balance sheet date and the approval of the consolidated financial statements by the Board of Directors on 10 March 2020 which might adversely affect the information content of the 2019 consolidated financial statements or which would require disclosure.

## 1 Performance

In this section, we provide details of the 2019 result of the Komax Group. In addition to earnings per share, we also provide details on revenues, expenses, the financial result, and taxes.

The operating profit (EBIT) of the Komax Group decreased from CHF 67.3 million in 2018 to CHF 24.0 million in 2019. The chart below illustrates the year-on-year change between the current reporting period and the prior year.

in CHF million



### 1.1 Segment information

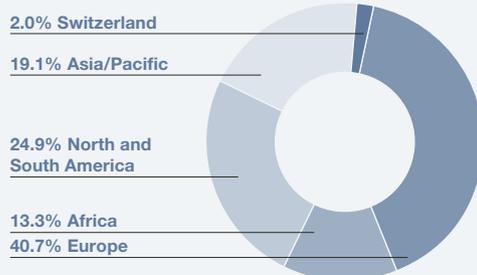
The Komax Group is a global technology company that focuses on markets in the automation sector. As a manufacturer of innovative and high-quality solutions for the wire processing industry, Komax helps its customers implement economical and safe manufacturing processes, especially in the automotive supply sector. All Group companies are active in wire processing, have a uniform client base, and are centrally managed. The Board of Directors and the Group Executive Committee, which make the key strategic and operating decisions, manage the Komax Group primarily on the basis of the financial statements of the individual companies, the Management Information System, and the consolidated financial statements. Due to the commercial similarity and interconnections of the Group companies, Komax presents its business in amalgamated form as a single segment, in accordance with Swiss GAAP FER 31.

## 1.2 Revenues

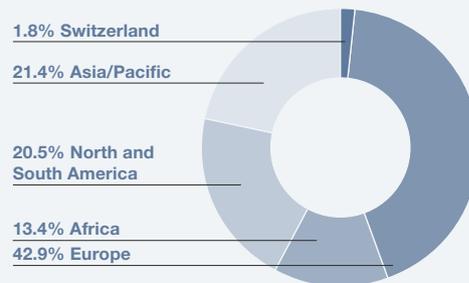
### a) Revenues by region

The percentage breakdown of revenues by region is as follows:

**2019**



**2018**



### b) Construction contracts

In the current reporting period, revenues of CHF 1.5 million (2018: CHF 17.2 million) were recorded from long-term construction contracts on the basis of the POC method.

### c) Other operating income

in TCHF	2019	2018
Own work capitalized	1 791	436
Government grants	576	284
Gains from the disposal of non-current assets	379	1 085
Other income	57	74
<b>Total other operating income</b>	<b>2 803</b>	<b>1 879</b>

#### Key recognition and measurement assumptions

Automated assembly and production contracts are measured according to the POC method, provided the assessment meets the requirements of Swiss GAAP FER 22 "Long-term contracts." Although projects are assessed monthly and in good faith in accordance with comprehensive project management guidelines, subsequent corrections may be required. These corrections are made in the following period and may have a positive or negative impact on revenue in this period.

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## Recognition and measurement

**Revenue recognition:** The Komax Group's consolidated income statement is compiled using the nature of expense method. Net sales comprise the fair value of considerations received or receivable for the sale of goods and services in the course of ordinary business activities after deducting VAT, returns, discounts, and price reductions, and eliminating intragroup sales. Revenues are recognized as described below. For any intermediated transactions, only the value of services provided by Komax itself is reported. Transactions with a number of individually identifiable component parts are recorded and valued separately.

**Sale of goods:** Revenue from the sale of goods is recognized when risk and rewards of ownership have been transferred to the buyer. All expenses connected with sales are recognized on an accrual basis.

**Sale of services:** Revenue from the sale of services is recognized in accordance with progress on the service according to the ratio of completed to still outstanding services to be performed during the financial year in which the services are rendered.

**Manufacturing contracts:** Manufacturing contracts in the automated assembly and production business units, involving the customer-specific manufacture of systems, are valued according to the "percentage of completion method" (POC method) in accordance with Swiss GAAP FER 22. On the balance sheet, these are reported either under "Trade receivables" or "Other payables," depending on the degree to which they are underfinanced or overfinanced. The percentage of completion is calculated according to the "cost-to-cost method" (costs incurred in relation to overall estimated costs of the contract). Anticipated project losses are recognized in full in the income statement. Any costs of debt capital are capitalized provided debt capital is raised for the purpose of financing the project and its costs can be directly attributed to a manufacturing contract.

**Leases with Komax as lessor:** Contractual relationships in which Komax acts as lessor are reported as financial leases if all risks and returns associated with ownership are essentially transferred to the lessee. At the beginning of the lease, lease payments are recognized in the balance sheet in the amount of the net investment value arising from the lease. Revenue is recorded in the same way as the direct sale of goods. Financial income is spread over the term of the lease.

Assets that are the subject of operating leases are reported in the balance sheet in accordance with their characteristics, and are written down at the normal rates that apply to assets of that type. Lease income is recognized in the income statement on a linear basis over the term of the lease.

**Leases with Komax as lessee:** Only in exceptional cases does Komax act as lessee in financial lease agreements. A financial lease arises when the lessor transfers virtually all the risks and benefits associated with ownership of the leasing object to the lessee. At the beginning of the contract term, the object in question is recorded on the balance sheet as both an investment asset and a liability at its fair value or (if lower) at the net cash value of future leasing payments. Every lease instalment is broken down into financing costs on the one hand and repayment of the residual debt on the other, so that the interest rate remains constant for the residual liability. Financing costs are booked directly to the income statement as an expense. Capitalized leasing objects are depreciated over their estimated economically useful life, or (if lower) over the contractual period in question.

An operating lease agreement arises when a substantial proportion of the risks associated with ownership remain with the lessor. Payments for operating leasing agreements are booked to the income statement as an expense in a linear way for the entire duration of the agreement.

**Government grants:** Government grants are recognized if it is likely that the payments will be received and Komax can fulfil the conditions attached to such subsidies. These are recognized in "Other operating income," regardless of when payment is received, and on a pro rata basis in the period in which the associated costs are incurred, and charged to the income statement as an expense. Grants relating to an asset are deducted from the carrying amount.

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### 1.3 Expenses

#### a) Personnel expenses

in TCHF	2019	2018
Wages and salaries	-129 505	-126 340
Share-based payments settled with equity instruments	-738	-1 294
Share-based payments settled in cash	-224	-32
Social security and pension contributions	-25 480	-24 070
Other personnel costs (in particular training and development)	-5 010	-5 619
<b>Total personnel expenses</b>	<b>-160 957</b>	<b>-157 355</b>

#### b) Other operating expenses

in TCHF	2019	2018
Expenditure on operating equipment and energy	-2 587	-2 299
Rental expenses	-3 727	-3 804
Repair and maintenance expenses	-15 448	-15 105
Third-party services for development expenses	-7 507	-8 786
Representation and marketing expenses	-13 784	-13 101
Legal and consultancy expenses	-5 127	-4 850
Shipping and packaging expenses	-7 148	-8 363
Expenditure on administration and sales	-3 306	-3 368
Other expenditure	-2 502	-2 258
<b>Total other operating expenses</b>	<b>-61 136</b>	<b>-61 934</b>

### 1.4 Financial result

in TCHF	2019	2018
Interest result (net)	-1 776	-1 434
Exchange rate translation differences (net)	-3 075	-3 791
<b>Total financial expenses</b>	<b>-4 851</b>	<b>-5 225</b>
<b>Result from associated companies</b>	<b>0</b>	<b>0</b>
<b>Total financial result</b>	<b>-4 851</b>	<b>-5 225</b>

#### Recognition and measurement

**Interest:** Interest income and expenses are accrued using the effective interest rate method.

### 1.5 Non-operating and extraordinary result

No non-operating expense/income items were incurred/received in the current reporting period. In the corresponding prior-year period, an income item of CHF 0.4 million was booked in connection with the sale of the non-operating property in York, USA.

No extraordinary expenses were incurred and no extraordinary income was generated in either the current reporting period or during the previous reporting period.

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#### Recognition and measurement

**Non-operating result:** Non-operating result is expense and income which arise from events or transactions that clearly differ from the usual business activities of the organization.

**Extraordinary result:** Expense and income which arise extremely rarely in the context of the ordinary operations and which are not predictable are considered as extraordinary.

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### 1.6 Taxes

#### a) Income taxes

in TCHF	2019	2018
Current income taxes	-5 269	-10 508
Deferred tax income (+) / tax expenses (-)	-694	-126
<b>Total income taxes</b>	<b>-5 963</b>	<b>-10 634</b>

#### Analysis of the tax rate

in TCHF	2019	%	2018	%
Group profit before taxes (EBT)	19 184		62 421	
<b>Expected tax expenses</b>	<b>-4 042</b>	<b>21.1</b>	<b>-10 922</b>	<b>17.5</b>
Impact of non-capitalized tax-loss carry forwards	-1 723	9.0	-978	1.6
Utilization of non-capitalized tax-loss carry forwards	823	-4.3	1 421	-2.3
Effect of changes in tax rate	163	-0.9	-177	0.3
Tax credits / charges from prior years	-641	3.3	417	-0.7
Effect of non-deductible expenses	-338	1.8	-337	0.5
Effect of non-taxable income	133	-0.7	119	-0.2
Non-reclaimable withholding taxes	-343	1.8	-258	0.4
Others	5	-0.0	81	-0.1
<b>Effective tax expenses</b>	<b>-5 963</b>	<b>31.1</b>	<b>-10 634</b>	<b>17.0</b>

As the Group is internationally active, its income taxes are dependent on a number of different tax jurisdictions. The expected income tax rate is equivalent to the weighted average of tax rates of those countries in which the Group is active. Due to the composition of the taxable income of the Group, as well as changes in local tax rates, this Group tax rate varies from year to year.

The expected tax rate based on the ordinary result was at 21.1% (2018: 17.4%).

