

# DRIVING AUTO MATION FOR WARD

Annual Report  
2018

**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.

For the period 2017–2021, Komax has set itself ambitious targets – for growth, profitability, and return on capital. 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

	2018	2017	+/- in %
in TCHF			
Order intake	496 683	449 736	10.4
Gross profit	297 903	256 476	16.2
in % of revenues	62.1	62.8	
Investments in non-current assets	41 340	22 201	86.2
Free cash flow	-4 340	-7 582	-42.8
Net working capital <sup>1</sup>	203 682	168 361	21.0
in % of revenues	38.8	37.3	
Total assets	462 904	414 458	11.7
Net debt (-)/net cash (+)	-39 358	-10 544	273.3

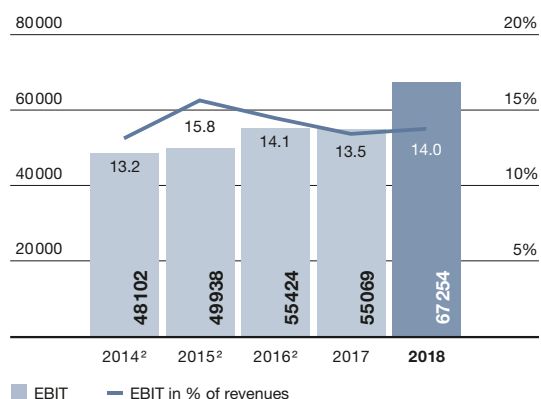
480<sup>m</sup>  
 Revenues in CHF  
 (2017: 409m)

25.2%

RONCE  
 (2017: 23.8%)

## Operating profit (EBIT)

in TCHF



# 2006

Headcount as at 31.12.2018  
(31.12.2017: 1841 employees)

# 3.0%

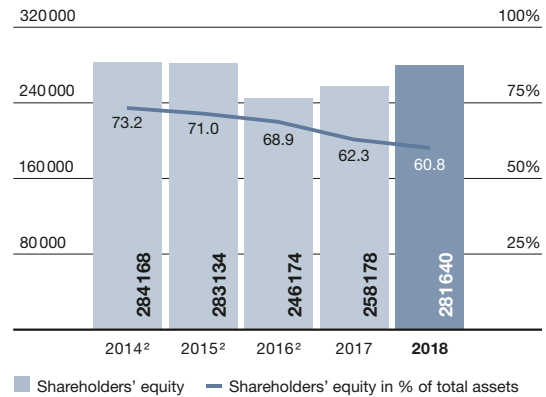
Dividend yield as at 31.12.2018  
(31.12.2017: 2.0%)

# 52.0%

Payout ratio  
(2017: 59.2%)

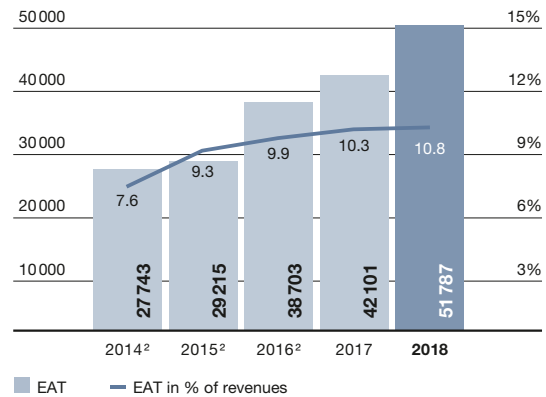
## Shareholders' equity

in TCHF



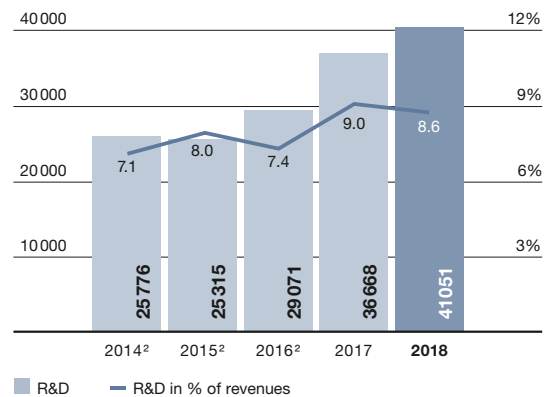
## Group profit after taxes (EAT)

in TCHF



## R&D expenditure

in TCHF



<sup>1</sup> Net working capital: receivables + 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. The years 2014 and 2015 are reported according to IFRS.

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## DEAR SHAREHOLDER

The Komax Group again witnessed strong growth in 2018 – with regard to both order intake and revenues – and was able to use this growth to further expand its leading market position. To ensure that it continues to grow and shape the industry on the technology front, Komax placed a strong focus on investment: in research and development, in digitalization, and in several projects aimed at capacity expansion. Implementation of the 2017–2021 strategy is progressing.

As in past years, Komax outstripped growth in the market in 2018. Order intake increased by 10.4% to CHF 496.7 million (2017: CHF 449.7 million), while revenues rose by 17.4% to CHF 479.7 million (2017: CHF 408.5 million). The growth in revenues comprises a very high level of internal growth (+13.9%), acquisition-driven growth (+1.7%), and the positive impact of foreign currencies (+1.8%). Growth remained high throughout the year. Order intake dipped slightly towards the end of the year and was consequently higher in the first six months (first half 2018: CHF 256.0 million, second half 2018: CHF 240.7 million). Given the extremely strong order backlog, this did not impact revenues, which were marginally higher in the second half of the year (first half 2018: CHF 236.9 million, second half 2018: CHF 242.8 million). The book-to-bill ratio was 1.04 at the end of 2018.

### Strong growth in all regions

In 2018, Komax again benefited from having the broadest product portfolio and being able to offer customers a wide spectrum of automation solutions along the value chain. This produced strong growth in all regions. Africa saw the highest rate of growth (+49.8%), as the trend witnessed last year in the region continued: a number of harness manufacturers expanded their presence in North Africa due to the difficulties encountered in securing sufficient personnel in Eastern Europe. Despite this shift, Europe – Komax's strongest region by far with 44.7% of revenues – also recorded growth of 3.0%. Business expanded strongly in North/South America (+29.0%) and Asia (+26.5%). While Asia continued to build on the growth trajectory witnessed over previous years, North/South America recovered from the temporary weak spell in 2017 (-2.1%), when investment activity in the United States in particular was very low over the first six months.

### Increasing profitability

Komax not only posted strong growth in 2018, it also secured a sharp rise in profitability. Operating profit (EBIT) was up 22.1% to CHF 67.3 million (2017: CHF 55.1 million) and the EBIT margin increased from 13.5% to 14.0%. This increase is notable in that the impact of foreign currencies was significantly lower than in the previous year. Whereas in 2017 positive foreign currency effects pushed up the EBIT margin by 1.0 percentage points, in 2018 the rise amounted to only 0.2 percentage points. The impact was substantially more positive in the first six months of the year, at +1.3 percentage points.

Komax also increased Group profit after taxes (EAT), which was up 23.0% to CHF 51.8 million (2017: CHF 42.1 million) despite a financial result of CHF -5.2 million (2017: CHF -0.8 million). More than 50% of this financial result is attributable to unrealized book losses on currencies of emerging markets (including Brazil and Turkey) in which Komax has production operations. Basic earnings per share increased to CHF 13.52 (2017: CHF 11.05).

Komax's financial base continues to be very robust: as at 31 December 2018, shareholders' equity totaled CHF 281.6 million (2017: CHF 258.2 million), while the equity ratio stood at 60.8% (2017: 62.3%). Free cash flow amounted to CHF -4.3 million (2017: CHF -7.6 million) and net debt was CHF 39.4 million (2017: CHF 10.5 million).

**Additional unique selling propositions**

The automotive industry, Komax's most important market segment at over 80% of revenues, is currently in a state of upheaval. Amid this upheaval, themes such as e-mobility, autonomous driving, and digitalization are an opportunity for Komax to develop additional unique selling propositions. This is why Komax is currently carrying out a high level of proactive investment, with expenditure of CHF 41.1 million (2017: CHF 36.7 million) in research and development in 2018. This corresponds to 8.6% of revenues and is therefore within the strategic bandwidth of 8%–9%. In order to effectively channel the growth that is becoming apparent for the coming years, Komax is expanding its capacities at four production and development sites – one in Switzerland, one in Hungary and two in Germany. Construction activity has been underway at these four sites since 2017/2018 and will be completed on a staggered basis by the end of 2019. Given that certain delays were experienced, some investments originally planned for 2018 were rescheduled for 2019.

Komax's objective in investing such significant amounts in research and development is to enable customers to continually increase their level of automation in wire processing. Independently of the number of vehicles manufactured each year, customers are experiencing substantial pressures to increase automation. The key factors behind this are rising wage costs, a lack of staff availability, miniaturization in cables, and the need for traceability of individual process steps for quality assurance reasons.

**Attractive dividend yield**

Based on the pleasing result for 2018, the Board of Directors is proposing to the Annual General Meeting of 16 April 2019 a dividend increase from CHF 6.50 to CHF 7.00 per share. This corresponds to a payout ratio of 52.0%. Despite the currently very high level of investment in planned capacity expansion, Komax is achieving its strategic target of a payout ratio of 50%–60%. Of the CHF 7.00 per share, 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. The dividend yield (calculated on the basis of the 2018 year-end closing price of the Komax share) amounts to an attractive 3.0%.

**Changes in the Board of Directors**

After 14 years on the Board of Directors, the last five of which as Vice-Chairman, Daniel Hirschi has decided not to stand for re-election at the 2019 Annual General Meeting. The Board of Directors and Executive Committee wish to thank him most sincerely for his many years of commitment to Komax. The

Board of Directors is proposing to the Annual General Meeting that Dr. Mariel Hoch be appointed as a new member of the Board. Dr. Mariel Hoch's primary area of specialization is M&A transactions, and she advises listed companies on corporate and regulatory matters.

**Outlook**

The Komax Group remains on track in the implementation of its 2017–2021 strategy and is confident that it will achieve its ambitious targets. 2019 is set to be a very challenging year, however. A variety of economic and political factors in the individual regions are currently fuelling substantial uncertainty in the automotive industry. This is causing customers to put off a number of investment decisions and means that we are not able to benefit from our well-stocked project pipeline at present. Given that the pressures to increase automation continue unabated, our expectation is that this dip is temporary and that the situation will improve over the course of the year. Consequently, despite this temporary phase of weakness, in 2019 we will continue to invest significant amounts in research and development as well as in digitalization. In light of the unexpectedly weak order intake in the first two months of 2019, we anticipate a result for the first six months of the year that is markedly lower than the record result witnessed in the first half of 2018.

Yours sincerely,



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



**Matijas Meyer**  
CEO

7 March 2019

# 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.

19

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
- ▲ Participation

Headquarters:  
Komax Holding AG  
Dierikon, Switzerland

60

countries with  
sales and  
service support



38

Komax  
companies  
worldwide

# GLOBAL LOCAL

Komax produces standardized products and customer-specific systems at 19 locations worldwide. 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. More than 2 000 employees currently work in the 38 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, Germany, France, China, Japan, and Singapore. The test systems of the TSK brand 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, 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.

## **Making customer proximity a reality**

The Komax Group provides sales and service support in more than 60 countries through its subsidiaries and independent agents. Around 240 employees work in Komax’s global service organization. Customers can also submit their orders via the e-commerce platform Komax Direct.

Komax has a unique global presence that enables it to provide efficient and competent support to its locally and globally active customers at all times. The customer base in North America will be expanded from 2019, as Komax concluded an asset deal with the Application Tooling business area of TE Connectivity at the end of 2018. TE Connectivity, a leading global technology company and manufacturer of connection and sensor solutions, has distributed Komax products in the US, Canada, and Mexico for more than 15 years while also providing services. Following this asset deal, Komax will be assuming direct responsibility for this distribution business, and will therefore be closer to more customers.

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 more than 40 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.

### Ongoing expansion of production capacity

The demand for automation solutions continues to rise, which means Komax has been coming up against its capacity limits for a number of years now. In order to facilitate further growth, Komax has been continuously investing in the expansion of its production capacity in recent years – such as in 2016 at Komax SLE in Grafenau, Germany, and at TSK in Ergene/Tekirdağ, Turkey. In 2017, Komax expanded its capacity for the production of TSK test systems in North America and Europe by opening new production sites in Irapuato, Mexico, and Yambol, Bulgaria.

In 2018, Komax founded the company Komax TSK Maroc, with a view to increasing customer proximity in the rapidly growing North African market and achieving an even stronger position in the testing business. The company is located in the port city of Tangier, on the Straits of Gibraltar. Previously, production for Moroccan customers had taken place at TSK companies in Tunisia and Turkey. To coincide with the founding of this new company, Komax acquired the assets and all the employees of the company TX Mechatronics, which manufactures test systems in Morocco. The latest addition to the Komax Group duly commenced operations in November 2018 with some 20 members of staff.

### Three become two in Switzerland

In addition to the opening of new production and development sites, Komax continues to work on the expansion of its existing sites – be it through building extensions or new buildings. In total, Komax is investing more than CHF 90 million in new production and development sites between 2016 and 2019. Of this figure, more than CHF 70 million is being invested in the building extension at the company's headquarters in Dierikon, which is expected to be ready for occupation by the end of 2019. This building is conceived in such a way that both the ground floor and the five other floors can be used for both production and office work. The lower ground floor will accommodate a state-of-the-art, automated storage area for small parts.



Thanks to a high-density building design, Komax is using the available space optimally and will therefore end up with a “vertical factory.”