**b) Deferred tax assets and liabilities**

in TCHF	<b>31.12.2019</b>	31.12.2018
Property, plant, and equipment / intangible assets	7 850	8 714
Trade receivables and inventories <sup>1</sup>	3 735	4 036
Provisions	1 530	1 719
Other items	1 081	466
<b>Total deferred tax assets (gross)</b>	<b>14 196</b>	<b>14 935</b>
Offset against deferred tax liabilities	-2 975	-2 105
<b>Balance sheet deferred tax assets</b>	<b>11 221</b>	<b>12 830</b>
Property, plant, and equipment / intangible assets	3 226	2 928
Trade receivables and inventories	2 992	3 589
Provisions	826	665
Other items	746	88
<b>Total deferred tax liabilities (gross)</b>	<b>7 790</b>	<b>7 270</b>
Offset against deferred tax assets	-2 975	-2 105
<b>Balance sheet deferred tax liabilities</b>	<b>4 815</b>	<b>5 165</b>
<b>Net deferred tax assets (+) / tax liabilities (-)</b>	<b>6 406</b>	<b>7 665</b>

<sup>1</sup> Including unrealized intragroup profit.

The non-capitalized and unused tax-loss carry forwards expire as follows:

in TCHF	Within 5 years	After more than 5 years	<b>Total</b>
Expiry of unutilized tax-loss carry forwards			
<b>31 December 2019</b>	4 513	68 095	<b>72 608</b>
31 December 2018	5 450	62 019	<b>67 469</b>

This results in a deferred tax claim (not recognized in the balance sheet) for as yet unutilized tax-loss carry forwards of CHF 19.5 million (31 December 2018: CHF 18.6 million) as well as CHF 3.6 million (31 December 2018: CHF 3.4 million) in not recognized tax credits.

### Key recognition and measurement assumptions

In determining the assets and liabilities from current and deferred income taxes, estimates must be made on the basis of existing tax laws and ordinances. Numerous internal and external factors may have favorable and unfavorable effects on the assets and liabilities from income taxes. These factors include changes in tax laws and ordinances, as well as the way they are interpreted, in addition to changes in tax rates and the total amount of taxable income for the particular location. Any changes may affect the assets and liabilities from current and deferred income taxes carried in future reporting periods.

### Recognition and measurement

**Deferred taxes:** Deferred and future tax expenses are calculated on the basis of the comprehensive liability method. This method is based on the tax rates and tax regulations applicable on the balance sheet date or which have in essence been enacted and are expected to apply at the time the deferred tax claim is realized or the deferred tax liability is settled. Deferred and future taxes are calculated on the basis of the temporary differences in value between the individual balance sheets and balance sheets for tax purposes. Such differences primarily exist in the case of non-current assets, inventories, and some provisions. Deferred tax assets are recognized in the amount corresponding to the probability that the Group companies in question will generate sufficient future taxable income to absorb the relevant positive differences in the tax assets.

**Loss carry forwards:** Future tax savings from offsettable tax-loss carry forwards are not capitalized. The use of these tax-loss carry forwards is recorded upon realization.

**Temporary differences on investments in subsidiaries and associates:** Deferred tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference cannot be determined by the Group and it is consequently probable that the temporary difference will not reverse in the foreseeable future.

## 1.7 Earnings per share (EPS)

in CHF	2019	2018
<b>Group profit (attributable to shareholders' of Komax Holding AG)</b>	<b>13 220 766</b>	<b>51 786 663</b>
Weighted average number of outstanding shares	3 843 352	3 830 864
<b>Basic earnings per share</b>	<b>3.44</b>	<b>13.52</b>
<b>Group profit (attributable to shareholders' of Komax Holding AG)</b>	<b>13 220 766</b>	<b>51 786 663</b>
Weighted average number of outstanding shares	3 843 352	3 830 864
Adjustment for dilution effect of share-based compensation plans	5 765	10 437
Weighted average number of outstanding shares for calculating diluted earnings per share	3 849 117	3 841 301
<b>Diluted earnings per share</b>	<b>3.43</b>	<b>13.48</b>

### Recognition and measurement

**Earnings per share:** Basic earnings per share are calculated by dividing the consolidated net earnings by the average number of shares outstanding during the fiscal year, excluding treasury shares. Diluted earnings per share are calculated by adding all option rights and non-vested equity rights which would have had a dilutive effect to the average number of shares outstanding.

## 2 Operating assets and liabilities

In this section we describe the current and non-current operating assets and liabilities. Among other things, this includes further details on receivables, inventories, tangible assets, and intangible assets.

### 2.1 Current receivables

#### a) Trade receivables

in TCHF	<b>31.12.2019</b>	31.12.2018
Trade receivables	98 452	112 759
less provision for impairment	-244	-90
Accruals for construction contracts	10 887	21 087
less prepayments for construction contracts	-6 309	-8 866
<b>Receivables arising from POC</b>	<b>4 578</b>	<b>12 221</b>
<b>Total</b>	<b>102 786</b>	<b>124 890</b>

Overdue trade receivables that had not been written down amounted to CHF 29.3 million on 31 December 2019 (31 December 2018: CHF 29.5 million). Their maturity structure is set out in the following table:

in TCHF	Number of days					Total
	1-30	31-60	61-90	91-120	>120	
<b>As at 31 December 2019</b>	15 062	6 119	2 411	1 166	4 513	<b>29 271</b>
As at 31 December 2018	15 394	5 102	3 633	1 467	3 890	<b>29 486</b>

#### b) Other receivables

In addition to prepayments to suppliers of CHF 0.8 million (31 December 2018: CHF 1.1 million), other receivables mainly comprise credits due from government organizations (tax authorities) and bills receivable.

#### Recognition and measurement

**Current receivables:** Receivables are recorded at nominal value. Impaired receivables are value-adjusted on an individual basis; no flat-rate value adjustments are calculated for the remaining portfolio.

For manufacturing contracts of systems, the inventory includes all costs associated with the systems as well as the production costs. The order costs comprise all costs attributable to the contract from the date the order is received until the balance sheet date. The order proceeds per manufacturing contract are recorded as at 31 December according to the POC.

## 2.2 Inventories

in TCHF	<b>31.12.2019</b>	31.12.2018
Manufacturing components and spare parts	73 291	64 482
Semi-finished goods / work in process	16 091	16 889
Finished goods	33 964	31 642
<b>Gross value inventories</b>	<b>123 346</b>	<b>113 013</b>
less impairment	-12 515	-9 580
<b>Inventories</b>	<b>110 831</b>	<b>103 433</b>

### Recognition and measurement

**Inventories:** Inventories are valued at the lower of acquisition/production costs and net market value. Acquisition/production costs encompass all direct and indirect expenses incurred in bringing inventories to their current location or state (full costs). Discounts are treated as acquisition price reductions. For all inventory components, the ascertainment of value is undertaken for the most part in accordance with the FIFO method. The current market price in the sales market in question is assumed when determining net market value.

## 2.3 Property, plant, and equipment

in TCHF	Undeveloped property	Land	Buildings	Machines and equipment	Other tangible fixed assets	Assets under construction	Total property, plant, and equipment
<b>Costs</b>							
<b>As at 31 December 2017</b>	<b>1 635</b>	<b>14 949</b>	<b>80 215</b>	<b>40 462</b>	<b>10 323</b>	<b>15 985</b>	<b>163 569</b>
Additions	0	752	1 370	3 406	2 181	29 409	37 118
Disposals	0	0	-265	-2 166	-846	0	-3 277
Reclassifications	-494	494	551	1 310	-50	-1 811	0
Currency differences	0	-174	-1 083	-816	-270	-376	-2 719
<b>As at 31 December 2018</b>	<b>1 141</b>	<b>16 021</b>	<b>80 788</b>	<b>42 196</b>	<b>11 338</b>	<b>43 207</b>	<b>194 691</b>
Additions	0	0	12 619	5 097	2 468	29 026	49 210
Disposals	0	0	-5	-1 434	-498	0	-1 937
Change in scope of consolidation	300	1 008	4 611	1 280	1 034	0	8 233
Reclassifications	0	0	12 451	1 118	-25	-13 544	0
Currency differences	3	-129	-1 308	-546	-301	-184	-2 465
<b>As at 31 December 2019</b>	<b>1 444</b>	<b>16 900</b>	<b>109 156</b>	<b>47 711</b>	<b>14 016</b>	<b>58 505</b>	<b>247 732</b>
<b>Depreciation</b>							
<b>As at 31 December 2017</b>	<b>0</b>	<b>0</b>	<b>-41 287</b>	<b>-22 598</b>	<b>-5 965</b>	<b>0</b>	<b>-69 850</b>
Additions	0	0	-2 631	-3 675	-1 802	0	-8 108
Disposals	0	0	29	2 103	768	0	2 900
Currency differences	0	0	102	288	206	0	596
<b>As at 31 December 2018</b>	<b>0</b>	<b>0</b>	<b>-43 787</b>	<b>-23 882</b>	<b>-6 793</b>	<b>0</b>	<b>-74 462</b>
Additions	0	0	-2 967	-4 048	-1 966	0	-8 981
Disposals	0	0	3	874	317	0	1 194
Change in scope of consolidation	0	0	-814	-791	-667	0	-2 272
Currency differences	0	0	117	212	218	0	547
<b>As at 31 December 2019</b>	<b>0</b>	<b>0</b>	<b>-47 448</b>	<b>-27 635</b>	<b>-8 891</b>	<b>0</b>	<b>-83 974</b>
<b>Book values</b>							
<b>As at 31 December 2017</b>	<b>1 635</b>	<b>14 949</b>	<b>38 928</b>	<b>17 864</b>	<b>4 358</b>	<b>15 985</b>	<b>93 719</b>
<b>As at 31 December 2018</b>	<b>1 141</b>	<b>16 021</b>	<b>37 001</b>	<b>18 314</b>	<b>4 545</b>	<b>43 207</b>	<b>120 229</b>
<b>As at 31 December 2019</b>	<b>1 444</b>	<b>16 900</b>	<b>61 708</b>	<b>20 076</b>	<b>5 125</b>	<b>58 505</b>	<b>163 758</b>

### Key recognition and measurement assumptions

Property, plant, and equipment are tested for impairment at least once a year. To determine whether impairment exists, estimates are made of the expected future cash flows arising from use. Actual cash flows may differ from the discounted future cash flows based on these estimates.

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### Recognition and measurement

**Property, plant, and equipment:** Property, plant, and equipment are accounted for at historical acquisition or production cost less accumulated depreciation. Borrowing costs that incurred during the construction phase through the financing of assets under construction are part of the acquisition cost if they are material. Depreciation is linear over the expected service lifetime.