The goal of this major project was for all employees in Switzerland – who are currently spread across three different sites – to work together in Dierikon. However, the strong growth of recent years means that the overall area of the building extension – some 20 000 m<sup>2</sup> – will not suffice on its own. For the time being, therefore, Komax will not sell its building in Rotkreuz and will relinquish only the site it rents in Küssnacht am Rigi. In order to achieve its goal nonetheless, Komax could increase production capacity through construction of an additional building extension in a second phase.

### **E-mobility and autonomous driving**

Komax is currently investing in new production development sites not just in Switzerland, but also in Germany and Hungary. A building extension is currently being constructed at Komax SLE in Grafenau, Germany, which will more than double the current floor area of some 5 000 m<sup>2</sup>. With the rise of integrated networks in vehicles and the increasing prevalence of driver assistance systems, the era of autonomous driving is no longer that far off. Accordingly, there is considerable demand for the customer-specific systems produced in Grafenau for the manufacture of data lines and antennae.

As the demand for taping and assembly technology is likewise continuously rising, the company Kabatec based in Burghaun, Germany, is also confronted by the challenge of capacity shortages. To eliminate this problem, a large production and assembly hall together with a three-story office building is currently being constructed at a new site in Burghaun.



The growth in the number of manufactured electric vehicles is also driving demand for automation solutions for the processing of high-voltage cables (see page 15). Komax is harnessing this opportunity by developing and producing new solutions at its e-mobility center of competence in Budakeszi, Hungary. In order to keep pace with the growing prevalence of electric vehicles, Komax is also investing in a new building for production, engineering, and administration. All three buildings in Germany and Hungary will be ready for occupation over the course of 2019.

**Komax Thonauer in Hungary is the e-mobility center of competence within the Komax Group.**

# THE RISE OF AUTOMATION CONTINUES

Demand for automation solutions in the area of wire processing was once again very strong in 2018. As a result, Komax was able to increase both its order intake and revenues significantly. As previously, it was the automotive market segment that exhibited the greatest dynamism, but the aerospace, data/telecom, and industrial market segments likewise made an important contribution to growth.

The growth in production of cars and light commercial vehicles continued to slow in 2018. After amounting to 15.4% in 2016 and 2.2% in 2017, it declined again to 0.3% in 2018. Overall, more than 94 million cars and light commercial vehicles were manufactured in 2018 (source: IHS Markit). The automotive industry was confronted by various challenges in 2018, including a weakening of growth in China, the trade dispute between the US and China, and the WLTP (Worldwide Harmonized Light Vehicles Test Procedure), which has been mandatory in the European Union since 1 September 2017. Whereas the first two factors both had the effect of slowing growth, the changeover to the new WLTP standard delayed the production of numerous vehicles, thereby weighing on production numbers.

According to IHS Markit, China remains by far the largest automotive market, despite its current economic weakness. In 2018, 27.5 million vehicles were produced in China, which is 0.4% fewer than in the previous year. This market had grown by 1.8% in 2017, and by as much as 15.4% in 2016. IHS Markit is forecasting a reversal of this downward trend in China for 2019, namely positive growth of 2.3%.

In both 2017 and 2018, Asia accounted for some 53% of all production of cars and light commercial vehicles. The most dynamic development in Asia was to be found in India, which increased production by 8.1% to 4.8 million vehicles. Just like China, Europe was unable to maintain its growth momentum of 2017 (+3.5%): 21.8 million vehicles were produced in 2018, which represents a decline of 0.3%. In North America (17.0 million manufactured vehicles), the volume of production fell for the second year in succession: negative growth of -3.9% in 2017 was followed by -0.3% in 2018.

The region exhibiting the strongest growth was once again South America. Growth here amounted to 7.0% (3.5 million manufactured vehicles) in 2018, following growth of 19.7% the previous year. This is predominantly attributable to the momentum of the Brazilian automotive market (+8.7%). For 2019, IHS Markit is forecasting a 1.2% increase in global vehicle production.

### Demand for Komax solutions on the rise

Although global vehicle production increased only slightly in 2018, Komax was able to increase both its order intake and revenues significantly. Order intake increased by 10.4% to CHF 496.7 million. This means Komax has increased its order intake by 34.1% since 2016. Revenues likewise rose strongly, namely by 17.4% to CHF 479.7 million. Compared to 2016, this equates to an increase of 28.7%.

This strong growth demonstrates that Komax is not solely dependent on the number of manufactured vehicles per year. At least as important is its customers' need to increase their degree of automation in wire processing. Rising wage costs, a lack of staff availability, the trend towards miniaturization, and the need for traceability in the individual process steps for quality assurance purposes are decisive factors, which is why customers will continue to come under pressure to increase their degree of automation further (see also "Global megatrends" beginning on page 22).

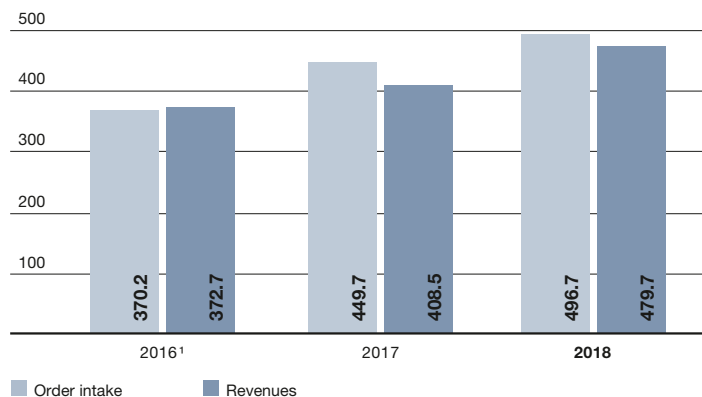
### All four market segments contributing to growth

The need for greater automation was evident in 2018 not just in the automotive industry, but also in the aerospace, data/telecom, and industrial market segments. Even though these three areas are much smaller than the automotive market segment, they nonetheless made an important contribution to Komax's strong growth in revenues. Once again, Komax benefited from having the broadest solution portfolio, which enabled it to offer its customers a wide spectrum of automation solutions.

The book-to-bill ratio came in at 1.04 in 2018, which is slightly lower than the high prior-year figure of 1.10. As Komax received several orders for large customer-specific systems in the last few months of 2017, this produced a high book-to-bill ratio, since orders of this type usually have longer delivery times than serial production machines. A good example is a major order received from the aerospace industry for a number of systems for automated wire processing. Delivery of this order from the end of 2017 will extend over the years 2018 to 2020. To ensure that the revenues from these systems are appropriately booked over the period in question, in keeping with their degree of completion, Komax applies the POC (percentage of completion) method to large orders of this kind.

### Order intake and revenues

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. Order intake and revenues of the Medtech business unit, which was sold in April 2016, are not included.

**Shift from Eastern Europe to North Africa**

Komax recorded strong growth rates in all regions in 2018, and accordingly outstripped the growth of the overall market, just as it had done the year before. Africa recorded the most impressive revenue growth of all (+49.8%). The trend of some wire harness manufacturers strengthening their presence in North Africa due to an increasing scarcity of personnel in Eastern Europe, which was already observed back in 2017, continued in 2018. In North/South America (+29.0%) and Asia (+26.5%) too, Komax was able to increase revenues significantly. In 2017, Komax recorded a slight decline in revenues (-2.1%) in North/South America, as in the first half of the year investment activity was very subdued in the US in particular. In South America, Brazil remains by far the most important market for Komax.

**Made in China 2025**

The decline in vehicle production volumes in China did not stop customers from investing further in automation. The need for automation solutions in China continues to be pronounced. The country's "Made in China 2025" strategy comprises a number of initiatives aimed at restructuring the manufacturing sector with a view to making it more efficient and productive. Elements such as automation and digitalization play an important role in the implementation of this strategy, and Komax is reaping the benefits. The strong momentum of business in China means that Komax sold more in Asia than in North/South America for the second year in succession. At 3.3%, revenue growth was also good in Europe, Komax's strongest region. This is especially true given that volume is twice as high as in Asia and that revenues in Europe witnessed a contraction following the relocation to North Africa. Market observations suggest that momentum will weaken in certain regions, at least in the first half of 2019.

The importance of China is also reflected in the breakdown of revenues by currency. The proportion of revenues booked in CNY has increased from 11.5% to 13.6% since 2016. The changes in the key currencies and their respective sensitivities are set out on page 104.

<b>Revenues by region</b>	2018	2017	+/- in %
in TCHF			
Switzerland	8 454	8 842	-4.4
Europe	205 936	199 297	3.3
Asia/Pacific	102 929	81 379	26.5
North/South America	98 270	76 184	29.0
Africa	64 109	42 807	49.8
<b>Total</b>	<b>479 698</b>	408 509	17.4

A percentage breakdown of revenues by region can be found on page 87.

## Market segments and service

Komax focuses on four market segments. The core business is the automotive market segment, which accounts for more than 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; over the next five years, the volume of wires to be processed in the automotive industry is expected to rise by 2%–3% annually. In addition, the number of vehicles being produced continues to rise. In 2018, more than 94 million vehicles were produced. 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 30). 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 negotiations lasting many years, Komax succeeded in winning new orders for several large-scale systems from two leading companies in this field.





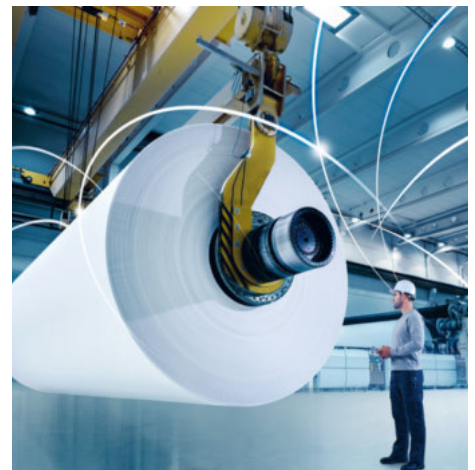


### Data/telecom

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 German, English, Chinese, 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.

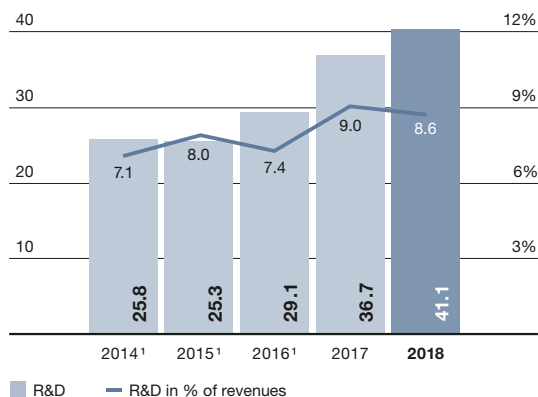
# INNOVATION AS DRIVER OF SUCCESS

In order to consolidate its market and technology leadership, Komax has been investing in research and development at an above-average rate – and will continue to do so over the coming years. Global developments such as e-mobility and autonomous driving give Komax the opportunity to develop additional unique selling propositions through its innovative strength.

Since 2017, Komax has been spending 8%–9% of Group revenues on research and development (R&D) annually. The equivalent figure in prior years was 7%–8% annually. In 2018, Komax invested CHF 41.1 million or 8.6% (2017: 9.0%) in the optimization of existing and the development of new products. This is CHF 4.4 million or 12.0% more than the previous year. The figure includes expenditure on both internal development services (CHF 32.3 million) and the development services of third parties (CHF 8.8 million). Over the last five years, Komax has spent CHF 158.0 million on research and development, thereby underscoring its determination to consolidate the Group's technology leadership.

## 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. The years 2014 and 2015 are reported according to IFRS.

### **Further unique selling propositions**

The automotive industry is currently in a state of flux, and the race to develop the “mobility of the future” is also having an impact on Komax. Themes such as e-mobility, autonomous driving, and digitalization give Komax further opportunities to develop unique selling propositions. In order to exploit these opportunities, Komax set the wheels in motion some years ago by significantly increasing its investment in research and development. The technological transformation of the automotive industry means a rise in manufacturing demands, and the customers of Komax are confronted with a number of unusual challenges. In order to ensure the latest customer requirements are met in the best possible way, Komax often works with leading companies from the automotive industry on development projects.

### **E-mobility solution portfolio**

Komax will launch various new solutions in 2019 and the following years that will increase the level of customer automation, increase customer productivity and improve digitalization. In the area of e-mobility too, Komax will be creating competitive advantages for its customers thanks to its center of competence in Hungary (see page 8). In 2018, more than two million electric vehicles were produced in the form of pure battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs). While this may be but a fraction of the 94 million or so vehicles produced last year, volumes are rising continuously. According to a study carried out by IHS Markit, the market share of electric vehicles will increase to around 10% by 2025. China in particular has emerged as a strong driver of e-mobility in recent years: in 2018, more than 50% of all electric vehicles were manufactured in China.

To build an electrified drive chain, the manufacturer uses shielded high-voltage cables with specific plug systems. As things stand, the processing of these cables is primarily carried out manually, but as volumes rise, so will the demand for automation solutions. Komax already has a portfolio of solutions that covers the entire value chain, i.e. from the processing of high-voltage cables through to the testing of the final wire harnesses, and it will continue to optimize and expand this portfolio. In addition to the high-voltage wire harness, a traditional engine wire harness is required for the combustion engines of all vehicles that use hybrid technology. When it comes to the fully automatic production of such small and medium-sized wire harnesses, Komax has had a technology advantage for years, and – just like in other areas – this competitive advantage is patent-protected: with the Omega 740 and 750 (see page 33), the cutting, crimping, and fitting of the contact is executed on one and the same machine. As the manual fitting of contacts is particularly susceptible to error, the switch to automation has the effect of increasing process security and improving quality. Furthermore, Komax customers benefit from significant savings in time and logistics, since automation obviates other manual steps such as the interim storage of individual wires and transport.