### Depreciation period

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Asset category	Years
Machinery	7–10
Tools	7
Measuring, testing, and controlling devices	5
Operating installations	10
Warehouse installations	10–14
Vehicles	5–8
Office equipment	3–10
Information technology	3–5
Solar systems	20
Factory buildings	33
Office buildings	40
Land	no depreciation

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## 2.4 Intangible assets

### a) Movements in the intangible assets

in TCHF	Software	Patents and customer base	Software in implementation	Total intangible assets
<b>Costs</b>				
<b>As at 31 December 2017</b>	<b>27 031</b>	<b>4 063</b>	<b>418</b>	<b>31 512</b>
Additions	2 603	1 238	381	4 222
Disposals	-358	-12	0	-370
Reclassifications	371	0	-371	0
Currency differences	-192	0	-14	-206
<b>As at 31 December 2018</b>	<b>29 455</b>	<b>5 289</b>	<b>414</b>	<b>35 158</b>
Additions	3 132	0	2 106	5 238
Disposals	-52	0	0	-52
Change in scope of consolidation	641	41	0	682
Reclassifications	80	0	-80	0
Currency differences	-229	-14	-25	-268
<b>As at 31 December 2019</b>	<b>33 027</b>	<b>5 316</b>	<b>2 415</b>	<b>40 758</b>
<b>Depreciation</b>				
<b>As at 31 December 2017</b>	<b>-12 969</b>	<b>-4 063</b>	<b>0</b>	<b>-17 032</b>
Additions	-3 252	0	0	-3 252
Disposals	350	12	0	362
Currency differences	143	0	0	143
<b>As at 31 December 2018</b>	<b>-15 728</b>	<b>-4 051</b>	<b>0</b>	<b>-19 779</b>
Additions	-3 568	-253	0	-3 821
Disposals	52	0	0	52
Change in scope of consolidation	-637	-18	0	-655
Currency differences	160	6	0	166
<b>As at 31 December 2019</b>	<b>-19 721</b>	<b>-4 316</b>	<b>0</b>	<b>-24 037</b>
<b>Book values</b>				
<b>As at 31 December 2017</b>	<b>14 062</b>	<b>0</b>	<b>418</b>	<b>14 480</b>
<b>As at 31 December 2018</b>	<b>13 727</b>	<b>1 238</b>	<b>414</b>	<b>15 379</b>
<b>As at 31 December 2019</b>	<b>13 306</b>	<b>1 000</b>	<b>2 415</b>	<b>16 721</b>

**b) Goodwill**

Goodwill is offset against Group shareholders' equity upon the acquisition of a subsidiary or the interest in an associated company. Assuming a useful life of five years for trading companies acquired and ten years for production operations acquired plus depreciation on a straight-line basis, the theoretical capitalization of goodwill would have the following impact on the consolidated balance sheet:

in TCHF	2019	2018
<b>Historical costs as at 1 January</b>	<b>72 238</b>	<b>72 064</b>
Additions	18 352	241
Currency differences	-167	-67
<b>Historical costs as at 31 December</b>	<b>90 423</b>	<b>72 238</b>
<b>Theoretical accumulated depreciation as at 1 January</b>	<b>-31 856</b>	<b>-24 366</b>
Theoretical depreciation	-8 357	-7 499
Currency differences	56	9
<b>Theoretical accumulated depreciation as at 31 December</b>	<b>-40 157</b>	<b>-31 856</b>
<b>Theoretical net book value as at 31 December</b>	<b>50 266</b>	<b>40 382</b>

The capitalization and depreciation of goodwill would have the following theoretical impacts on shareholders' equity and Group profit after taxes:

in TCHF	31.12.2019	31.12.2018
Shareholders' equity according to balance sheet	244 604	281 640
Theoretical capitalization of net book value of goodwill	50 266	40 382
Theoretical tax impacts	780	737
<b>Theoretical shareholders' equity</b>	<b>295 650</b>	<b>322 759</b>

in TCHF	2019	2018
Group profit after taxes (EAT) according to income statement	13 221	51 787
Theoretical goodwill depreciation	-8 357	-7 499
Theoretical tax impacts	50	22
<b>Theoretical Group profit after taxes (EAT)</b>	<b>4 914</b>	<b>44 310</b>

**Key recognition and measurement assumptions**

Intangible assets and goodwill are tested for impairment if indicators reflect a possible impairment. To determine whether impairment exists, estimates are made of the expected future cash flows arising from use. Actual cash flows may differ from the discounted future cash flows based on these estimates.

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**Recognition and measurement**

**Software:** Purchased software licenses are capitalized at acquisition or production cost plus costs incurred in readying them for use. The total acquisition cost is amortized on a linear basis over three to eight years. Costs associated with the development or maintenance of software are recorded as expenses at the time they are incurred.

**Patents:** Patents are recognized at historical acquisition cost less cumulative amortization. Acquisition costs are written down in a linear way over patent life.

**Customer base:** Customer bases are recognized at historical acquisition cost less cumulative amortization. Acquisition costs are written down in a linear way over five to ten years.

**Research and development:** Research and development expenditure is fully charged to the income statement. These costs are contained in the positions "Personnel expenses" and "Other operating expenses."

**Goodwill:** Companies acquired over the course of the year are revalued and consolidated at the point of acquisition in keeping with standardized Group principles. The difference between the acquisition cost (including material transaction costs) and the prorated fair value of the net assets acquired is described as goodwill. Any potentially existing but not previously capitalized intangible assets taken over as part of the acquisition – such as brands, technology, rights of use, or client lists – are not separately recognized, but remain subsumed under goodwill. Goodwill can also arise from investments in associated companies, whereby this amounts to the difference between the acquisition cost of the investment and the prorated fair value of the net assets acquired. The goodwill resulting from acquisitions is directly offset against Group shareholders' equity. If the purchase price contains components that are dependent on future results, these components are estimated as accurately as possible at the point of acquisition and then capitalized. In the event of deviations when the purchase price is definitively settled at a later date, the goodwill offset against shareholders' equity is adjusted accordingly. In case of disposal, acquired goodwill offset with equity at an earlier date is to be considered at original cost to determine the profit or loss recognized in the income statement.

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**2.5 Other non-current receivables**

As at 31 December 2019, as in the corresponding period of the previous year, the other non-current receivables include almost exclusively paid rent deposits.

## 2.6 Other liabilities

### a) Other payables

in TCHF	31.12.2019	31.12.2018
Prepayments by customers	14 952	13 084
Contingent consideration	853	1 427
Current income tax liabilities	3 420	6 125
Prepayments for construction contracts	7 197	2 408
less accruals for construction contracts	-6 167	-2 400
<b>Liabilities arising from POC</b>	<b>1 030</b>	<b>8</b>
Other positions	11 709	13 259
<b>Total other payables</b>	<b>31 964</b>	<b>33 903</b>

#### Key recognition and measurement assumptions

For the determination of the fair value of a contingent consideration, profit and revenue forecasts as well as the current exchange rates are used that might result in a higher or lower fair value measurement. In addition, the continued employment of certain selling shareholders was assumed.

### b) Current provisions

in TCHF	2019	2018
<b>Total as at 1 January</b>	<b>2 975</b>	<b>2 359</b>
Additional provisions	2 618	2 631
Change in scope of consolidation	340	0
Amounts utilized during the year	-1 966	-1 183
Unused amounts reversed	-662	-778
Currency differences	-42	-54
<b>Total as at 31 December</b>	<b>3 263</b>	<b>2 975</b>

Current provisions are warranty provisions that include material and personnel costs in relation to warranty work.

#### Key recognition and measurement assumptions

In relation to machines and systems already delivered, Komax calculates the necessary warranty provisions on the balance sheet date on the basis of analysis and estimates. The actual costs may differ from the provisions stated. Any differences may affect the provision carried for warranty events in future reporting periods and therefore the reported result for the period.

#### Recognition and measurement

**Provisions:** Provisions are formed if the Group has a current legal or constructive obligation arising from an event in the past, if it appears probable that the asset base will be negatively impacted by settlement of the obligation, and if the amount of the provision can be reliably determined. Provisions for warranties are based on past payments, revenues in prior years, and current contracts. Komax normally gives a one-year warranty on machines and systems.

### 3 Capital and financial risk management

In addition to details on shareholders' equity, details are also provided on financial risk management at the Komax Group.

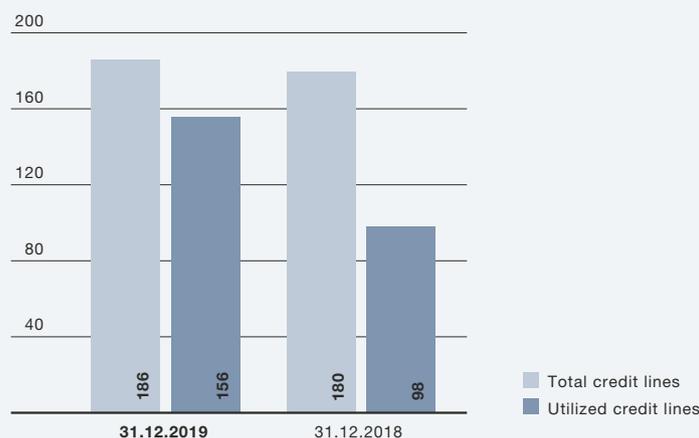
#### 3.1 Financial liabilities

in TCHF	Currency	31.12.2019	31.12.2018
Bank liabilities	CHF	121 000	59 000
Bank liabilities	EUR	27 792	24 408
Bank liabilities	USD	4 900	6 930
<b>Total financial liabilities</b>		<b>153 692</b>	<b>90 338</b>

Komax Holding AG finalized an agreement with a bank syndicate for a credit line amounting to CHF 160.0 million (31 December 2018: CHF 160.0 million). Additionally, there are further local credit lines for subsidiaries available amounting to CHF 26.3 million, up to a maximum of CHF 30.0 million (31 December 2018: CHF 19.6 million, up to a maximum of CHF 30.0 million). As at 31 December 2019 the Group has drawn on this credit limit to the amount of CHF 156.0 million (31 December 2018: CHF 98.5 million).