### **390 staff employed in research and development, and engineering**

As at 31 December 2018, the Komax Group employed a total of 217 staff (2017: 200) in the research and development area. The majority of these staff (149 employees) work in Switzerland, which is why the lion's share of R&D expenditure is incurred in Switzerland. In addition, Komax has development units in China, Germany, France, Japan, and Singapore. The Group's innovative strength is further bolstered by 173 engineers (2017: 166), 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 31% since 2016. This is attributable, on the one hand, to the takeovers of Laselec and Practical Solution in 2017, which have development teams in France and Singapore, respectively, and, on the other, to Komax's desire to consistently seize any opportunities that present themselves in the current market environment. This increase in headcount should be viewed as a form of investment in a sustainably successful future.

## 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. 2018 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.



### Mira 230 Q

When processing large numbers of different wire products, a crucial aspect is to ensure that quality remains constant. In order to facilitate precise quality monitoring, Komax integrated – for the first time – an electronic ACD (Automatic Conductor Detector) into a benchtop stripping machine (Mira 230), thereby creating the Mira 230 Q. Komax develops and manufactures this compact, handy stripping machine in Japan. The ACD technology detects and indicates even the slightest contact between blade and conductor, while additionally offering an automatic configuration aid, namely by modifying the blade incision values on the basis of the measured conductor diameter. This has the effect of increasing work process efficiency and therefore productivity.

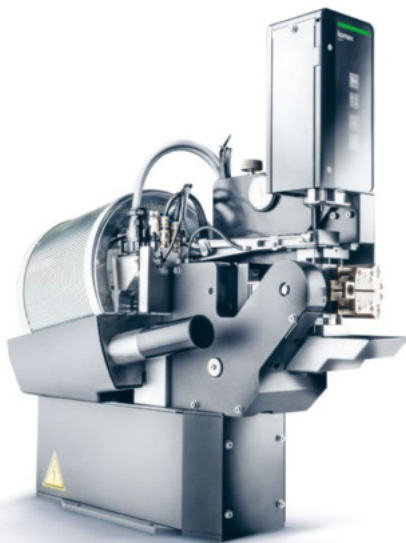
### EasyTouch

When wire harnesses are manufactured, the final assembly stage involves the wires typically being laid on plywood boards. This requires the operators to attach each wire on the board, one by one and precisely in the right place, until the harness is complete. With the development of EasyWiring, Laselec has digitalized this assembly process. Laselec has replaced the plywood boards with dynamic computer displays that show the operator where the individual wires need to be placed, as well as where they need to be pinned. In order to avoid errors, the operator reviews each step by scanning barcodes on the screen. In 2018, Laselec launched the additional function EasyTouch, which makes the manufacture of a wire harness even more straightforward, rapid, and secure. With EasyTouch, the operator only needs to touch the extremity of a wire, and all the routing and pinning information associated with this wire will be displayed directly on screen. There is no need for the operator to use a barcode reader or to type in the wire identification number on the keyboard.



**Drainwire**

In new vehicles, infotainment systems are continuously growing in importance, with an increasing number of wires and different high-quality wire types being required for the transfer of data. In order to help its customers master this challenge, Kabatec brought its Drainwire concept to market. Thanks to Drainwire, customers themselves can produce cables that are shielded against electromagnetic interference – in keeping with their individual requirements, and on a just-in-time basis. This has the effect of increasing flexibility and reducing storage costs. This high-quality machine can process Alu tape, PVC tape and drain wire in a single working step and provides shielding by means of three separate winding heads.



**Seal module S1441**

The innovative S1441 seal module facilitates the reliable processing of over 400 different seal variants – particularly mini-seals. It can be used with a number of fully automated wire processing machines such as the Alpha 530/550, Zeta 640/650, and Omega 740/750. The operating parameters that have been determined for individual seals are stored directly on the newly developed Smart Seal Track (SST). When subsequently re-used, the S1441 seal module automatically recognizes the operating parameters, so production can be started without any additional manual adjustment being required. Changeover times are shortened and entry errors eliminated, thereby increasing productivity and processing quality.

**TSK Connect**

With the new TSK Connect module system, TSK has taken an important step on the road to digitalization. These modules, which are used in a testing system, have an integrated memory chip that gathers all the relevant module data. Thanks to NFC technology, the data of each individual module of a test system can be called up without any difficulty. This results in a significant reduction in the time required for a test system to be initiated. There are also further benefits in connection with the TSK Connect app for smartphones, which is likewise a new development. With this app, every module with TSK Connect technology installed can be configured and parameterized.



2018 financial year and 2017–2021 strategy

# WELL POSITIONED TO REACH 2021 TARGETS

In 2018, Komax grew strongly, increased productivity, invested heavily in research and development, and drove forward capacity expansion and digitalization in a targeted way.



Beat Kälin, Chairman

## **Matijas Meyer, how would you summarize the 2018 financial year?**

Matijas Meyer: Our market is growing by an average of 4%–6% annually. We generated organic growth of 13.9% in 2018. In other words, we managed to expand our market leadership further, which pleases me very much. Moreover, this wasn't a case of achieving growth at any price to gain market share – we made sure that we had our eye on profitability at all times. Continuous productivity increases enabled us to improve the EBIT margin from 13.5% to 14.0%. This rise was possible despite significantly less advantageous foreign currency developments than in the prior year: the EBIT margin increased by one percentage point in 2017, compared with a lower rise of 0.2 percentage points in 2018.

## **Beat Kälin, on the revenues front you have pretty much already reached the target you set for 2021. Will the Board of Directors now adjust that target?**

Beat Kälin: We set ourselves the target of generating revenues of between CHF 500 million and 600 million by 2021. 2018 was a record year. So while we unveiled an impressive figure of CHF 479.7 million, that's still more than CHF 100 million short of the upper end of our strategic bandwidth. So from this perspective there is no need to adjust our medium-term 2017–2021 targets for the time being. What's more, it should be remembered that we are not just looking to increase revenues – we have also defined strategic targets for EBIT, RONCE, and the payout ratio. The EBIT figure

of CHF 67.3 million for 2018 shows that we still have some work ahead of us to reach the target range of CHF 80 million to 100 million by 2021.

**And what will Komax do to ensure that these targets are met?**

Matijas Meyer: We will continue to work on the optimization of our workflows in order to increase productivity step by step. I'm confident that our four new production and development sites in Switzerland, Germany, and Hungary will make an important contribution here. The new infrastructure will enable us to increase production while at the same time streamlining processes. That said, the impact of this will not feed through until 2020 and 2021, as the buildings in question will only be ready for occupation over the course of 2019. Grafenau and Dierikon are likely to be the last to complete this work. The building extensions at these two locations are expected to be finished towards the end of 2019.

“We are determined to remain Number 1 and increase our advantage even further.”

Matijas Meyer

**Have there been delays in any of these construction projects?**

Matijas Meyer: These four projects to boost our production capacity have an investment volume of more than CHF 90 million. There are inevitably challenges with construction work of this magnitude – such as the weather, having to wait for official construction approvals, and the availability of specialized workers – and these can often result in delays. We experienced problems like this too, although we are only talking about delays of a few weeks or months, depending on the project in question. But equally important is the cost side, and here we are very much on track. However, some of the investment originally planned for 2018 will actually only take place in 2019. For this reason, investment expenditure in 2018 overall – i.e. not just for the buildings – amounted to “only” CHF 41 million, while planned investment for 2019 amounts to approximately CHF 90 million.

**There's always the option of increasing profitability by lowering expenditure on research and development ...**

Beat Kälin: That would be unsustainable, and would jeopardize our future success. In order to maintain or even increase



Matijas Meyer, CEO

our high profitability in the long term, it's crucial that we launch new products every year with a view to bringing our customers competitive advantages. For this reason, we took the strategically important decision in 2017 to increase our investment on research and development from 7%–8% to 8%–9% of revenues. And we are persisting with that approach. Our customers are currently grappling with a number of different issues that are fundamentally changing the automotive industry and forcing them to increase their degree of automation in wire processing. E-mobility and autonomous driving are two of these issues. As the automotive industry is working on new technologies, we have a huge opportunity to shape this transformation. Even though this new generation of vehicles will not be seen on the roads for a few years yet, we need to invest now. Otherwise we will not be able to bring our products to market promptly when they are needed.

**Will your customers be benefiting from new Komax products in 2019, too?**

Matijas Meyer: Without wanting to give too much away at this stage, I can say that we will be offering our customers a broad range of new solutions. I am convinced that our customers will be able to further increase the level of automation in their plants as a result. These innovations will enable us to differentiate ourselves from the competition even more, thereby underscoring our technology leadership. And that will be the case over the next few years too, as our innovative employees are working continuously to renew and expand our product portfolio. Since 2017, our increased R&D budget has allowed us not only to optimize and develop

existing solutions, but also to research completely new concepts. Over the next few years, the results of this work will deliver decisive benefits not just for our customers, but also for Komax itself. We are determined to remain Number 1 and increase our advantage even further.

**Industry 4.0 and the Internet of Things are the buzzwords right now – are these major themes at Komax too?**

Matijas Meyer: Digital transformation is obviously a vital area for us, and one in which we are investing heavily. Our digitalization strategy is two-pronged, encompassing both internal and external digitalization. Within the Komax Group we are working to mold our system landscape and data structure into a stable, uniform fundament on which we can expand our digital services. As a parallel endeavor, we are developing various digital solutions that will enable us to increase the degree to which our customers' activities are networked, while at the same time providing them with more targeted support in the production process. Among others, the issue of traceability is crucial here. Our customers would like to be able to document the production of a complete wire harness seamlessly. Because this would then make it possible for specific batches of affected products to be recalled in the event of any error, rather than thousands of vehicles of a particular model having to be recalled to garages for scrutiny as a precautionary measure.

“We are nowhere near exhausting all our potential.”

Beat Kälin

**When will the results of all this investment become apparent?**

Matijas Meyer: We are in the middle of various different test phases right now. A number of new digital solutions will be launched in 2019. But we have not yet reached the stage where these can deliver seamless traceability.

**Can Komax implement all of this on its own, or will you be looking to strengthen through acquisitions?**

Beat Kälin: Acquisitions are an important component of our strategy. Since 2016, we have executed four acquisitions and concluded four asset deals. Overall, this has brought nine new companies and some 250 employees with a huge amount of additional expertise to the Komax Group. Acquisitions entail significant costs, as we set great store

by the careful integration of the acquired companies and their workforces. But this effort is very much worth it – as is clear from the very positive development of the companies that have been integrated into the Komax Group over the last few years. So we will continue to seize any opportunity that arises to acquire companies capable of bringing us that much closer to the attainment of our strategic targets. The main focus of our acquisition activity is not digitalization, however.

**In what areas do you see a need for acquisitions?**

Matijas Meyer: The driving force behind our acquisitions over the last few years has been the desire to close any existing gaps in our product portfolio. As a result, we can now offer our customers solutions along the entire value chain. Having achieved that position, we have no need to pursue this particular strategic priority further at the moment. We are also making very good organic progress with the strategic priority of “innovative production concepts” thanks to substantial investment in research and development. By contrast, when it comes to “global customer proximity” and the “development of non-automotive markets,” there will be situations where we can fulfil our potential more quickly with an acquisition.

**Can you be more specific?**

Matijas Meyer: To give you a simple example: the Asia and North/South America regions account for some 60% of the market. By contrast, we generate 60% of our revenues in Europe and North Africa. On the one hand, that's very pleasing, and we have absolutely no intention of giving up any market share in either of these regions. But it also indicates that we still have growth potential in Asia and North/South America. This does not prevent us from carrying out acquisitions in Europe, however, if such acquisitions would help reinforce our position in one or several market segments. Whether or not our growth will be generated organically or with the assistance of acquisitions will depend on what kind of opportunities present themselves.

**Does diversification play any role in your acquisition strategy?**

Beat Kälin: The sale of the Medtech business unit, which was completed in 2016, reflected our decision to focus our efforts on the wire processing business. Nothing has changed in this respect since then. We are nowhere near exhausting all our potential. And the transformation of the automotive industry referred to earlier gives us the opportunity to grow further in our core market over the next few years and thus expand our leading market position. If we are to exploit this opportunity fully, we must remain focused and invest in a targeted way – which rules out diversification.



“At least half of our growth is generated in connection with new technologies, such as autonomous driving and e-mobility, and through the increasing pressure on our customers to embrace automation.”

**Matijas Meyer**

**What strategic value do you attach to non-automotive market segments?**

Beat Kälin: The aerospace, data/telecom, and industrial market segments are very important to us. Although the combined volume of these segments may be only a fifth of the size of the automotive market, the reciprocal synergy potential here is huge. For example, many types of wire that we are familiar with from the data/telecom area – and for which we have already developed processing solutions – are now increasingly being used in vehicles. These wires facilitate high data transmission rates, and are becoming increasingly prevalent as the industry continues to evolve in the direction of autonomous driving.

**After many years of exhibiting impressive growth, the automotive industry is by all accounts now experiencing a slowdown. To what extent can the other market segments compensate for this development?**

Matijas Meyer: We generate more than 80% of our revenues with customers from the automotive industry. So although the other market segments are developing very positively and we are recording pleasing growth figures, they are too small in overall terms to offset fluctuations in automotive. What’s more, this is not likely to change in the future, as it is predicted that the automotive industry will continue to account for some 60% of all processed wires. In other words, if the automotive industry were to experience a sharp slowdown, Komax would inevitably be affected. That said, our business is not solely dependent on the number of vehicles produced. At least half of our growth is generated in connection with new technologies such as autonomous driving and e-mobility, and through the increasing pressure on our customers to embrace automation.

**Your planned investment expenditure for 2019 amounts to around CHF 90 million. Will you be able to continue to afford a payout ratio of 50%–60% over the next few years?**

Beat Kälin: Komax invested heavily in capacity expansion in 2018. But despite this outlay, our free cash flow was only negative to the tune of CHF 4.3 million. While this negative figure will certainly be greater in 2019 given that investment will be some CHF 50 million higher, the investment volume will then decline again sharply from 2020 onwards, with the corresponding boost to free cash flow. So given the company’s very strong financial base, there’s no reason from today’s standpoint why we shouldn’t adhere to a target payout ratio of 50%–60% of Group profit after taxes going forward, even in years with significant investment activity.

**What will be the key areas of focus in the 2019 financial year?**

Matijas Meyer: A number of issues will have high priority for me in 2019. These include the successful launch of various new products that are expected to give us additional unique selling propositions. Then there are the ongoing projects in the areas of research and development, and digitalization – these need to be driven forward so that we can continue to excite our customers with new developments over the coming years. The on-time completion of our four construction projects is another very important issue this year. Furthermore, I continue to attach great importance to pressing ahead with our operational excellence initiatives and delivering the corresponding profit increases. As it is not yet clear how any slowdown in global economic growth will affect the automotive industry over the medium term, it is important for Komax to be flexible so that it can react promptly to changing customer needs. All in all, I am confident that we are well positioned to master the challenges we face in 2019.

# GLOBAL MEGATRENDS

The demand for automation solutions is rising continuously and increasing Komax's growth. Global megatrends, such as environmental awareness, safety, and integrated and affordable vehicles, are major drivers of this phenomenon. 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 electric mobility. Another megatrend is increasing interconnectedness. 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 vehicles 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**

Together, these megatrends are driving the ongoing electrification of vehicles. Accordingly, 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.

**Pressure for automation**

A large part of the wire harness manufacturing process is still done by hand, but rising wage costs and an increasing scarcity 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.

**Increasing complexity and miniaturization**

The automotive industry is increasingly demanding subsystems and components that deliver more, weigh less, take up less space, and operate extremely reliably, while at the same time being inexpensive to procure. These demands are not only confronting direct suppliers to the automotive industry, but also upstream suppliers and business partners. Furthermore, the individual subsystems and assemblies, particularly harnesses, are becoming ever more complex. At the same time, the process of miniaturization is being driven forward. In order to reduce manufacturing costs, weight, and fuel consumption, the individual components to be processed are becoming ever smaller, which makes manual processing more difficult or even impossible.

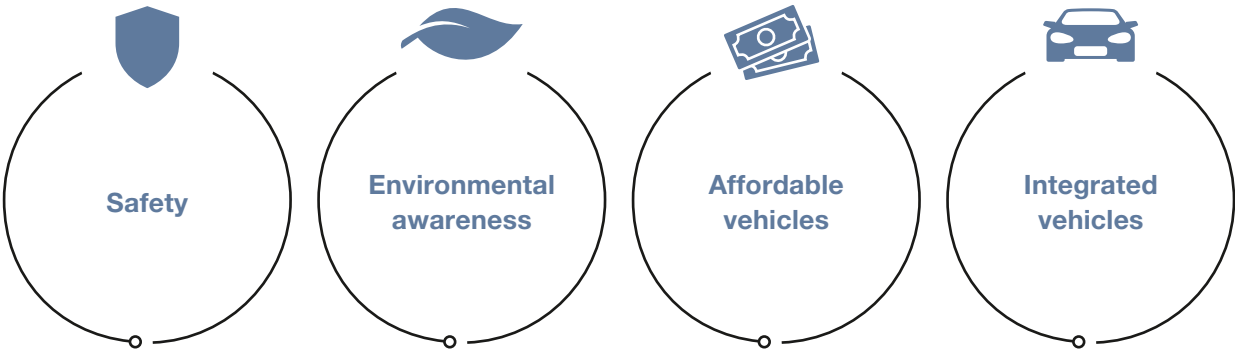
**Advantages for Komax**

In recent years, Komax has benefited from the momentum of the automotive industry. Thanks to its global presence, it has not only been able to balance out differences in regional cycles, it has also grown much more strongly than the automotive industry. Forecasts for global automotive demand indicate average annual growth of around 1% to 3% over the next few years (IHS Markit forecast for 2019: 1.2% growth). However, the demand for automation solutions for wire processing is only partly determined by the number of vehicles produced and sold. For Komax, various factors – 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 – are at least as important as growth drivers of automation solutions. Moreover, due to the emergence of new types of wire (e.g. for infotainment systems or electrical vehicles) and new materials (e.g. aluminum), Komax is being presented with the opportunity to develop additional unique selling propositions and therefore generate further growth. When viewed together, these factors give Komax additional growth potential of some 2% to 3% annually.

Furthermore, the increasingly widespread principle of zero-error tolerance is driving up demand for testing systems capable of ensuring that the wire harnesses and assemblies installed in vehicles work perfectly. This is understandable, as defective wire harnesses require considerable time and expense – at the cost of productivity and profitability – to repair or replace once they have been fitted in a vehicle. Moreover, functional defects in the electronic systems of delivered vehicles can result in serious reputational damage.

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.

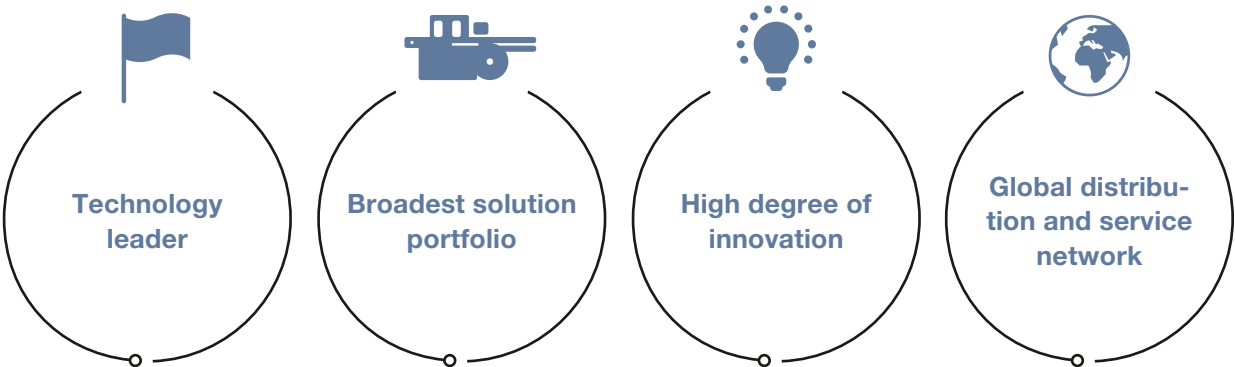
## GLOBAL MEGATRENDS



## GROWTH DRIVERS

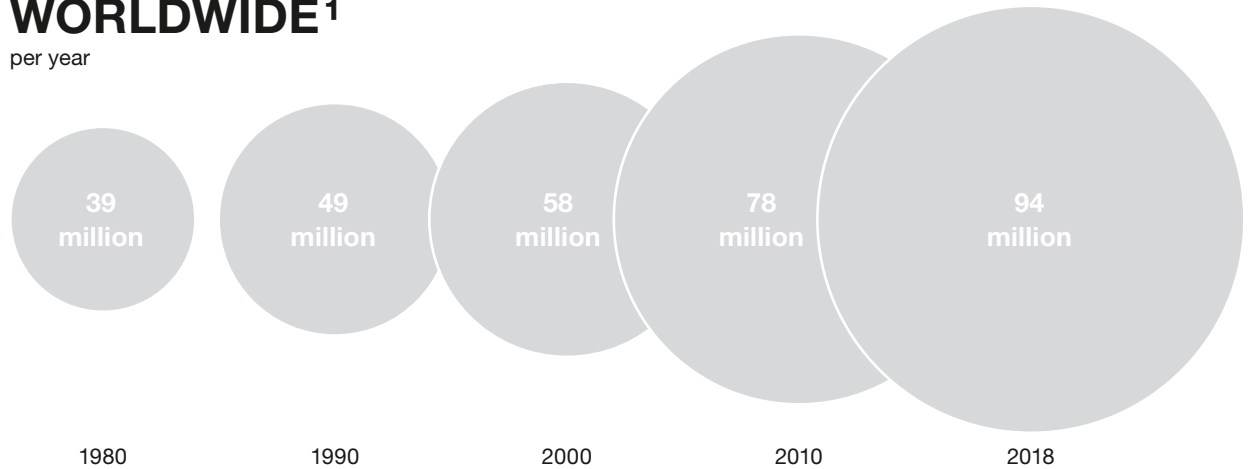


## ADVANTAGES OF KOMAX



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

per year



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

## INCREASING ELECTRIFICATION

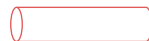


Compact



Full-size

Wires

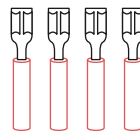


1300

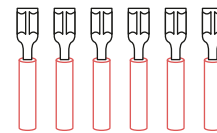


1800

Crimp contacts



2300



3200

Plug housings

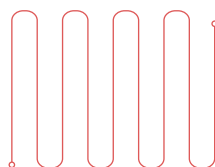


250

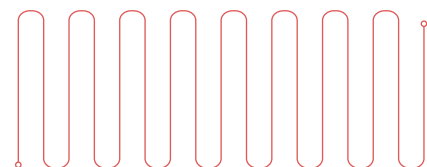


350

Wire length  
(total)



2000 m



4000 m

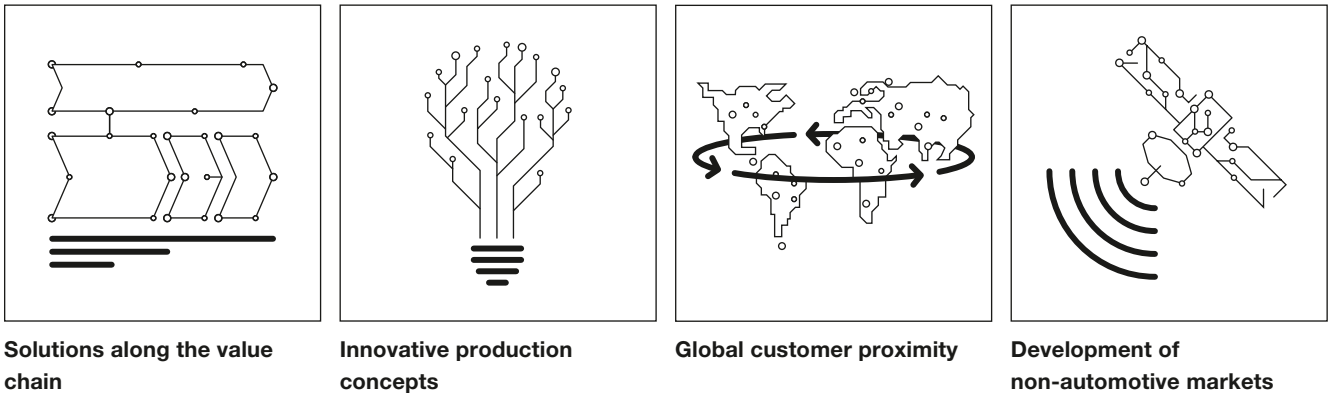
# BUSINESS MODEL AND STRATEGY

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. Solutions 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 more than 40 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 32 and 33). 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 fields of logistics and software, among others. Komax strives to network and manage the individual processes in the value chain, such as through the Komax MES (Manufacturing Execution System), 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 16 and 17). 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 19 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 page 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 21% and 58% of Komax's revenues in 2018.

### Development of non-automotive markets

Komax now generates more than 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 will continue to be 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-scale systems that Komax will deliver to the customer by 2020, 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 in some cases 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), and Laselec (2017; innovative production concepts and development of non-automotive markets). In addition, Komax has increased its global customer proximity further through asset deals with Practical Solution (2017; acquisition of development and production personnel in Singapore and sales personnel in Shanghai), TX Mechatronics (2018; acquisition of personnel in Morocco), and the Application Tooling business area of TE Connectivity (2018; acquisition of sales business in the US, Canada, and Mexico).

## Komax Group brands

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



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, data-com/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.



A KOMAX GROUP COMPANY

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.

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 Komax 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.



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 Komax 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 (see page 16). 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.

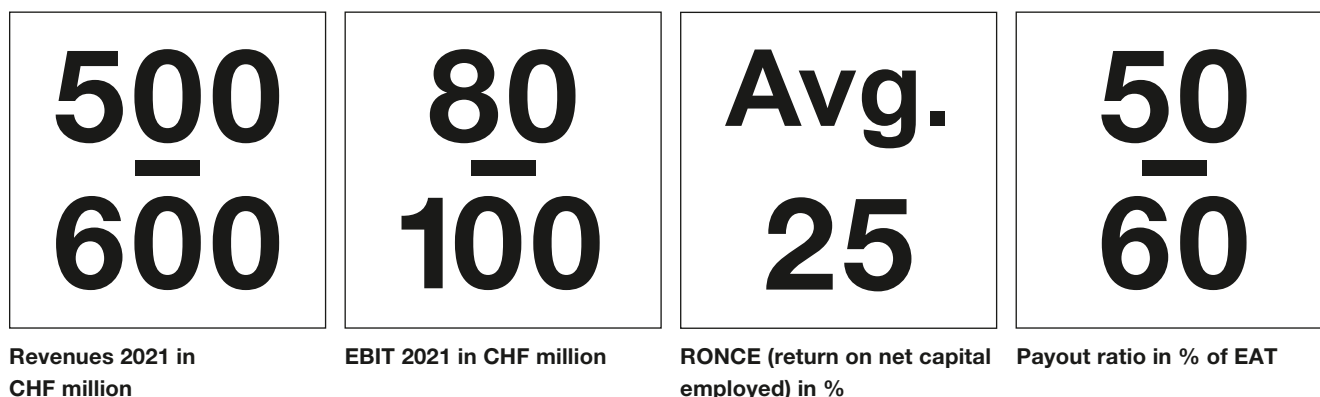
Laselec has been part of Komax since 2017. Komax acquired a 20% stake in Laselec back in 2015, and the two companies have been working successfully together on various projects since then. Thanks to this partnership, Laselec's solutions have increasingly found their way into the automotive industry.