#### Credit lines Komax Group

in CHF million



The maturities of the financial liabilities (without interest) are as follows:

in TCHF	less than 1 year	1–5 years	over 5 years	Total
<b>As at 31 December 2019</b>	18 103	133 881	1 708	<b>153 692</b>
As at 31 December 2018	734	86 823	2 781	<b>90 338</b>

#### Recognition and measurement

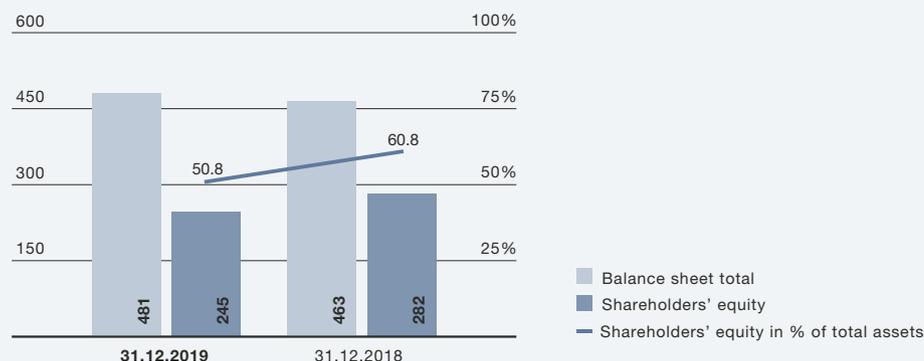
**Financial liabilities:** Financial liabilities comprising bank loans, mortgages, and bonds are valued at amortized cost. Financial liabilities are recorded as current liabilities in the balance sheet unless the Group has the unconditional right to defer settlement of the liability to a point in time at least twelve months after the relevant balance sheet date.

### 3.2 Shareholders' equity

This section shows the change in shareholders' equity compared to the prior year.

#### Shareholders' equity

in CHF million



#### a) Share capital

Balance sheet date	Number of shares	Par value in CHF	Par value in CHF
<b>31 December 2019</b>	<b>3 850 000</b>	<b>0.10</b>	<b>385 000</b>
31 December 2018	3 847 510	0.10	384 751
31 December 2017	3 834 482	0.10	383 448

All registered shares are fully paid up. The share capital increased due to the exercise of options compared to the prior year.

#### b) Treasury shares

	2019			2018		
	Number	Average price in CHF	Purchase costs (avg.) in TCHF	Number	Average price in CHF	Purchase costs (avg.) in TCHF
<b>Total as at 1 January</b>	<b>9 303</b>	<b>248.44</b>	<b>2 311</b>	<b>16 364</b>	<b>247.75</b>	<b>4 054</b>
Purchases	4 490	224.88	1 010	1 000	254.22	254
Transfer (share-based compensation)	-6 672	249.54	-1 665	-8 061	247.75	-1 997
<b>Total as at 31 December</b>	<b>7 121</b>	<b>232.55</b>	<b>1 656</b>	<b>9 303</b>	<b>248.44</b>	<b>2 311</b>

Both at the end of the reporting year and at the end of the prior-year period, all treasury shares were envisaged for share-based compensation programs. All treasury shares are held by Komax Holding AG. Neither the other Group companies nor the staff pension scheme of Komax AG hold any shares of Komax Holding AG.

**c) Conditional capital**

	2019			2018		
	Number	Par value in CHF	Conditional share capi- tal in CHF	Number	Par value in CHF	Conditional share capital in CHF
<b>Total as at 1 January</b>	<b>2 490</b>	<b>0.10</b>	<b>249</b>	<b>15 518</b>	<b>0.10</b>	<b>1 552</b>
Exercise of options	-2 490	0.10	-249	-13 028	0.10	-1 303
<b>Total as at 31 December</b>	<b>0</b>	<b>0.10</b>	<b>0</b>	<b>2 490</b>	<b>0.10</b>	<b>249</b>

There was no increase in conditional capital either in 2018 or in 2019. Conditional capital was created for management and employee share ownership schemes.

**d) Reserves**

The non-distributable reserves amounted to CHF 5.2 million as at 31 December 2019 (31 December 2018: CHF 7.8 million).

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**Recognition and measurement**

**Treasury shares:** Treasury shares are recognized at the average weighted cost of acquisition, including the transaction costs assignable to them, and are then offset against shareholders' equity. When treasury shares are sold or issued, the consideration received is credited to shareholders' equity.

**Issuance of shares:** Costs that are directly assignable to the issuance of new shares are recognized in shareholders' equity in net form as a deduction from the issue proceeds.

**Preferred shares:** No preferred shares have been issued to date.

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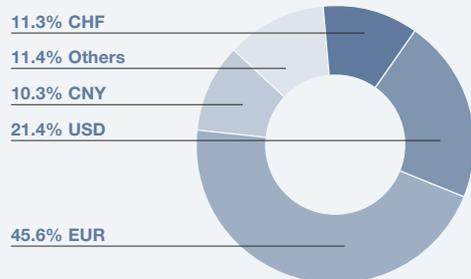
**3.3 Financial risk management**

The Komax Group is exposed to various financial risks, for example currency, credit, liquidity, and interest rate risks, through its business activities. The Group's overall risk management strategy is focused on the unpredictability of developments in the financial markets and is intended to minimize the potential negative impact on the Group's financial position. The Group uses derivative financial instruments to protect itself against interest rate, currency, and credit risks. Risk management is conducted by the finance department of Komax Holding AG in conformity with the guidelines issued by the Board of Directors. These guidelines set out procedures for the use of derivatives as well as dealing with foreign currency, interest rate, and credit risks. The guidelines are binding for all subsidiaries of the Komax Group.

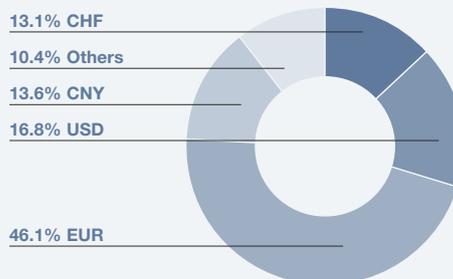
**a) Currency risk**

The Komax Group operates internationally and is therefore exposed to a variety of foreign exchange risks. Foreign currency risks arise from future cash flows, assets, and liabilities recognized in the balance sheet, and investment in foreign companies. Komax Group generates its revenues in the following currencies:

**2019**



**2018**



The most important year-end and average exchange rates were as follows:

Currency	Year-end rate 31.12.2019	Average rate 2019	Year-end rate 31.12.2018	Average rate 2018
USD	0.980	1.000	0.990	0.990
EUR	1.100	1.130	1.140	1.170
CNY	0.140	0.146	0.145	0.150

Komax is mainly exposed to currency risks relating to the USD, the EUR, and the CNY. Assuming that the average rates against the CHF had been 10% lower or higher and that all other parameters remained largely unchanged, the EBIT margin would have been changed as follows:

	Change EBIT margin 2019	Change EBIT margin 2018
EUR/CHF average rate +/- 10%	+/- 0.8%-pt.	+/- 1.0%-pt.
USD/CHF average rate +/- 10%	+/- 0.9%-pt.	+/- 0.8%-pt.
CNY/CHF average rate +/- 10%	+/- 0.5%-pt.	+/- 0.7%-pt.

**b) Credit risk**

Credit risks may exist with regard to bank account balances, derivative financial instruments, and receivables from customers. Komax regularly reviews the independent ratings of financial institutions. Moreover, all risks pertaining to cash and cash equivalents are further minimized by using a variety of banks rather than one single bank.

**c) Capital risk**

In the management of its capital, the Komax Group pays special attention to ensuring that the Group is able to continue to operate, that shareholders receive an appropriate return for their risks, and that financial ratios are optimized, taking the cost of capital into account. To achieve these targets, Komax may adjust its dividend payment, issue new shares, or sell assets in order to scale back its debt.

**d) Liquidity risk**

Prudent liquidity risk management involves maintaining sufficient reserves of cash and cash equivalents and liquid securities as well as financing capacity through an adequate volume of approved lines of credit. The amount of cash required for operations is reviewed annually and monitored on a monthly basis by the finance department. Given the business environment in which Komax operates, it is also essential for the Group to maintain the necessary flexibility in financing by maintaining sufficient unused lines of credit.

**e) Interest rate risk**

Neither at 31 December 2019 nor at the prior year's balance sheet date did the Komax Group possess any assets that were subject to any material rate of interest. The Group's financial risk policy is to finance long-term investments with long-term liabilities, which gives rise to an interest rate risk. If there is a significant interest rate risk, the related cash flow risks are hedged through interest rate swaps.

**4 Group structure**

This section contains details on the scope of consolidation, including any changes (acquisitions, business areas to be discontinued). The list of investments additionally contains all directly and indirectly held investments as at 31 December 2019.

**4.1 Scope of consolidation**

The consolidated financial statements incorporate the individual financial statements of Komax Holding AG, Dierikon, and its subsidiaries.

In addition to the acquisitions of Artos Engineering and Exmore listed under Note 4.2, a further subsidiary was founded in the first half of 2019 in the form of Komax Distribution (Thailand) Co., Ltd., which commenced operating activity in the second half of 2019. In the prior-year period, another subsidiary was founded in the form of Komax TSK Maroc Sàrl., Morocco. In addition, the no longer operationally active subsidiary company TSK Test Systems (Shanghai) Co. Ltd., China, was liquidated in 2018.

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**Recognition and measurement**

**Subsidiaries:** Subsidiaries are fully consolidated if Komax Holding AG exercises control over their financial and business policies. As a rule, this is the case if Komax Holding AG directly or indirectly holds more than 50% of the subsidiary's voting capital.

**Date of consolidation:** Subsidiaries are included in the consolidated financial statements from the date on which the Group assumes control. They are deconsolidated from the date on which control is ceded.

**Intragroup eliminations:** Intragroup transactions, intragroup balances, and unrealized gains or losses from transactions between Group companies are eliminated from the scope of consolidation.