### Ambitious targets for 2017–2021

The Komax Group is distinguished by its very 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 strategy period 2017–2021, Komax has set itself ambitious targets for growth, profitability, and return on capital. These are designed to consolidate its leading position and increase the value of the company further via profitable growth.



Through a business strategy that is geared to long-term success, Komax is seeking to create sustainable value that will benefit investors, too. It has set itself the goal of distributing 50%–60% of Group profit after taxes (EAT) to its shareholders every year until 2021.

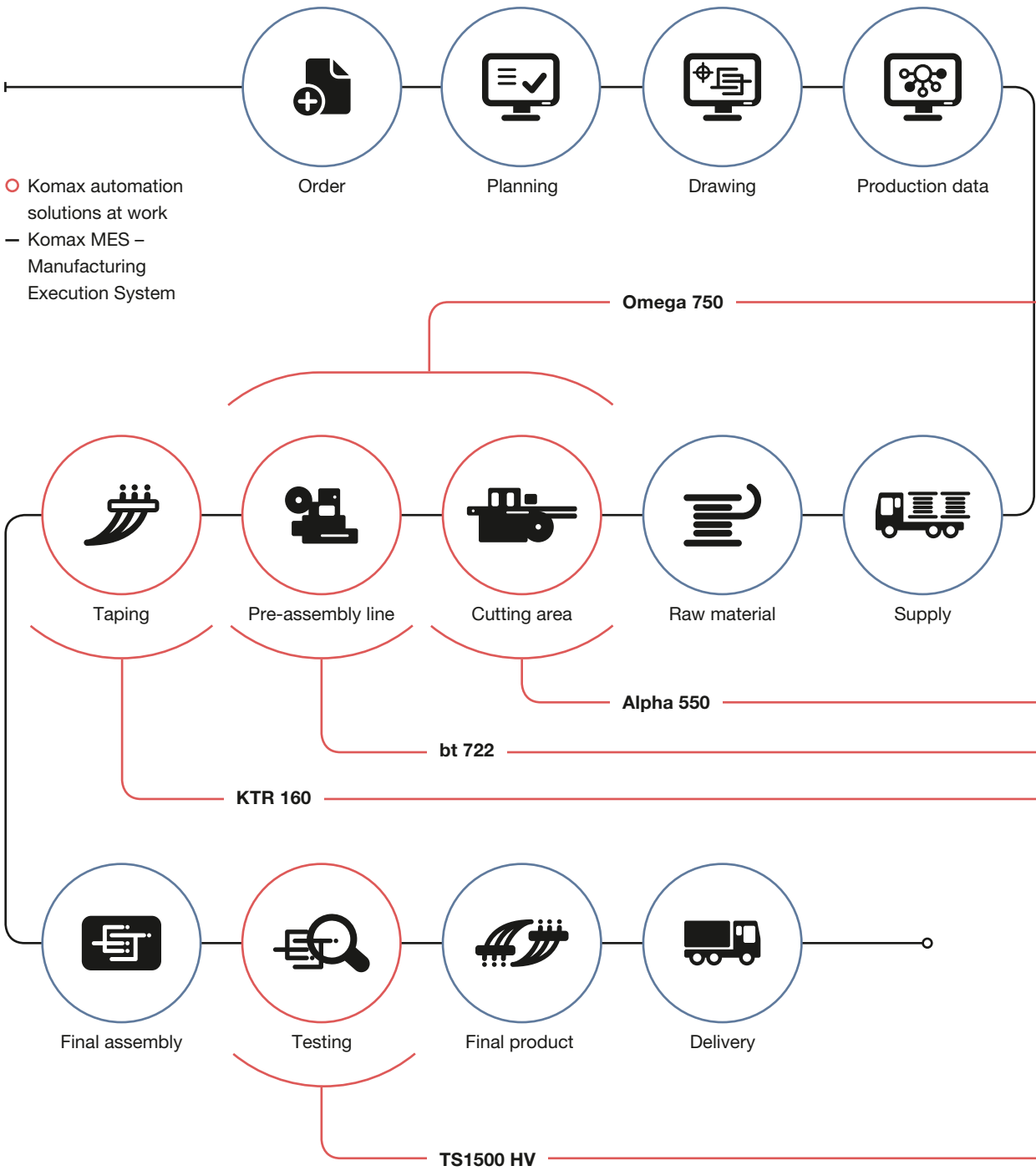
The targeted revenues figure of CHF 500–600 million by 2021 is to be achieved through both organic and acquisition-based growth. Here Komax is anticipating that it can deliver, between now and 2021, an annual organic growth rate that at least matches the continuous rise in automotive production and the increasing number of wires in vehicles (CAGR: 4%–6%).

Komax has positioned itself as a total solution provider. It supports its customers with solutions along the entire value chain. Since the profitability of the solutions it supplies can fluctuate, Komax's focus is not on the EBIT margin, but on increasing absolute EBIT (to CHF 80–100 million) by 2021.

	2018	2017
Revenues (in CHF million)	<b>479.7</b>	408.5
EBIT (in CHF million)	<b>67.3</b>	55.1
RONCE (in %) <sup>1</sup>	<b>25.2</b>	23.8
Payout ratio (in % of EAT)	<b>52.0</b>	59.2

<sup>1</sup> The return on net capital employed (RONCE) is calculated on the basis of EBIT and average net capital employed. Average net capital employed is the sum of all current and non-current operating assets (excluding intangible assets and deferred tax assets), adjusted for non-interest-bearing liabilities. Non-interest-bearing liabilities are the short-term debt capital amounts available to the operating business on which no interest is payable (excluding provisions and accruals/deferrals).

# 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 2019, Swiss citizen, resident in Birmensdorf (CH).

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

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; 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 May 2015.



**Daniel Hirschi (1956)**

Non-executive, independent member of the Board of Directors since 2005, Vice-Chairman since 2014, elected until 2019, Swiss citizen, resident in Biel (CH).

Member of the Board of Directors of listed company Gavazzi Holding AG, Steinhausen.

Daniel Hirschi holds a degree in engineering. From 1983 to 2005 he held various management functions at Saia-Burgess in Murten, where he was CEO from 2001, and Delegate of the Board of Directors from 2003. From 2006 to 2009, Daniel Hirschi was CEO and Delegate of the Board of Directors of Benninger AG in Uzwil; he was a member of the Board of Directors of the same company from 2009 to August 2016. In the last three years, Daniel Hirschi 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, elected until 2019, Swiss citizen, resident in Cham (CH).

Member of the Board of Directors of listed company Agta Record AG, and of Haag-Streit Holding AG, Köniz, as well as member of the Industry Executive Advisory Board of the Executive MBA in Supply Chain Management at ETH Zurich.

David Dean has been CEO of the Bossard Group in Zug since 2005. He was the company's CFO from 1998 to 2004, and its Corporate Controller before that. 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. 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 2019, Swiss citizen, resident in Bubikon (CH).

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 2019, Swiss citizen, resident in Birrwil (CH).

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, and was based in China from 1996 to 2003. He returned to Shanghai in 2017, where he currently manages the new installations business of Schindler China. From 2006 to 2013, Kurt Haerri was the President of the Swiss-Chinese Chamber of Commerce. He is also a lecturer at ETH Zurich, where he is responsible for the Asia module of an Executive MBA program. 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.



**Roland Siegwart (1959)**

Non-executive, independent member of the Board of Directors since 2013, elected until 2019, 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, as well as Chairman of the Board of Trustees of Gebert Rüt Stiftung, Basel.

Roland Siegwart holds a master's degree in mechanical engineering as well as a doctorate from ETH Zurich. He was professor 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 May 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 from 1 January 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 General Manager 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 General Manager of Komax AG in Switzerland.





**Marcus Setterberg (1978)**

Executive Vice President, member of the Executive Committee from 1 January 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 General Manager 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 from 1 January 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 General Manager 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.

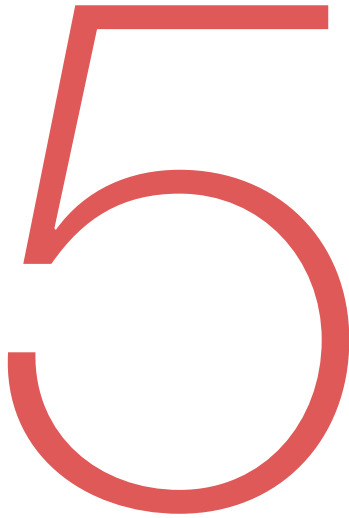
# SUSTAINABILITY AND SOCIAL RESPONSIBILITY

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 new 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.

### Increasing energy efficiency

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 two types of machine developed over the last few years and now sold in large numbers each year, particular attention was paid to the consumption of electricity for the ventilation of a control cabinet. The ventilation of the new machines requires only a fifth of the electricity of the previous model. Thanks to the optimized cooling concept and the improved performance of the fans, the new machines are able to work at higher environmental temperatures, despite their lower energy consumption. If one extrapolates the energy saving achieved on one single machine to the annual production of these two machine models, the annual saving works out at more than 300 MWh. Moreover, Komax has also ensured oil-free pneumatics for this new generation of machine, which likewise has positive repercussions for the environment.

### 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.

**5** times  
less energy  
required to cool a  
control cabinet

**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

The Komax Group's business focuses mainly on the production of machines and systems, as well as provision of the corresponding maintenance services. A large proportion of the company'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 is also being installed in the building extension currently under construction in Dierikon (see page 7). This plant will be 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 will play a key role here, as it will bring plenty of light to the inner zone. In addition, as a vertical flue it will dissipate warm air and thereby stimulate natural ventilation via the external facade. When it comes to the heating of the new building, Komax has opted for district heating. The company also plans to heat its existing buildings in Dierikon in a CO<sub>2</sub>-neutral way from 2020 onwards, and is therefore intending to switch from oil heating to district heating for these buildings too.

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 2018, the number of occupational accidents across the Komax Group as a whole declined further, from 32 to 25. 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. Komax has grown significantly over the last two years, and recorded some 20% more working hours in 2018 than in 2016 as a result of the increase in headcount. Despite this increase, the number of occupational accidents has fallen by some 25% over the same timeframe. 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 940 people. All have integrated management systems that encompass all company processes, the environment, health protection, and workplace safety.

Country	Company	Certification		
<b>Switzerland</b>	Komax AG	ISO 9001	ISO 14001	OHSAS 18001
<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>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>	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, the target was to reduce electricity consumption by at least 6% by the end of 2018 (2014 basis: 2 822 MWh or 5.9 MWh per head). Despite the strong growth in revenues since 2014, which went hand-in-hand with a substantial rise in headcount, Komax managed to surpass this target significantly: in 2018, Komax consumed 2 923 MWh of electricity at the two sites, which works out as 4.7 MWh per head. In other words, per head electricity consumption has fallen by some 20% since 2014. Komax has set itself the target of reducing per head electricity consumption by a further 3% (compared to 2018) by the end of 2021.

Even though it could result in a slight increase in electricity consumption, Komax is promoting e-mobility at its sites in Dierikon and Rotkreuz. From February 2019, a total of six charging stations at the two locations will be available for use by employees and customers for electric vehicles. The eco-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 100 Swiss francs a month.

Komax is successively expanding its reporting on sustainability issues. To give just one example, Komax is reporting electricity consumption figures for all its production sites for the first time – thereby accounting for more than 80% of the electricity consumed by the Komax Group’s workforce. In 2017, around half of the production sites were covered for reporting purposes. Komax has set itself the target of reducing electricity and potable water consumption by 5% in each case compared to 2017. Electricity consumption per head declined significantly in 2018 (–5.2%), whereas drinking water consumption per head rose sharply (+5.5%).

<b>Sustainability: key figures</b>	2018	2017
Consumption / accidents <sup>1</sup>		
Electricity in MWh	<b>6 088</b>	5 689
Electricity per head in MWh	<b>3.7</b>	3.9
Number of occupational accidents	<b>25</b>	32
Number of occupational accidents for every 1 000 employees	<b>15.1</b>	22.2
Consumption / waste <sup>2</sup>		
Drinking water in m <sup>3</sup>	<b>5 359</b>	4 888
Drinking water per head in m <sup>3</sup>	<b>8.0</b>	7.6
Paper in kg	<b>6 799</b>	8 171
Paper per head in kg	<b>10.2</b>	12.7
Refuse in kg	<b>46 889</b>	39 099
Refuse per head in kg	<b>70.0</b>	60.7

<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.



“Komax’s work-  
force of more  
than 2 000 em-  
ployees enjoy a  
world of oppor-  
tunities.”



## Attractive employer

At the end of 2018, Komax employed 2 006 staff worldwide (2017: 1 841 staff). Average headcount in 2018 worked out at 1 936 employees (2017: 1 720 employees). This increase is primarily explained by the acquisition of Laselec (October 2017), the persistently strong development of business, and the corresponding new appointments at various locations. Personnel expenses in the year under review amounted to CHF 157.4 million (2017: CHF 137.0 million).

### 2018

	CH <sup>1</sup>	Europe <sup>1</sup>	Americas <sup>1</sup>	Asia <sup>1</sup>	Africa <sup>1</sup>	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, sales, service	205	196	111	114	33	<b>659</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>

### 2017

	CH	Europe	Americas	Asia	Africa	Total
Production	231	263	67	72	41	<b>674</b>
Research and development	142	35	0	23	0	<b>200</b>
Engineering	30	87	23	16	10	<b>166</b>
Marketing, sales, service	194	182	110	110	29	<b>625</b>
Administration <sup>2</sup>	47	66	31	26	6	<b>176</b>
<b>Total headcount as at 31 December 2017</b>	<b>644</b>	<b>633</b>	<b>231</b>	<b>247</b>	<b>86</b>	<b>1841</b>

<sup>1</sup> The individual companies and their locations are listed on page 108.