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## 4.2 Business combinations

### a) Acquisitions 2019

in TCHF	Exmore	Artos Engineering	Total
<b>Acquired net assets at fair value</b>			
Cash and cash equivalents	3 235	286	<b>3 521</b>
Trade receivables	2 127	1 710	<b>3 837</b>
Other receivables	248	35	<b>283</b>
Inventories	3 360	4 029	<b>7 389</b>
Accrued income and prepaid expenses	178	83	<b>261</b>
Property, plant, and equipment	3 392	2 569	<b>5 961</b>
Intangible assets	1	26	<b>27</b>
Deferred tax assets	83	673	<b>756</b>
Other non-current receivables	0	7	<b>7</b>
<b>Total assets</b>	<b>12 624</b>	<b>9 418</b>	<b>22 042</b>
<b>Current financial liabilities</b>			
Trade payables	-2 593	-1 566	<b>-4 159</b>
Other payables	-2 364	-523	<b>-2 887</b>
Current provisions	-325	-15	<b>-340</b>
Accrued expenses and deferred income	-1 527	-602	<b>-2 129</b>
Non-current financial liabilities	-31	-2 242	<b>-2 273</b>
Deferred tax liabilities	-437	-88	<b>-525</b>
<b>Total liabilities</b>	<b>-7 314</b>	<b>-6 688</b>	<b>-14 002</b>
<b>Acquired net assets</b>	<b>5 310</b>	<b>2 730</b>	<b>8 040</b>
<b>Acquisition costs</b>	<b>156</b>	<b>145</b>	<b>301</b>
<b>Goodwill</b>	<b>10 835</b>	<b>7 216</b>	<b>18 051</b>
<b>Total consideration</b>	<b>16 301</b>	<b>10 091</b>	<b>26 392</b>
Contingent consideration	0	1 889	<b>1 889</b>
Transferred consideration	16 301	8 202	<b>24 503</b>
less acquired cash and cash equivalents	-3 235	-286	<b>-3 521</b>
<b>Net cash out 2019</b>	<b>13 066</b>	<b>7 916</b>	<b>20 982</b>

#### Exmore

Komax acquired a 100% stake in Exmore NV, Belgium, as per 1 October 2019. The acquired company generated revenues of CHF 3.4 million from 1 October 2019. The repercussions of this acquisition for Group profit after taxes are negligible.

#### Artos Engineering

Komax acquired a 100% stake in Artos Engineering Company, USA, and its subsidiary Artos Engineering France S.à.r.l., France, as per 1 April 2019. The acquired company generated revenues of CHF 9.4 million from 1 April 2019. The repercussions of this acquisition for Group profit after taxes are negligible.

**b) Acquisitions 2018**

In December 2018 the newly founded company Komax TSK Maroc Sàrl., Morocco, took over the assets as well as all employees of TX Mechatronics Sàrl., Morocco. With this asset deal Komax strengthened its testing business in North Africa. Previously, production for Moroccan customers had taken place at the Komax companies in Tunisia and Turkey. Komax Morocco had also worked on an ad hoc basis with TX Mechatronics, which manufactured testing systems in Morocco. The repercussions of this acquisition for the presentation of the consolidated financial statements were not significant.

**4.3 Investments in associates**

As at 31 December 2018, Komax still held a stake in Xcell Automation Inc., York, USA, which was accounted for as an associated company. The company was liquidated in 2019. The stake was valued at CHF 0.0 million as at 31 December 2018.

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**Recognition and measurement**

**Investments in associates:** Companies in which the Komax Group holds at least 20% of voting rights but in which it has a stake of less than 50% or on which it exerts a key influence in other ways are recognized by the equity method, and initially recorded at the corresponding acquisition cost.

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#### 4.4 Equity holdings

##### Direct and indirect equity participation of Komax Holding AG as at 31 December 2019

Company	Place
<b>Switzerland</b>	
Komax Management AG	Dierikon, Switzerland
Komax AG	Dierikon, Switzerland
<b>Europe</b>	
Artos Engineering France S.à.r.l.	Treillières, France
Exmore NV	Beerse, Belgium
Kabatec GmbH & Co. KG	Burghaun, Germany
TSK Test Systems Bulgaria Ltd.	Yambol, Bulgaria
Komax Consult Deutschland GmbH	Nuremberg, Germany
Komax France Sàrl.	Domont, France
Komax Kabelverarbeitungs-Systeme Deutschland GmbH	Nuremberg, Germany
Komax Kabatec Verwaltungs GmbH	Burghaun, Germany
Komax Portuguesa S.A.	Alcabideche, Portugal
Komax SLE GmbH & Co. KG	Grafenau, Germany
Komax SLE Verwaltungs GmbH	Grafenau, Germany
Komax Thonauer Kft.	Budakeszi, Hungary
Laselec SA	Toulouse, France
SC Thonauer Automatic s.r.l.	Bucharest, Romania
Thonauer Gesellschaft m.b.H.	Vienna, Austria
Thonauer spol. s.r.o.	Brno, Czech Republic
Thonauer s.r.o.	Bratislava, Slovakia
TSK Beteteiligungs GmbH	Porta Westfalica, Germany
TSK Prüfsysteme GmbH	Porta Westfalica, Germany
TSK Test Sistemleri San. Ltd. Şti.	Ergene/Tekirdağ, Turkey
TSK Test Systems SRL	Bistrita, Romania
<b>Africa</b>	
Komax Maroc Sàrl.	Mohammédia, Morocco
Komax TSK Maroc Sàrl.	Tangier, Morocco
TSK Tunisia s.a.l.	Tunis, Tunisia
<b>North/South America</b>	
Artos Engineering Company	Brookfield, Wisconsin, USA
Komax Comercial do Brasil Ltda.	São Paulo, Brazil
Komax Corp.	Buffalo Grove, Illinois, USA
Komax de México S. de R.L. de C.V.	Irapuato, Mexico
Komax Holding Corp.	Buffalo Grove, Illinois, USA
Komax York Inc.	Buffalo Grove, Illinois, USA
Laselec Inc.	Grand Prairie, Texas, USA
TSK Sistemas de Testes do Brasil Ltda.	Colombo, Brazil
TSK Test Systems Mexico, S. de R.L. de C.V.	Irapuato, Mexico
TSK Innovations Co.	El Paso, Texas, USA
<b>Asia</b>	
Komax Automation India Pvt. Ltd.	Gurgaon, India
Komax Distribution (Thailand) Co., Ltd.	Bangkok, Thailand
Komax Japan K.K.	Tokyo, Japan
Komax Shanghai Co. Ltd.	Shanghai, China
Komax Singapore Pte. Ltd.	Singapore

Purpose	Participation	Consolidation	Ordinary capital
Group services and management	100%	Full consolidation	CHF 100 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	CHF 5 000 000
Sales	100%	Full consolidation	EUR 182 939
R&D, engineering, production, marketing, sales	100%	Full consolidation	EUR 60 760
R&D, engineering, production, marketing, sales	100%	Full consolidation	EUR 100 000
Engineering, production, marketing, sales	100%	Full consolidation	BGN 600 000
Regional services	100%	Full consolidation	EUR 30 000
Sales	100%	Full consolidation	EUR 1 500 000
Sales	100%	Full consolidation	EUR 400 000
Administration	100%	Full consolidation	EUR 25 000
Sales	100%	Full consolidation	EUR 750 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	EUR 5 700 000
Administration	100%	Full consolidation	EUR 25 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	HUF 10 000 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	EUR 545 280
Sales	100%	Full consolidation	RON 2 200 000
Sales	100%	Full consolidation	EUR 36 336
Sales	100%	Full consolidation	CZK 200 000
Sales	100%	Full consolidation	EUR 6 639
Holding of equity interests	100%	Full consolidation	EUR 4 000 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	EUR 1 764 700
Engineering, production, marketing, sales	100%	Full consolidation	TRY 14 950 000
Sales	100%	Full consolidation	RON 110 152
Sales	100%	Full consolidation	MAD 10 000 000
Engineering, production, marketing, sales	100%	Full consolidation	EUR 300 000
Engineering, production, marketing, sales	100%	Full consolidation	TND 366 000
R&D, engineering, production, marketing, sales	100%	Full consolidation	USD 330 905
Sales	100%	Full consolidation	BRL 200 000
Sales	100%	Full consolidation	USD 1 000 000
Sales	100%	Full consolidation	MXN 3 000
Holding of equity interests	100%	Full consolidation	USD 8 160 000
Administration	100%	Full consolidation	USD 150
Sales	100%	Full consolidation	USD 1
Engineering, production, marketing, sales	100%	Full consolidation	BRL 362 500
Production	100%	Full consolidation	MXN 3 000
Engineering, production, marketing, sales	100%	Full consolidation	USD 1 000 000
Sales	100%	Full consolidation	INR 10 000 000
Sales	100%	Full consolidation	THB 33 000 000
R&D, production, marketing, sales	100%	Full consolidation	JPY 90 000 000
R&D, production, sales	100%	Full consolidation	USD 12 210 000
R&D, production, sales	100%	Full consolidation	SGD 8 600 000

## 5 Other information

This section contains all the information not addressed in the previous sections, e.g. information on employee benefits and share-based compensation.

### 5.1 Employee benefits

in TCHF	2019		2018
	Surplus cover as per FER 26	Economic share within the Group	Economic share within the Group
Pension plans with surplus cover	269	0	0
<b>Total</b>	<b>269</b>	<b>0</b>	<b>0</b>

in TCHF	2019			2018
	Change compared to prior year / expense of reporting period	Contributions accrued for the period	Employee benefits expenditure in personnel expenses	Employee benefits expenditure in personnel expenses
Pension plans with surplus cover	0	4 881	4 881	4 536
<b>Total</b>	<b>0</b>	<b>4 881</b>	<b>4 881</b>	<b>4 536</b>

The employee benefits expenditure stated only comprises contributions made to the benefit schemes at the expense of the company.

The pension plans with surplus cover are related to the staff pension scheme of Komax AG in Switzerland. The coverage rate amounted to 115.8% as at 31 December 2019 (31 December 2018: 111.4%). The actuarial calculations are based on a technical interest rate of 2.0% (31 December 2018: 2.5%) as well as the technical basis of BVG 2015 (31 December 2018: BVG 2015).

There were no material employer contribution reserves as at 31 December 2019 or as at 31 December 2018.