<sup>2</sup> Including management.

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 20.4% in 2018 (2017: 19.0%). 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 2018, it amounted to 6.9% (2017: 7.2%).

**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

### 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 50 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.

### 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 2018, 47 apprentices (2017: 44) were undergoing training in eleven professions at the Group's Swiss sites, and 43 apprentices (2017: 35) 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 90.

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 2018.

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 2018, 100 employees (2017: 108 employees) participated in this initiative, racking up more than 30 000 kilometers (2017: more than 29 000 kilometers) in the saddle.

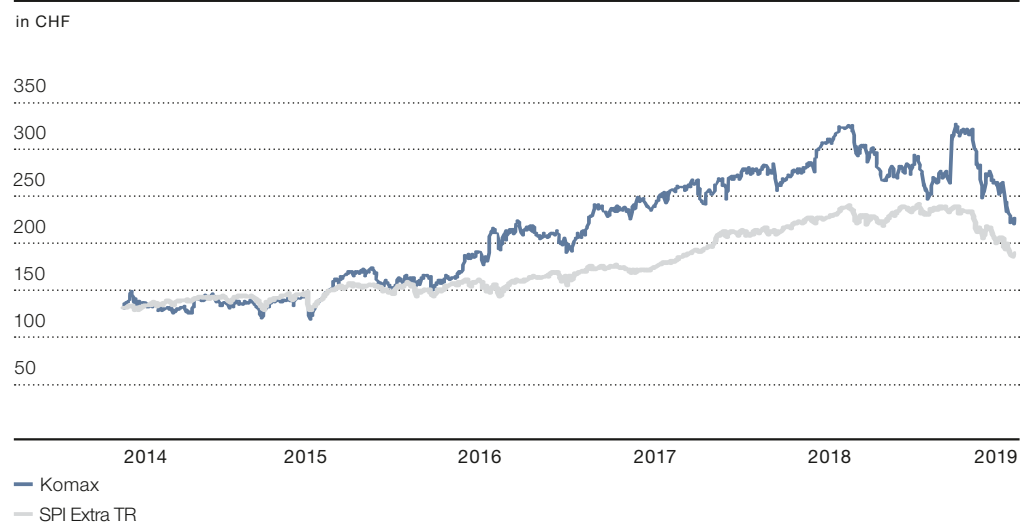


# INFORMATION FOR INVESTORS

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 2018, the daily closing price of the Komax share ranged between CHF 223.00 and CHF 329.00. The year-end closing price was CHF 230.00. This represents a decline of 28.0% on the 2017 year-end closing price (CHF 319.50). In this respect the Komax share has followed the trend of Swiss manufacturing companies generally, most of which declined by more than 20% in 2018. Over the last five years, the value of the Komax share has increased by around 70%. The SPI Extra has appreciated by around 44% over the same timeframe.

## Share price development (3 January 2014 – 31 December 2018)



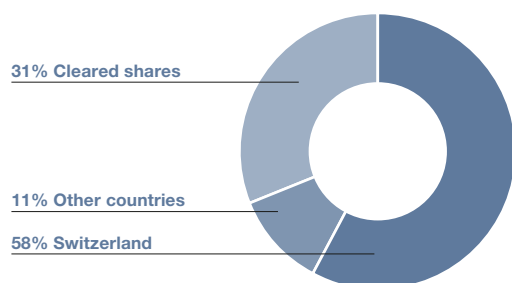
## Listing

Komax is listed on SIX Swiss Exchange. The market capitalization of the Komax Group at the end of 2018 was CHF 884.9 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 the United Kingdom, Germany, Luxembourg, the Netherlands, and the United States.



## Breakdown of shareholders by number of registered shares held

	31.12.2018	31.12.2017
1-100	3 787	3 082
101-1 000	1 964	1 713
1 001-10 000	247	220
10 001-100 000	25	28
> 100 000	4	5

The shareholder base widened significantly in 2018. At the end of 2018, 6 027 shareholders were entered in the share register. This represents an increase of 979 shareholders compared to the end of 2017. Over the last three years the company's shareholder base has more than doubled (2 801 shareholders as at 31 December 2015).

## Free float

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

3.0 %  
 dividend yield

### 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 54 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 defined an attractive dividend policy in its 2017–2021 strategy. On the basis of the pleasing annual result, it is proposing to the Annual General Meeting of 16 April 2019 a dividend increase from CHF 6.50 to CHF 7.00 per share. CHF 0.80 per share 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. Despite the very high level of investment expenditure at the moment, Komax is meeting its strategic target (payout ratio of 50%–60%) and distributing 52.0% of Group profit after taxes to its shareholders. The dividend yield as at 31 December 2018 amounted to an attractive 3.0% (2017: 2.0%).

### Financial calendar

Annual General Meeting	16 April 2019
Dividend payment	24 April 2019
Half-year results 2019	20 August 2019
Preliminary information on 2019 financial year	28 January 2020
Annual media and analyst conference on the 2019 financial results	17 March 2020
Annual General Meeting	21 April 2020

## Komax registered share: key data

		2018	2017	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>
Share capital as at 31 Dec.	in TCHF	<b>385</b>	383	377	369	361
Number of shares as at 31 Dec.	No.	<b>3 847 510</b>	3 834 482	3 774 148	3 691 651	3 605 101
Average number of outstanding shares	No.	<b>3 830 864</b>	3 810 276	3 741 364	3 652 728	3 552 840
<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>13.52</b>	11.05	10.34	8.00	7.64
EBITD	CHF	<b>20.52</b>	17.35	17.22	16.19	15.99
EBIT	CHF	<b>17.56</b>	14.45	14.81	13.67	13.34
Shareholders' equity	CHF	<b>73.20</b>	67.33	65.23	76.70	78.82
Distribution	CHF	<b>7.00<sup>2</sup></b>	6.50	6.50	6.00	5.00
Payout ratio	%	<b>52.0<sup>2</sup></b>	59.2	63.4	75.0	65.4
Dividend yield as at 31 Dec.	%	<b>3.0<sup>2</sup></b>	2.0	2.6	3.1	3.5
<b>Share price development</b>						
Highest price	CHF	<b>329.00</b>	319.50	251.25	194.90	152.40
Lowest price	CHF	<b>223.00</b>	243.50	180.10	122.90	124.60
Closing price as at 31 Dec.	CHF	<b>230.00</b>	319.50	251.25	194.90	144.50
Average daily trading volume	No.	<b>13 342</b>	12 274	8 191	7 881	8 613
P/E (price-earnings ratio) as at 31 Dec.		<b>17.0</b>	28.9	24.3	24.4	18.9
<b>Total return per share</b>						
Distribution from prior-year profit	CHF	<b>6.50</b>	6.50	6.00	5.00	4.50
Change in value	CHF	<b>-89.50</b>	68.25	56.35	50.40	9.20
Total (total return)	CHF	<b>-83.00</b>	74.75	62.35	55.40	13.70
Annual return <sup>3</sup>	%	<b>-25.98</b>	29.75	31.99	38.34	10.13

<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. The years 2014 and 2015 are reported according to IFRS.

<sup>2</sup> Proposal of the Board of Directors of Komax Holding AG: distribution of CHF 7.00 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 108 and 109 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 50 (“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 2018:

Shareholder / Shareholder group	Number of shares 31.12.2018	Share in % 31.12.2018 <sup>1</sup>
Max Koch, Meggen, Switzerland	190 285 <sup>2</sup>	4.962
Swisscanto Fondsleitung AG, Zurich, Switzerland	131 218 <sup>3</sup>	3.422
Leo Steiner, Steinhausen, Switzerland	126 954 <sup>4</sup>	3.311

<sup>1</sup> The calculation is based on the 3 834 482 registered shares listed in the Commercial Register as at 31 December 2018.

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

<sup>3</sup> Notification of breach of 3% threshold on 16 December 2016.

<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 2018 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	384 751.00
Conditional capital	249.00
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 103 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 have a duration of five years and are 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 72 and 73 and 111 to 113 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. Conditional capital therefore amounted to CHF 249.00 as at 31 December 2018.

The new capital created in 2018 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 2017 and 2018 can be found on page 82 of the financial section of this Annual Report. The corresponding information for 2016 can be found on page 76 of the financial section of the 2017 Annual Report.

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

As at 31 December 2018, Komax Holding AG had fully paid-up capital of CHF 384 751.00 and distributed over 3 847 510 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 56). 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 111 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 19 notifications were submitted in the 2018 financial year. Published notifications can be found 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).

### 3 Board of Directors

The Board of Directors comprised six individuals as at 31 December 2018. Other than the Chairman, 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	2019	RC (Chairman)
Daniel Hirschi, Vice-Chairman	2005	2019	
David Dean	2014	2019	AC (Chairman)
Andreas Häberli	2017	2019	RC
Kurt Haerri	2012	2019	AC
Roland Siegwart	2013	2019	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 34 and 35 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.

Daniel Hirschi will not be standing for re-election at the next Annual General Meeting on 16 April 2019. The Chairman and all other members of the Board of Directors are being proposed for re-election. In addition, the Board of Directors is proposing the election of Dr. Mariel Hoch as a new Board member.

### **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 2018. With the exception of one meeting, where Kurt Haerri was excused from attending, 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 16 April 2019 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 2018, the Committee held two ordinary meetings as well as one extraordinary meeting; 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 65 to 77.

#### – Audit Committee

The members of the Audit Committee are David Dean (Chair) and Kurt Haerri. The Committee meets at least twice a year. Two ordinary meetings took place in 2018, 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 28 August 2018.

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 and the CFO. 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, 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 of the Group comprises the CEO and the CFO.

	Function exercised since
Matijas Meyer, CEO	2015
Andreas Wolfisberg, CFO	1996

The Executive Committee is being expanded from two to five members as at 1 January 2019. Biographies of both the existing and the new members of the Executive Committee are provided on pages 36 and 37.

### Other activities and interests

Aside from the mandates listed on page 36, 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 2018.

### 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 65 to 77 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 56).

**Invitation to the Annual General Meeting of 16 April 2019**

All shareholders registered in the Komax Holding AG share register as at 5:00 p.m. on 9 April 2019 are entitled to vote in respect of the number of shares registered in their name at the Annual General Meeting of 16 April 2019. Shareholders registered on 8 March 2019 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 9 April 2019 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 options or 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 701 322 in the 2018 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 2018 financial year, PricewaterhouseCoopers invoiced additional fees amounting to a total of CHF 76936. This breaks down into fees of CHF 37097 for tax and legal advice and CHF 39839 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 and 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.

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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 2018 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

The Komax Group delivered a pleasing result for the 2018 financial year, and expanded its market and technology leadership thanks to powerful growth. Komax remains on track from a strategic perspective, and is well positioned to continue to create competitive advantages for its customers as well as value for shareholders over the coming years. The Remuneration Committee addressed both personnel issues and the compensation system in 2018. On behalf of the Remuneration Committee, I would like to provide you with more detail on this over the following paragraphs.

Following the decision by Daniel Hirschi, a member of the Board of Directors of Komax Holding AG since 2005 and Vice-Chairman since 2014, not to stand for re-election at the 2019 Annual General Meeting, the evaluation of a new Board member was a key task in 2018. We are proposing to the General Meeting the election of Dr. Mariel Hoch as successor to Daniel Hirschi. Dr. Mariel Hoch acquired a PhD (Dr. iur.) from the University of Zurich and is a partner of the law firm Bär & Karrer AG in Zurich. In her capacity as an attorney, she specializes in M&A transactions and advises listed companies on corporate and regulatory matters.

With effect from 1 January 2019, Marc Schürmann, Marcus Setterberg, and Günther Silberbauer were promoted to the Executive Committee, thereby expanding this body from two members to five, in keeping with good corporate governance. All three are heads of core business areas that focus primarily on the development and production of automation solutions along the value chain. In 2018, we defined the performance indicators for the compensation of the new Executive Committee members, aligning these consistently with the company's strategic medium-term targets (2017–2021).

In order to increase the transparency of our compensation system further, this Compensation Report discloses not only the compensation allocated in 2018, but also – for the first time – the realized compensation of the Executive Committee. On 1 January 2015, we introduced an incentive system that is aligned with the long-term interests of shareholders. Ever since, members of the Executive Committee have received Performance Share Units each year with a three-year vesting period. The magnitude of the payout at the end of the vesting period is dependent on attainment of a performance target (for plan period 2015–2017: average EBIT margin over three years). With the first vesting period having expired on 31 December 2017, we are now disclosing the total value of the shares credited in 2018.

At the Annual General Meeting on 16 April 2019, we will be proposing – just like in previous years – approval of the maximum possible total compensation for the Board of Directors and the Executive Committee for the 2020 financial year. At the Annual General Meeting you will once again have the opportunity to vote on this Compensation Report and thereby formally register your opinion on our compensation system. I can assure you that we are aware of our responsibility and will therefore adhere to our restrained compensation policy going forward. You can find detailed information on our compensation model and the compensation granted to the Board of Directors and the Executive Committee in 2018 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 2018 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 and one extraordinary meeting; 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 and/or options under the company's employee participation program.</li> <li>– The calculated value (fair value) of the shares and/or options 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 and/or options.</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 and/or options 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 and/or options. The calculated value (fair value) of the shares and/or options 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 listed international Swiss industrial companies of comparable complexity, size, and geographic reach. The sources used for the benchmark comparison are publicly accessible data such as compensation reports and the Ethos study on remuneration in Swiss companies. As a number of benchmark studies were conducted in 2017 to review the compensation of Executive Committee members, no benchmark studies were conducted in 2018. The results of the 2017 studies showed that there was no need in principle to adjust the target amounts for compensation. As a consequence, these targets remained virtually unchanged in 2018.
<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 allocation of share options to members of the Board of Directors has been discontinued.