#### Recognition and measurement

**Employee benefits:** The key companies are based in Switzerland, where employee benefits are amalgamated in a legally independent foundation regulated by the Federal Law on Old-Age, Survivors' and Disability Insurance (BVG). No significant pension plans are managed abroad. The ascertainment of any surplus or shortfall in respect of Swiss pension plans is undertaken on the basis of the annual financial statements of the corresponding pension schemes in accordance with Swiss GAAP FER 26. Any benefit arising from employer contribution reserves is recognized as an asset. The capitalization of an additional economic benefit (as a result of a pension scheme having surplus cover) is not intended, nor are the prerequisites for such a step met. An economic obligation is carried as a liability if the prerequisites for the creation of a provision are met.

## 5.2 Share-based compensation

The Komax Group had the following share-based compensation agreements:

### a) Share option plan of the Komax Group

The share option plan took the form of share-based compensation settled in equity instruments by means of a capital increase (equity-settled plan) for the Board of Directors and the Komax Group management. The number of options allocated depended on the individual performance of the entitled employee. The options granted entitled holders to subscribe one Komax Holding AG share per option and were valid for five years. They had a predetermined exercise price and were subject to a three-year lock-in period. The allocation of share options was discontinued at the end of 2015. In the prior year period 2018, 15 128 options were exercised and 3 361 options expired.

### b) Komax Performance Share Unit Plan (PSU)

The plan (equity-settled plan) for the executive management comprises PSUs with a three-year vesting period which are dependent on the attainment of a performance target and the continuation of the employment relationship. The number of PSUs allocated is calculated by dividing a fixed amount by the average closing share price during the 60 days preceding the start of the vesting period. The actual payout at the end of the vesting period takes the form of shares, and is dependent on the average EBIT margin or RONCE over three years compared to the target determined in advance by the Board of Directors. The payout multiplier may range between 0% and 150%. The actual value of the allocation at the end of the vesting period is therefore dependent on the payout multiplier and the development of the share price over the course of the vesting period. In the event of any termination of the employment relationship, pro rata vesting applies at the ordinary vesting date.

#### Terms of outstanding rights as at 31 December 2019

		2017–2019	2018–2020	2019–2021
Number of outstanding rights		1 236	1 187	960
Vesting period		3 years	3 years	3 years
Allocation		2020	2021	2022
Fair value on the day of granting	CHF	241.98	295.00	265.51
<b>Total fair value at allocation</b>	<b>TCHF</b>	<b>299</b>	<b>350</b>	<b>255</b>

**c) Komax Long-term Share Incentive Plan**

The plan (equity-settled plan) for managers is currently not linked to profitability conditions, and contains a three-year vesting period. The number of shares allocated is calculated by dividing a fixed amount by the average closing share price during the 60 days preceding the start of the vesting period. The actual payout at the end of the vesting period takes the form of shares. In the event of any termination of the employment relationship, pro rata vesting applies at the ordinary vesting date.

Number of rights	<b>2019</b>	2018
<b>Total as at 1 January</b>	<b>7 245</b>	<b>9 111</b>
Granted 1 January	1 935	1 660
Forfeited	0	0
Transferred to participants	-3 090	-3 526
<b>Total as at 31 December</b>	<b>6 090</b>	<b>7 245</b>

The fair value on the day of granting amounted to CHF 265.51 (2018: CHF 295.00).

**d) Komax Long-term Cash Incentive Plan**

The plan (cash-settled plan) for managers is currently not linked to profitability conditions, and contains a three-year vesting period. The actual payout at the end of the vesting period is determined at the end of the performance period, and is based on a multiplication of the allocation amount by the share price performance factor (ratio of final share price to starting share price).

Number of rights	<b>2019</b>	2018
<b>Total as at 1 January</b>	<b>3 694</b>	<b>4 268</b>
Granted 1 January	1 432	1 189
Forfeited	-181	-15
Transferred to participants	-1 343	-1 748
<b>Total as at 31 December</b>	<b>3 602</b>	<b>3 694</b>

The fair value on the day of granting amounted to CHF 265.51 (2018: CHF 294.60).

**e) Komax Restricted Share Plan**

Restricted shares are allocated to Board members at the end of their period of office shortly before the Annual General Meeting (equity-settled plan); the lock-in period is three years. In the event of resignation from office as a result of retirement, death, or disability, the entitlement to restricted shares is calculated on a pro rata temporis basis. In such cases, lock-in periods may be either continued or rescinded at the discretion of the Board of Directors. In the 2019 financial year, 791 shares (2018: 640 shares) with a fair value of CHF 210.00 (2018: CHF 270.00) on the date of granting were allocated to the Board of Directors.

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**Recognition and measurement**

**Share-based compensation:** All share-based compensation granted to staff is estimated at fair value as per the date it is granted, and is charged evenly across the vesting period to the corresponding income statement positions within the operating result. In the case of compensation plans involving remuneration in the form of equity instruments, the expense of the granted compensation is booked as an increase in shareholders' equity, and any funds received from the exercise of this compensation following the vesting period are booked as a change in shareholders' equity. The fair value of the amount that is to be paid to employees in respect of share appreciation rights and settled in the form of cash is booked as an expense with a corresponding increase in debt over the period in which employees acquire unrestricted access to these payments.

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**5.3 Related party transactions**

**Transactions with associated companies**

in TCHF	2019	2018
Sale of goods and services	0	36
Interest income	0	69
Other receivables (current and non-current) as at 31 December	0	69

Related party transactions include members of the Board of Directors, members of the Executive Committee, pension funds, and key shareholders, as well as companies controlled by the same. In the year under review, no transactions were entered into with closely linked persons in connection with the sale and purchase of goods and services (2018: none). With the exception of the regular employer contributions to the pension fund, no transactions were effected with related parties (2018: none).

#### 5.4 Off-balance-sheet transactions

##### a) Contingent liabilities

Aside from a service performance guarantee of CHF 0.3 million (31 December 2018: CHF 0.7 million), there were other guarantees of CHF 2.4 million (31 December 2018: CHF 8.1 million) granted; these almost exclusively comprise guarantees granted to customers for advance payments. In addition to the above-mentioned guarantees, there were other contingent liabilities associated with the sale of business units that could protect the buyer against potential tax, legal, and/or other imponderables in connection with the acquired business unit. On the basis of its current risk appraisal, Komax does not expect any cash outflows in connection with the above-mentioned contingent liabilities.

##### b) Ownership restrictions for own liabilities

in TCHF	31.12.2019	31.12.2018
Book value real estate	18 867	8 106
Lien on real estate	7 280	5 472
Utilization	6 283	5 358

The pledged assets will be used to secure own liabilities.

##### c) Contractual obligations

As at 31 December 2019, contractual obligations of CHF 15.6 million were existing in respect of the acquisition of property, plant, and equipment (31 December 2018: CHF 36.5 million). Future liabilities arising from operating lease agreements amount to CHF 2.7 million due in 2020 and CHF 3.0 million due in 2021–2024 (31 December 2018: CHF 2.5 million due in 2019 and CHF 3.8 million due in 2020–2023).

#### 5.5 Other key accounting principles

##### a) Key figures not defined under Swiss GAAP FER

By stating its free cash flow in the cash flow statement, the Komax Group is reporting an item that is not in conformity with Swiss GAAP FER but is nonetheless a key figure for Komax, as well as being widely used and recognized in the financial sector. This key figure is an amalgamation of cash flow from operating activities and cash flow from investing activities. In the income statement, Komax discloses the revenues as an additional subtotal that is not defined under Swiss GAAP FER. This subtotal includes other operating income in addition to net sales and is used for the calculation of important key figures. As gross profit is an important key figure for Komax, the corresponding interim total is reported separately in the income statement. Gross profit comprises revenues (net sales and other operating income) minus the cost of materials and changes in inventory of unfinished and finished products.

**b) Currency conversion**

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**Recognition and measurement**

**Functional currency and reporting currency:** Items included in the financial statements of each entity are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated financial statements are presented in CHF, which is the functional currency of the parent company, Komax Holding AG.

**Transactions and balances:** Foreign currency transactions are translated into the functional currency at the rate prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

**Group companies:** The earnings and balance sheet figures of foreign business units with a functional currency other than the Swiss franc are translated to Swiss francs as follows:

- a) Assets and liabilities are translated at the exchange rate on the balance sheet date for each such date.
- b) Revenues and expenses are translated at the weighted average exchange rate for each income statement.
- c) All exchange rate gains and losses are recognized in shareholders' equity and reported on a separate line within the retained earnings.

Exchange rate differences arising from the translation of net investments in foreign business units are recognized under comprehensive income. When a foreign company is sold, these exchange rate differences are reported in income as part of the gain or loss from the sale.

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**c) Other important accounting policies**

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**Recognition and measurement**

**Cash and cash equivalents:** Cash and cash equivalents includes banknotes, sight deposits, and other current, highly liquid financial assets with an original maturity of no greater than three months. Utilized current account overdrafts are shown on the balance sheet as payables to credit institutions under current financial liabilities.

**Trade payables:** Trade payables are valued initially at fair value, which is normally the amount originally invoiced, and subsequently measured at amortized cost.

**Non-operating properties:** Investment property encompasses land and buildings held with a view to generating rental income or for purposes of capital appreciation, and not for internal production purposes, the delivery of goods, or the provision of services, administrative purposes, or sales in the context of ordinary business activity. Investment property is valued at acquisition or construction cost less cumulative depreciation.

**Transactions with minorities:** Changes in ownership interests in subsidiaries are recognized as equity capital transactions provided control remains intact.

**Impairment of non-monetary assets:** Assets subject to planned amortization are also tested for impairment if events or changes in circumstances create a presumption that the carrying value can potentially no longer be realized. An impairment is recorded in the amount by which the asset's carrying value exceeds its realizable value. The realizable value is the greater of the asset's fair value less disposal costs and its use value. In determining impairments, assets are grouped according to the smallest separately identifiable cash-generating units.

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Report of the statutory auditor to the General Meeting of Komax Holding AG, Dierikon

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of Komax Holding AG and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated balance sheet as at 31 December 2019, the consolidated statement of shareholders' equity and the consolidated cash flow statement 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 on pages 84 to 119 give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance 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.

### Our audit approach

#### Overview

Overall Group materiality: CHF 2 400 000

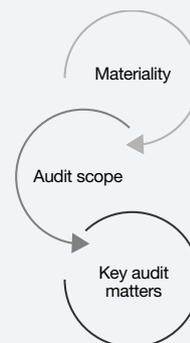
We concluded full scope audit work at eight reporting units in six countries. Our audit scope addressed 58% of the Group's net sales. In addition, an audit of account balances was performed at one other Group company, which addressed a further 14% of net sales of the Group. We obtained additional assurance through the audits of the statutory financial statements of a further eight companies (five different countries). These addressed a further 13% of net sales of the Group.

As key audit matter, the following area of focus was identified:

- Revenue recognition in the appropriate period

#### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements. Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.



<b>Overall Group materiality</b>	CHF 2 400 000
<b>How we determined it</b>	0.6% of net sales, rounded
<b>Rationale for the materiality benchmark applied</b>	We chose net sales as the benchmark for determining materiality. This benchmark takes into account the volatility of the business environment and is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 170 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

**Audit scope**

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements include within their scope 42 entities. We identified eight Group companies for which, in our opinion, an audit of the complete financial information was necessary on the grounds of their size or risk characteristics. For one other Group company, an audit of account balances was performed to address significant items adequately. We obtained additional assurance from the timely performance of audits of the statutory financial statements of eight Group companies.

All of the Group companies in the described audit scope were audited by local national PwC firms. None of the Group companies excluded from our audit of the consolidated financial statements accounted individually for more than 6% of Group net sales.

To provide appropriate guidance to and monitor the work of the auditors of the Group companies, the Group audit team performed selected reviews of the audit working papers and held telephone conferences with the auditors of the Group companies.

**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 judgement, 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 in the appropriate period**

Key audit matter	How our audit addressed the key audit matter
<p>We consider revenue recognition in the appropriate period to be a key audit matter because of the scope for judgement involved in determining, as required, exactly when the risks and rewards associated with goods delivered and services rendered are transferred in accordance with the Swiss GAAP FER accounting requirements.</p> <p>On the basis of the agreed delivery terms (Incoterms), the expected average delivery times until the effective transfer of the risks and rewards of ownership to the customer and taking into account special cases (e.g. delivery delays), Komax realises revenue from sales of goods in the period in which it transfers the risks and rewards of ownership.</p> <p>Please refer to page 92 of the notes to the consolidated financial statements.</p>	<p>We checked on a sample basis that revenue was recognised in the correct period for the months of December 2019 and January 2020. For the selected samples, we assessed the underlying Incoterms and in critical cases checked the average delivery times. In some cases, we interviewed the persons responsible, including those from other departments.</p> <p>We concluded that the criteria for revenue recognition in the appropriate period in accordance with the Swiss GAAP FER requirements were complied with in the consolidated financial statements for the year ended 31 December 2019.</p>

#### **Responsibilities 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 scepticism 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 paragraph 1 item 3 CO and 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.

PricewaterhouseCoopers AG



Thomas Brüderlin  
Audit expert  
Auditor in charge



Sebastian Gutmann  
Audit expert

Basel, 16 March 2020

## Balance sheet of Komax Holding AG

in TCHF	31.12.2019	%	31.12.2018	%
<b>Assets</b>				
Cash and cash equivalents	216		719	
Other current receivables third parties	168		54	
Other current receivables Group	4 460		2 690	
Other current receivables associates	0		69	
Financial loans Group	131 262		82 804	
Accrued income / prepaid expenses	79		685	
<b>Total current assets</b>	<b>136 185</b>	<b>29.5</b>	<b>87 021</b>	<b>22.6</b>
Financial investments Group	93 674		82 467	
Investments in subsidiaries	231 612		215 075	
<b>Total non-current assets</b>	<b>325 286</b>	<b>70.5</b>	<b>297 542</b>	<b>77.4</b>
<b>Total assets</b>	<b>461 471</b>	<b>100.0</b>	<b>384 563</b>	<b>100.0</b>
<b>Liabilities and shareholders' equity</b>				
Trade payables	249		386	
Current interest-bearing liabilities third parties	17 150		0	
Other current liabilities third parties	1		990	
Other current liabilities Group	1		0	
Accrued expenses / deferred income	297		317	
Provisions	350		462	
<b>Total current liabilities</b>	<b>18 048</b>	<b>3.9</b>	<b>2 155</b>	<b>0.6</b>
Non-current interest-bearing liabilities third parties	130 200		83 030	
<b>Total non-current liabilities</b>	<b>130 200</b>	<b>28.2</b>	<b>83 030</b>	<b>21.6</b>
<b>Total liabilities</b>	<b>148 248</b>	<b>32.1</b>	<b>85 185</b>	<b>22.2</b>
Share capital	385		385	
Capital contribution reserves	814		3 270	
Other statutory capital reserves	2 000		2 000	
Statutory profit reserves	100		100	
Profit reserves determined by resolution	271 403		257 903	
Retained earnings	693		551	
Profit after taxes	39 484		37 480	
Treasury shares	-1 656		-2 311	
<b>Total shareholders' equity</b>	<b>313 223</b>	<b>67.9</b>	<b>299 378</b>	<b>77.8</b>
<b>Total liabilities and shareholders' equity</b>	<b>461 471</b>	<b>100.0</b>	<b>384 563</b>	<b>100.0</b>

### Income statement of Komax Holding AG

in TCHF	2019	2018
Dividend income	40 355	37 622
Other financial income	8 955	8 099
Other operating income	645	690
<b>Total income</b>	<b>49 955</b>	<b>46 411</b>
Financial expenses	-6 960	-5 349
Compensation	-860	-786
Other operating expenses	-2 494	-2 520
Direct taxes	-157	-276
<b>Total expenses</b>	<b>-10 471</b>	<b>-8 931</b>
<b>Profit after taxes</b>	<b>39 484</b>	<b>37 480</b>

## Notes to the 2019 financial statements of Komax Holding AG

### 1 Principles

#### 1.1 General

These annual financial statements were drawn up according to the provisions of Swiss accounting law (Section 32 of the Swiss Code of Obligations). The key valuation principles applied other than those prescribed by law are described below. Here it should be remembered that use has been made of the option to create and release hidden reserves for the purpose of securing the company's lasting prosperity.

As Komax Holding AG draws up a set of consolidated financial statements in line with a recognized accounting standard (Swiss GAAP FER), it has elected not to include in these financial statements – in keeping with statutory guidelines – explanatory notes on interest-bearing liabilities and audit fees, as well as the presentation of a cash flow statement.

#### 1.2 Financial investments

Financial investments comprise non-current financial loans. Granted loans are valued at the respective balance sheet date, whereby unrealized losses are accounted for but unrealized gains are not (impairity principle).

#### 1.3 Investments

Investments are initially recognized at cost. The valuation of investments is reviewed annually on an individual basis and if necessary adjusted to a lower recoverable amount.

#### 1.4 Treasury shares

Treasury shares are recorded at the time they are acquired as minus items in shareholders' equity, at acquisition cost. In the event of a later resale, the profit or loss is recognized in the income statement as financial income or financial expense.

#### 1.5 Share-based compensation

If treasury shares are used for the share-based compensation of Board members, the difference between the acquisition cost and the actual payment to Board members when the shares are allocated is booked to compensation.

## **2 Information on balance sheet and income statement positions**

### **2.1 Assets**

Other current receivables from Group companies increased by a total of CHF 1.8 million. This balance sheet item contains open interest receivables in respect of subsidiary companies.

The Group's current financial loans increased by a total of CHF 48.5 million. This balance sheet item likewise encompasses the current account loan of Komax Holding AG to Komax AG, Switzerland.

Financial investments Group comprise non-current financial loans and participation loans. The Group's financial investments have increased as a result of newly granted loans.

### **2.2 Liabilities**

The "Current interest-bearing liabilities third parties" item comprises current financial loans reported by banks.

The provisions relate to taxes on earnings as well as open tax claims in respect of corporation tax to be paid on the holdings in Germany.

Komax Holding AG and a syndicate of banks led by Credit Suisse have a valid credit agreement for a credit limit of CHF 160.0 million. The credit agreement is valid until 31 January 2022. In addition, there is an option to extend the credit agreement by one year to 31 January 2023. The credit line provides the Group with the necessary entrepreneurial flexibility, guarantees the financing of commercial operations, and ensures the continued implementation of corporate strategy. As at 31 December 2019, the Group had drawn on this credit limit to the amount of CHF 111.0 million, USD 5.0 million, and EUR 13.0 million (total drawing: CHF 130.2 million).

In accordance with the applicable capital contribution principle, capital contributions (share premiums) made after 31 December 1996 are disclosed in the separate equity item "Statutory capital reserves." Repayments to shareholders from this account are treated in the same way as the repayment of nominal capital and are not subject to withholding tax.

### **2.3 Income**

Dividend income amounted to CHF 40.4 million in the year under review (2018: CHF 37.6 million).

Other financial income contains interest income on granted loans as well as realized and unrealized exchange rate gains on cash and cash equivalents, and loans in foreign currency.

Other operating income comprises billed amounts for holding fees and licences, as well as incidental revenues of third parties and the Group.

## 2.4 Expenses

The “Financial expenses” item comprises, among other things, interest expenses and commissions, securities losses, and unrealized and realized exchange rate losses on cash and cash equivalents, and loans in foreign currency.

Compensation comprises compensation paid to the Board of Directors.

The “Other operating expenses” item includes patents and licence costs, advisory and legal expenses, investor relations expenses, representation expenses, insurance premiums, and other operating expenditure items.

Direct taxes contain expenses for taxes on earnings and corporation tax.

## 3 Company and legal form, registered office

Company: Komax Holding AG  
 Legal form: Aktiengesellschaft (company limited by shares)  
 Registered office: Dierikon, Canton Lucerne, Switzerland

## 4 Full-time employees

Komax Holding AG does not have any employees.

## 5 Participations

The direct and indirect participations of Komax Holding AG are set out in the consolidated financial statements on pages 112 and 113.

## 6 Treasury shares

Details of the treasury shares of Komax Holding AG are provided in the consolidated financial statements on page 106.

## 7 Contingent liabilities

in TCHF	31.12.2019	31.12.2018
Joint liability for Group taxation value-added tax	p.m.	p.m.
<b>Guarantees</b>		
in EUR	1 288	2 147
in USD	291	743
in CHF	0	2 763
<b>Total</b>	<b>1 579</b>	<b>5 653</b>

From the total contingent liabilities of CHF 1.6 million (31 December 2018: CHF 5.7 million), CHF 1.3 million (31 December 2018: CHF 4.9 million) are contingent liabilities in favor of subsidiaries.