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 2018.

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 2018 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. From the 2019 financial year, the financial value of relevance will be 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 (2018–2020)		
2018 plan year	2019 plan year	2020 plan year
Average RONCE figure		

1 January 2018  
allocation of PSUs

31 December 2020  
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 12 months. They do not contain any severance agreement or change of control provisions.

## 6 Compensation, shareholdings, and options held by the Board of Directors in 2018

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

### 6.1 Compensation

In 2018, members of the Board of Directors received total compensation of CHF 940 687 (2017: CHF 898 274), of which CHF 692 500 was paid out in cash (2017: CHF 661 250), CHF 190 000 in the form of restricted shares (2017: CHF 181 667), and CHF 58 187 as social benefit contributions (2017: CHF 55 357). Contributions to pensions plans amounted to CHF 0 (2017: CHF 0).

in CHF		Basic annual fee <sup>1</sup>	Allocation restricted shares <sup>2</sup>	Social benefits <sup>3</sup>	Total compensation 2018	Total compensation 2017
Beat Kälin	Chairman	225 000	60 000	11 564	<b>296 564</b>	291 537
Daniel Hirschi	Member	92 500	30 000	9 559	<b>132 059</b>	142 814
David Dean	Member	97 500	25 000	9 559	<b>132 059</b>	132 036
Andreas Häberli <sup>4</sup>	Member	92 500	25 000	9 168	<b>126 668</b>	75 899
Kurt Haerri	Member	90 000	25 000	8 973	<b>123 973</b>	126 647
Roland Siegwart	Member	95 000	25 000	9 364	<b>129 364</b>	129 341
<b>Total Board of Directors</b>		<b>692 500</b>	<b>190 000</b>	<b>58 187</b>	<b>940 687</b>	<b>898 274</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 2018 was CHF 296.20.

<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 since 12 May 2017.

No compensation was paid to former members of the Board of Directors for the 2017 and 2018 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 2018. 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 and options as at 31 December 2018

As at the end of 2017 and 2018, members of the Board of Directors had the following holdings of shares and/or options in the company:

Assets in units		31.12.2018		31.12.2017	
		Shares	Options	Shares	Options
Beat Kälin	Chairman	9 722	0	8 507	4 000
Daniel Hirschi	Member	4 730	0	4 429	1 000
David Dean	Member	1 024	0	1 830	0
Andreas Häberli	Member	84	0	0	0
Kurt Haerri	Member	2 883	0	1 799	1 000
Roland Siegwart	Member	2 024	0	940	1 000
<b>Total Board of Directors</b>		<b>20 467</b>	<b>0</b>	<b>17 505</b>	<b>7 000</b>

## 7 Compensation, shareholdings, and options held by the Executive Committee in 2018

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

### 7.1 Compensation at grant value

In 2018, members of the Executive Committee received total compensation of CHF 1 608 759 (2017: CHF 1 363 710). Of this amount, CHF 751 820 was paid as fixed compensation (2017: 749 383) and CHF 458 670 as cash bonuses (2017: CHF 245 278), CHF 260 000 was granted as Performance Share Units (2017: CHF 230 000), and CHF 138 269 comprised social security and pension fund contributions (2017: CHF 139 049).

in CHF		Fixed compensation <sup>1</sup>	Cash bonus <sup>2</sup>	Allocation PSU (plan period 2018–2020) <sup>3</sup>	Social benefits <sup>4</sup>	Total compensation 2018	Total compensation 2017
Matijas Meyer <sup>5</sup>	CEO	433 500	294 377	180 000	77 617	<b>985 494</b>	826 775
Total other members of the Executive Committee <sup>6</sup>		318 320	164 293	80 000	60 652	<b>623 265</b>	536 935
<b>Total Executive Committee</b>		<b>751 820</b>	<b>458 670</b>	<b>260 000</b>	<b>138 269</b>	<b>1 608 759</b>	<b>1 363 710</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 2018, to be paid in April 2019.

<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 2018 was CHF 295.00.

<sup>4</sup> Includes mandatory employer contributions to social insurance of CHF 27 704 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 2018.

<sup>6</sup> The CFO is the only other member of the Executive Committee.

### Notes on the compensation overview

In 2018, the CEO's cash bonus amounted to 68% of fixed compensation (2017: 36%). This payout level is due to the development of revenues and EBIT and the attainment of individual objectives. For the other member of the Executive Committee (CFO), the cash bonus amounted to 52% of fixed compensation (2017: 28%).

The PSUs granted to the CEO in the year under review corresponded to 42% of annual fixed compensation (2017: 37%) and 25% for the CFO (2017: 22%).

The overall variable compensation of the CEO in 2018 therefore amounted to 109% of the annual fixed compensation (2017: 73%) and that of the CFO 77% (2017: 51%). 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 111 to 113 of the Financial Report 2018.

No compensation was paid to former members of the Executive Committee for the 2017 and 2018 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 2018. 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

31 December 2017 marked the end of the first three-year vesting period for the Performance Share Units that were granted to members of the Executive Board when the new long-term incentive system was introduced on 1 January 2015. For the plan period 2015–2017, members of the Executive Committee received shares with a total value of CHF 483 567 (allocation amount on 1 January 2015: CHF 193 333, relevant share price: CHF 139.45) following the 2018 Annual General Meeting. The total compensation figure for 2018 of CHF 1 832 326 is significantly below the maximum amount of CHF 2 150 000 approved by the 2017 Annual General Meeting.

in CHF		Fixed compensation <sup>1</sup>	Cash bonus <sup>2</sup>	Compensation amount PSU plan period (2015–2017)	Social benefits <sup>3</sup>	Total compensation 2018
Matijas Meyer <sup>4</sup>	CEO	433 500	294 377	308 422	77 617	<b>1 113 916</b>
Total other members of the Executive Committee <sup>5</sup>		318 320	164 293	175 145	60 652	<b>718 410</b>
<b>Total Executive Committee</b>		<b>751 820</b>	<b>458 670</b>	<b>483 567</b>	<b>138 269</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 2018, to be paid in April 2019.

<sup>3</sup> Includes mandatory employer contributions to social insurance of CHF 27 704 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 2018.

<sup>5</sup> The CFO is the only other member of the Executive Committee.

## 7.3 Holdings of shares and options as at 31 December 2018

As at the end of 2017 and 2018, members of the Executive Committee had the following holdings of shares and/or options in the company:

Assets in units	31.12.2018		31.12.2017		
	Shares	Options	Shares	Options	
Matijas Meyer	CEO	4 534	0	4 000	0
Andreas Wolfisberg	CFO	500	0	600	0
<b>Total Executive Committee</b>		<b>5 034</b>	<b>0</b>	<b>4 600</b>	<b>0</b>





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

## Report on the audit of the remuneration report

We have audited the accompanying remuneration report (Art. 6 and 7) of Komax Holding AG for the year ended 31 December 2018.

### Board of Directors' responsibility

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

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the remuneration report of Komax Holding AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to be 'T. Brüderlin'.

Thomas Brüderlin  
Audit expert  
Auditor in charge

A handwritten signature in black ink, appearing to be 'S. Gutmann'.

Sebastian Gutmann  
Audit expert

Basel, 8 March 2019

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## Consolidated income statement

in TCHF	Notes	2018	%	2017	%
Net Sales		477 819		407 275	
Other operating income	1.2	1 879		1 234	
<b>Revenues</b>	1.2	<b>479 698</b>	<b>100.0</b>	<b>408 509</b>	<b>100.0</b>
Change in inventory of unfinished and finished goods		1 061		8 076	
Cost of materials		-182 856		-160 109	
<b>Gross profit</b>		<b>297 903</b>	<b>62.1</b>	<b>256 476</b>	<b>62.8</b>
Personnel expenses	1.3	-157 355		-136 982	
Depreciation on property, plant, and equipment	2.4	-8 108		-7 705	
Depreciation on intangible assets	2.5	-3 252		-3 341	
Other operating expenses	1.3	-61 934		-53 379	
<b>Operating profit (EBIT)</b>		<b>67 254</b>	<b>14.0</b>	<b>55 069</b>	<b>13.5</b>
Financial result	1.4	-5 225		-819	
<b>Ordinary profit</b>		<b>62 029</b>	<b>12.9</b>	<b>54 250</b>	<b>13.3</b>
Non-operating result	1.5	392		-99	
Extraordinary result	1.5	0		-3 601	
<b>Group profit before taxes (EBT)</b>		<b>62 421</b>	<b>13.0</b>	<b>50 550</b>	<b>12.4</b>
Income taxes	1.6	-10 634		-8 449	
<b>Group profit after taxes (EAT)</b>		<b>51 787</b>	<b>10.8</b>	<b>42 101</b>	<b>10.3</b>
Of which attributable to:					
- Shareholders' of Komax Holding AG		51 787		42 101	
- Non-controlling interest		0		0	
Basic earnings per share (in CHF)	1.7	13.52		11.05	
Diluted earnings per share (in CHF)	1.7	13.48		10.99	

## Consolidated balance sheet

in TCHF	Notes	31.12.2018	%	31.12.2017	%
<b>Assets</b>					
Cash and cash equivalents		50 965		59 291	
Securities		15		21	
Trade receivables	2.1	124 890		99 723	
Other receivables	2.1	29 008		29 459	
Inventories	2.2	103 433		92 020	
Accrued income and prepaid expenses		5 294		3 803	
Assets held for sale	2.3	0		6 785	
<b>Total current assets</b>		<b>313 605</b>	<b>67.7</b>	<b>291 102</b>	<b>70.2</b>
Property, plant, and equipment	2.4	120 229		93 719	
Intangible assets	2.5	15 379		14 480	
Deferred tax assets	1.6	12 830		13 021	
Other non-current receivables	2.6	861		2 136	
<b>Total non-current assets</b>		<b>149 299</b>	<b>32.3</b>	<b>123 356</b>	<b>29.8</b>
<b>Total assets</b>		<b>462 904</b>	<b>100.0</b>	<b>414 458</b>	<b>100.0</b>
<b>Liabilities</b>					
Trade payables		25 187		22 348	
Other payables	2.7	33 903		34 438	
Current provisions	2.7	2 975		2 359	
Accrued expenses and deferred income		22 529		19 361	
<b>Total current liabilities</b>		<b>84 594</b>	<b>18.3</b>	<b>78 506</b>	<b>18.9</b>
Non-current financial liabilities	3.1	90 338		69 856	
Other non-current liabilities		1 167		2 710	
Deferred tax liabilities	1.6	5 165		5 208	
<b>Total non-current liabilities</b>		<b>96 670</b>	<b>20.9</b>	<b>77 774</b>	<b>18.8</b>
<b>Total liabilities</b>		<b>181 264</b>	<b>39.2</b>	<b>156 280</b>	<b>37.7</b>
Share capital	3.2	385		383	
Capital surplus		24 569		28 649	
Treasury shares	3.2	-2 311		-4 054	
Retained earnings		258 997		233 200	
<b>Equity attributable to shareholders' of Komax Holding AG</b>		<b>281 640</b>	<b>60.8</b>	<b>258 178</b>	<b>62.3</b>
<b>Total liabilities and shareholders' equity</b>		<b>462 904</b>	<b>100.0</b>	<b>414 458</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 2017</b>		<b>377</b>	<b>27 670</b>	<b>-2 105</b>	-58 759	-732	279 723	<b>220 232</b>	<b>246 174</b>
Group profit after taxes							42 101	42 101	42 101
Capital increase from exercise of options	3.2	6	6 707					0	6 713
Distribution out of reserves from capital contributions			-5 728					0	-5 728
Dividend paid							-19 094	-19 094	-19 094
Purchase of treasury shares	3.2			-2 098				0	-2 098
Share-based payments				149			772	772	921
Goodwill offset with shareholders' equity	2.5				-13 267			-13 267	-13 267
Currency translation differences recorded in the reporting period						2 456		2 456	2 456
<b>Balance as at 31 December 2017</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>
<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	2.5				-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>

## Consolidated cash flow statement

in TCHF	Notes	2018	2017
<b>Cash flow from operating activities</b>			
Group profit after taxes		51 787	42 101
Adjustment for non-cash items			
– Taxes	1.6	10 634	8 449
– Depreciation and impairment of property, plant, and equipment	2.4	8 108	7 898
– Depreciation and impairment of intangible assets	2.5	3 252	3 341
– Profit (-) / loss (+) from sale of non-current assets		-1 210	-50
– Expense for share-based payments		1 523	921
– Net financial result	1.4	5 225	819
– Other non-cash items		6	2 475
Interest received and other financial income		1 115	1 345
Interest paid and other financial expenses		-3 311	-2 566
Taxes paid		-9 939	-10 101
Increase (+) / decrease (-) in provisions		670	7
Increase (-) / decrease (+) in trade receivables		-28 065	-11 409
Increase (-) / decrease (+) in inventories		-14 755	-15 526
Increase (+) / decrease (-) in trade payables		3 366	2 691
Increase (-) / decrease (+) in other net current assets		1 223	-3 628
<b>Total cash flow from operating activities</b>		<b>29 629</b>	<b>26 767</b>
<b>Cash flow from investing activities</b>			
Investments in property, plant, and equipment	2.4	-37 118	-18 742
Sale of property, plant, and equipment		8 365	259
Investments in intangible assets	2.5	-4 222	-3 459
Sale of intangible assets		0	6
Investments in Group companies and participations <sup>1</sup>		-4 298	-17 163
Sale of Group companies <sup>2</sup>		2 000	4 100
Decrease in granted loans		1 304	650
<b>Total cash flow from investing activities</b>		<b>-33 969</b>	<b>-34 349</b>
<b>Free cash flow</b>		<b>-4 340</b>	<b>-7 582</b>
<b>Cash flow from financing activities</b>			
Decrease in current financial liabilities		0	-153
Decrease in non-current financial liabilities		-533	-1 075
Increase in non-current financial liabilities		21 431	37 795
Capital increase (share-based payments)		1 667	6 713
Distribution out of reserves from capital contributions		-5 745	-5 728
Dividend paid		-19 149	-19 094
Purchase of treasury shares	3.2	-254	-2 098
<b>Total cash flow from financing activities</b>		<b>-2 583</b>	<b>16 360</b>
Effect of currency translations on cash and cash equivalents		-1 403	1 982
<b>Increase (+) / decrease (-) in funds</b>		<b>-8 326</b>	<b>10 760</b>
Cash and cash equivalents at 1 January		59 291	48 531
Cash and cash equivalents at 31 December		50 965	59 291

<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 7 March 2019 and released for publication. Their approval by the Annual General Meeting, scheduled for 16 April 2019, 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 2018. 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	87
Current and deferred income taxes	92
Impairment of property, plant, and equipment	95
Impairment of intangible assets and goodwill	99
Contingent consideration	100
Provisions	100



**Key events of the reporting period**

As mentioned in the Shareholders' letter on page 2 and 3, 2018 was characterized by strong growth in both order intake and revenues, as well as significant investment in capacity expansion, digitalization and research and development. Both the operating profit and profit after taxes increased by more than 20%. Profit after taxes was reduced by the negative financial result (CHF -5.2 million), which was to a significant extent caused by unrealized currency losses.