## **8 Conditional capital**

Details of the conditional capital of Komax Holding AG are provided in the consolidated financial statements on page 107.

## **9 Major shareholders**

As at 31 December 2019 and 31 December 2018 the company had no major shareholders holding more than 5% of the votes.

## **10 Externally regulated capital requirements (covenants)**

The Group's financial liabilities are subject to the following externally regulated capital requirement (covenant) as per the syndicated loan agreement:

The gearing factor may not exceed 3.25 either at 31 December 2019 or thereafter at each quarter-end balance sheet date.

The Komax Group has complied with all capital requirements since the contract signing date as well as at 31 December 2019. Within the scope of the syndicated loan agreement, Komax Holding AG guarantees for the liabilities of any member of the Komax Group.

## 11 Holdings of shares

Assets in units		31.12.2019	31.12.2018
		Shares	Shares
<b>Board of Directors</b>			
Beat Kälin	Chairman	9 972	9 722
David Dean	Member	1 128	1 024
Andreas Häberli	Member	188	84
Kurt Haerri	Member	2 987	2 883
Daniel Hirschi <sup>1</sup>	Member	n.a.	4 730
Mariel Hoch <sup>2</sup>	Member	0	n.a.
Roland Siegwart	Member	2 128	2 024
<b>Total Board of Directors</b>		<b>16 403</b>	<b>20 467</b>
<b>Executive Committee</b>			
Matijas Meyer	CEO	4 000	4 534
Andreas Wolfisberg	CFO	500	500
Marc Schürmann <sup>3</sup>	Executive Vice President	200	n.a.
Marcus Setterberg <sup>3</sup>	Executive Vice President	137	n.a.
Günther Silberbauer <sup>3</sup>	Executive Vice President	0	n.a.
<b>Total Executive Committee</b>		<b>4 837</b>	<b>5 034</b>

<sup>1</sup> Member of the Board of Directors until 16 April 2019.

<sup>2</sup> Member of the Board of Directors since 16 April 2019.

<sup>3</sup> Member of the Executive Committee since 1 January 2019.

## 12 Net release of hidden reserves

The total amount of the net released hidden reserves amounted to CHF 0.0 million (2018: CHF 1.0 million).

## Proposal for the appropriation of profit

The Board of Directors proposes the following appropriation of profit, payout from the capital contribution reserves (which is not subject to withholding tax), and dividend:

in CHF	31.12.2019	31.12.2018
Balance carried forward from previous year	692 879	550 809
Profit after taxes	39 483 951	37 480 320
Transfer from capital contribution reserves	770 000	3 078 008
<b>Total available for distribution</b>	<b>40 946 830</b>	<b>41 109 137</b>
Payout from capital contribution reserves of CHF 0.20 per registered share (2018: CHF 0.80) which is not subject to withholding tax <sup>1</sup>	770 000	3 078 008
Dividend of CHF 1.60 gross per registered share (2018: CHF 6.20) <sup>1</sup>	6 160 000	23 854 562
Allocation to free reserves	34 000 000	13 500 000
Profit carried forward	16 830	676 567
<b>Total</b>	<b>40 946 830</b>	<b>41 109 137</b>

<sup>1</sup> The proposed distribution is based on all registered shares issued as at 31 December 2019. No distribution is made on treasury shares held by Komax Holding AG. The distributed amount is reduced accordingly at the time of the distribution.



Report of the statutory auditor to the General Meeting of Komax Holding AG, Dierikon

## Report on the audit of the financial statements

### Opinion

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

In our opinion, the financial statements as at 31 December 2019 on pages 124 to 131 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.

### Our audit approach

#### Overview

Overall materiality: CHF 1 500 000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

- Valuation of investments in subsidiaries

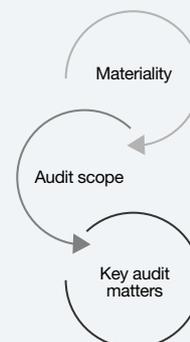
#### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<b>Overall materiality</b>	CHF 1 550 000
<b>How we determined it</b>	0.5% of net assets, rounded
<b>Rationale for the materiality benchmark applied</b>	We chose net assets as the benchmark for materiality considerations because the Company primarily holds investments and grants loans to Group companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 155 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.



**Audit scope**

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

**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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Valuation of investments in subsidiaries**

Key audit matter	How our audit addressed the key audit matter
<p>The shares of the capital of subsidiaries held by the Komax Holding AG are recognised in the financial statements under “Investments in subsidiaries” (CHF 231.6 million).</p> <p>Investments in subsidiaries are valued individually and stated at acquisition cost less necessary impairment charges.</p> <p>The company tests these investments for impairment by comparing the book value of the investment with the shareholders’ equity according to Swiss GAAP FER. If the book value exceeds the shareholder’s equity, the value in use of the subsidiary is considered. To determine the value in use, an indepth valuation analysis is performed using cash flow forecasts based on the business plans approved by Management and the Board of Directors.</p> <p>This valuation analysis is based on Management’s assumptions, which involve significant scope for judgement. For this reason, we deemed the impairment testing of investments in subsidiaries to be a key audit matter.</p> <p>Please refer to note 1.3 (Investments).</p>	<p>Where a book value was higher than the recorded shareholders’ equity, we performed a detailed analysis of the valuation analysis performed by the client.</p> <p>This included:</p> <ul style="list-style-type: none"> <li>– Discussion with Management of the results and future prospects of specific subsidiaries.</li> <li>– Assessment of the correctness and mathematical accuracy of the applied valuation methods.</li> <li>– Plausibility check of the assumptions applied by Management concerning the discount rate, long-term growth rates and margins.</li> <li>– We compared the results of the year under review with the forecasts made in the prior year and assessed the appropriateness of the prior year’s assumptions.</li> </ul> <p>We consider the valuation process and the assumptions applied by Management to be adequate and a sufficient basis for assessing the valuation of investments in subsidiaries.</p>

**Responsibilities 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 scepticism 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 the entity'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 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 paragraph 1 item 3 CO and 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.

PricewaterhouseCoopers AG



Thomas Brüderlin  
Audit expert  
Auditor in charge



Sebastian Gutmann  
Audit expert

Basel, 16 March 2020

# FIVE YEAR OVERVIEW

in TCHF	2019	2018	2017	2016 <sup>1</sup>	2015 <sup>1</sup>
<b>Income statement</b>					
Revenues	417 771	479 698	408 509	391 820	315 093
Gross profit	258 930	297 903	256 476	247 943	205 941
in % of revenues	62.0	62.1	62.8	63.3	65.4
EBITD	36 837	78 614	66 115	64 420	59 123
in % of revenues	8.8	16.4	16.2	16.4	18.8
Operating profit (EBIT)	24 035	67 254	55 069	55 424	49 938
in % of revenues	5.8	14.0	13.5	14.1	15.8
Group profit after taxes (EAT)	13 221	51 787	42 101	38 703	29 215
in % of revenues	3.2	10.8	10.3	9.9	9.3
Depreciation	12 802	11 360	11 046	8 996	9 185
Research and development	41 531	41 051	36 668	29 071	25 315
in % of revenues	9.9	8.6	9.0	7.4	8.0
<b>Balance sheet</b>					
Non-current assets	192 369	149 299	123 356	125 181	160 940
Current assets	288 867	313 605	291 102	231 879	238 027
Shareholders' equity <sup>2</sup>	244 604	281 640	258 178	246 174	283 134
in % of total assets	50.8	60.8	62.3	68.9	71.0
Share capital	385	385	383	377	369
Total liabilities	236 632	181 264	156 280	110 886	115 833
in % of total assets	49.2	39.2	37.7	31.1	29.0
Non-current financial liabilities	136 504	90 338	69 856	31 445	16 518
Current financial liabilities	17 188	0	0	78	0
Net cash (+) / net indebtedness (-)	-106 224	-39 358	-10 544	17 008	34 365
Total assets	481 236	462 904	414 458	357 060	398 967
<b>Cash flow statement</b>					
Cash flow from operating activities	41 287	29 629	26 767	36 906	49 612
Investments in non-current assets	54 448	41 340	22 201	22 827	18 850
Free cash flow	-36 886	-4 340	-7 582	441	24 519
<b>Employees</b>					
Headcount as at 31 December	No. 2 211	2 006	1 841	1 633	1 347
Revenues per employee <sup>3</sup>	197	248	238	255	248
Gross value added per employee <sup>3</sup>	92	120	118	122	128
Net value added per employee <sup>3</sup>	86	114	112	116	121
<b>Share details</b>					
Shares <sup>4</sup>	No. 1 000 3 850	3 848	3 834	3 774	3 692
Par value	CHF 0.10	0.10	0.10	0.10	0.10
Highest price	CHF 264.00	329.00	319.50	251.25	194.90
Lowest price	CHF 165.10	223.00	243.50	180.10	122.90
Closing price as at 31 December	CHF 236.40	230.00	319.50	251.25	194.90

<sup>1</sup> Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly. 2015 is reported according to IFRS.

<sup>2</sup> Equity attributable to equity holders of the parent company.

<sup>3</sup> Calculated on the basis of the average headcount.

<sup>4</sup> Changes resulting from the exercising of option rights.

**Komax Holding AG**

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**Financial calendar**

Annual General Meeting	21 April 2020
Dividend payment	27 April 2020
Half-year results 2020	18 August 2020
Investor Day	23 October 2020
Preliminary information on 2020 financial year	26 January 2021
Annual media and analyst conference on the 2020 financial results	16 March 2021
Annual General Meeting	14 April 2021

**Forward-looking statements**

The present Annual Report contains forward-looking statements in relation to Komax which are based on current assumptions and expectations. Unforeseeable events and developments could cause actual results to differ materially from those anticipated. Examples include: changes in the economic and legal environment, the outcome of legal disputes, exchange rate fluctuations, unexpected market behavior on the part of our competitors, negative publicity, and the departure of members of management. The forward-looking statements are pure assumptions, made on the basis of information that is currently available.

This Annual Report is available in English and German. The original German version is binding.

**Imprint**

Published by:  
Komax Holding AG, Dierikon

Design and realization:  
Linkgroup AG, Zurich  
[www.linkgroup.ch](http://www.linkgroup.ch)

Produced on a climate-neutral basis by Multicolor Print AG, Baar



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