In order to secure the financing of the high level of investment, the credit limit of the syndicated loan agreement was increased from CHF 140 million to CHF 160 million. The Komax Group therefore has credit limits amounting to a maximum of CHF 190 million (31 December 2017: CHF 165 million). In addition to the increase in net working capital, the Group's free cash flow, which was negative at CHF -4.3 million (2017: CHF -7.6 million), was above all attributable to high investment. With an equity ratio of more than 60%, Komax remains on a very solid financial footing.

In addition to its investment in non-current assets, Komax also invested in expanding the capacity of its testing business in North Africa in 2018. Moreover, Komax strengthened its position in North America by concluding an asset deal with the Application Tooling business area of TE Connectivity.

**Events after the balance sheet date**

Komax has communicated on 22 February 2019 that it further expands its presence in North America with the acquisition of Artos Engineering. Founded in 1911, Artos Engineering stands out with its customer focus, portfolio of products and wealth of experience in developing innovative applications for wire processing equipment.

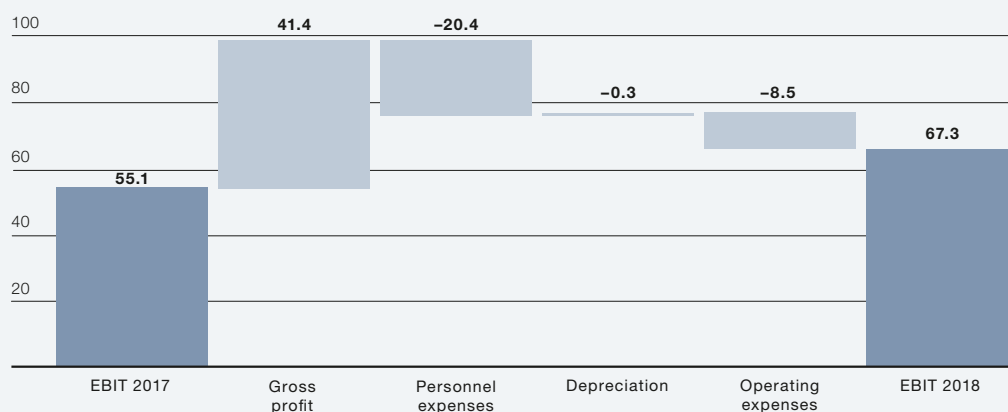
With the exception of the before-mentioned event, no significant events occurred between the balance sheet date and the approval of the consolidated financial statements by the Board of Directors on 7 March 2019 which might adversely affect the information content of the 2018 consolidated financial statements or which would require disclosure.

## 1 Performance

In this section, we provide details of the 2018 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 increased from CHF 55.1 million in 2017 to CHF 67.3 million in 2018. 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

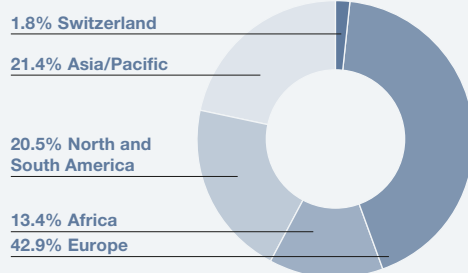
The Komax Group is a global technology company that focuses on markets in the automation sector. As a manufacturer of innovative and high-quality solutions for the wire processing industry, Komax helps its customers implement economical and safe manufacturing processes, especially in the automotive supply 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

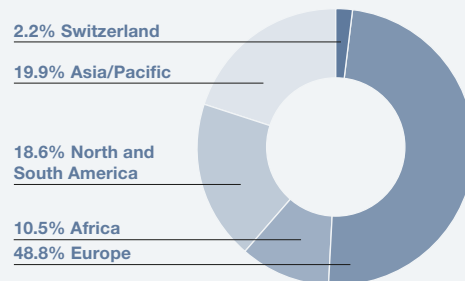
### a) Revenues by region

The percentage breakdown of revenues by region is as follows:

**2018**



**2017**



### b) Construction contracts

In the current reporting period, revenues of CHF 17.2 million (2017: CHF 11.7 million) were recorded from long-term construction contracts on the basis of the POC method.

### c) Other operating income

in TCHF	2018	2017
Own work capitalized	436	820
Government grants	284	184
Gains from the disposal non-current assets	1 085	116
Other income	74	114
<b>Total other operating income</b>	<b>1 879</b>	<b>1 234</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	2018	2017
Wages and salaries	-126 340	-109 448
Share-based payments settled with equity instruments	-1 294	-1 090
Share-based payments settled in cash	-32	-284
Social security and pension contributions	-24 070	-21 581
Other personnel costs (in particular training and development)	-5 619	-4 579
<b>Total personnel expenses</b>	<b>-157 355</b>	<b>-136 982</b>

#### b) Other operating expenses

in TCHF	2018	2017
Expenditure on operating equipment and energy	-2 299	-2 238
Rental expenses	-3 804	-3 078
Repair and maintenance expenses	-15 105	-13 955
Third-party services for development expenses	-8 786	-7 128
Representation and marketing expenses	-13 101	-11 593
Legal and consultancy expenses	-4 850	-4 225
Shipping and packaging expenses	-8 363	-6 114
Expenditure on administration and sales	-3 368	-2 921
Other expenditure	-2 258	-2 127
<b>Total other operating expenses</b>	<b>-61 934</b>	<b>-53 379</b>

### 1.4 Financial result

in TCHF	2018	2017
Interest result (net)	-1 434	-787
Exchange rate translation differences (net)	-3 791	-558
<b>Total financial expenses</b>	<b>-5 225</b>	<b>-1 345</b>
<b>Result from associated companies</b>	<b>0</b>	<b>526</b>
<b>Total financial result</b>	<b>-5 225</b>	<b>-819</b>

#### Recognition and measurement

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

### 1.5 Non-operating and extraordinary result

The non-operating result includes the income and expenses from non-operating properties. The non-operating property in York, USA, was sold in the first half of 2018, resulting in non-operating income of CHF 0.4 million.

No extraordinary expenses or income were incurred in the current reporting period. In the same period of the previous year, extraordinary expenses of CHF 3.6 million had to be recognized, which related to the impairment of a loan granted to an associated company.

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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	2018	2017
Current income taxes	-10 508	-8 766
Deferred tax income (+) / tax expenses (-)	-126	317
<b>Total income taxes</b>	<b>-10 634</b>	<b>-8 449</b>

#### Analysis of the tax rate

in TCHF	2018	%	2017	%
Group profit before taxes (EBT)	62 421		50 550	
<b>Expected tax expenses</b>	<b>-10 922</b>	<b>17.5</b>	<b>-7 521</b>	<b>14.9</b>
Impact of non-capitalized tax-loss carry forwards	-978	1.6	-1 475	2.9
Utilization of non-capitalized tax-loss carry forwards	1 421	-2.3	384	-0.8
Effect of changes in tax rate	-177	0.3	45	-0.1
Tax credits / charges from prior years	417	-0.7	161	-0.3
Effect of non-deductible expenses	-337	0.5	-189	0.4
Effect of non-taxable income	119	-0.2	136	-0.3
Non-reclaimable withholding taxes	-258	0.4	-119	0.2
Others	81	-0.1	129	-0.2
<b>Effective tax expenses</b>	<b>-10 634</b>	<b>17.0</b>	<b>-8 449</b>	<b>16.7</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 17.4% (2017: 14.5%).

**b) Deferred tax assets and liabilities**

in TCHF	<b>31.12.2018</b>	31.12.2017
Property, plant, and equipment / intangible assets	8 714	9 870
Trade receivables and inventories <sup>1</sup>	4 036	4 107
Provisions	1 719	1 146
Other items	466	684
<b>Total deferred tax assets (gross)</b>	<b>14 935</b>	<b>15 807</b>
Offset against deferred tax liabilities	-2 105	-2 786
<b>Balance sheet deferred tax assets</b>	<b>12 830</b>	<b>13 021</b>
Property, plant, and equipment / intangible assets	2 928	3 137
Trade receivables and inventories	3 589	3 534
Provisions	665	1 152
Other items	88	171
<b>Total deferred tax liabilities (gross)</b>	<b>7 270</b>	<b>7 994</b>
Offset against deferred tax assets	-2 105	-2 786
<b>Balance sheet deferred tax liabilities</b>	<b>5 165</b>	<b>5 208</b>
<b>Net deferred tax assets (+) / tax liabilities (-)</b>	<b>7 665</b>	<b>7 813</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 2018</b>	5 450	62 019	<b>67 469</b>
31 December 2017	3 382	65 888	<b>69 270</b>

This results in a deferred tax claim (not recognized in the balance sheet) for as yet unutilized tax-loss carry forwards of CHF 18.6 million (31 December 2017: CHF 19.6 million) as well as CHF 3.4 million (31 December 2017: 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	2018	2017
<b>Group profit (attributable to shareholders' of Komax Holding AG)</b>	<b>51 786 663</b>	<b>42 100 813</b>
Weighted average number of outstanding shares	3 830 864	3 810 276
<b>Basic earnings per share</b>	<b>13.52</b>	<b>11.05</b>
<b>Group profit (attributable to shareholders' of Komax Holding AG)</b>	<b>51 786 663</b>	<b>42 100 813</b>
Weighted average number of outstanding shares	3 830 864	3 810 276
Adjustment for dilution effect of share options	10 437	22 094
Weighted average number of outstanding shares for calculating diluted earnings per share	3 841 301	3 832 370
<b>Diluted earnings per share</b>	<b>13.48</b>	<b>10.99</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>31.12.2018</b>	31.12.2017
Trade receivables	112 759	94 413
less provision for impairment	-90	-302
Accruals for construction contracts	21 087	12 516
less prepayments for construction contracts	-8 866	-6 904
<b>Receivables arising from POC</b>	<b>12 221</b>	<b>5 612</b>
<b>Total</b>	<b>124 890</b>	<b>99 723</b>

Overdue trade receivables that had not been written down amounted to CHF 29.5 million on 31 December 2018 (31 December 2017: CHF 21.6 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 2018</b>	15 394	5 102	3 633	1 467	3 890	<b>29 486</b>
as at 31 December 2017	8 698	6 134	2 532	1 646	2 631	<b>21 641</b>

#### b) Other receivables

In addition to prepayments to suppliers of CHF 1.1 million (31 December 2017: 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	31.12.2018	31.12.2017
Manufacturing components and spare parts	64 482	53 336
Semi-finished goods / work in process	16 889	13 974
Finished goods	31 642	33 371
<b>Gross value inventories</b>	<b>113 013</b>	<b>100 681</b>
less impairment	-9 580	-8 661
<b>Inventories</b>	<b>103 433</b>	<b>92 020</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 Assets held for sale

The two buildings in York, USA, and S. Domingos de Rana, Portugal, which were reported under “Assets held for sale” as at 31 December 2017, were duly sold in the first half of 2018.

## 2.4 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 2016</b>	<b>1 635</b>	<b>15 197</b>	<b>82 424</b>	<b>36 653</b>	<b>8 652</b>	<b>3 560</b>	<b>148 121</b>
Additions	0	189	670	3 269	1 915	12 520	18 563
Disposals	0	0	-76	-769	-477	0	-1 322
Change in scope of consolidation	0	84	379	1 285	55	0	1 803
Reclassifications	0	-633	-3 810	30	13	-95	-4 495
Currency differences	0	112	628	-6	165	0	899
<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>
<b>Depreciation</b>							
<b>As at 31 December 2016</b>	<b>0</b>	<b>0</b>	<b>-41 010</b>	<b>-18 617</b>	<b>-4 753</b>	<b>0</b>	<b>-64 380</b>
Additions	0	0	-2 756	-3 461	-1 488	0	-7 705
Disposals	0	0	0	479	381	0	860
Change in scope of consolidation	0	0	-116	-979	-36	0	-1 131
Reclassifications	0	0	2 802	0	0	0	2 802
Currency differences	0	0	-207	-20	-69	0	-296
<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>
<b>Book values</b>							
<b>As at 31 December 2016</b>	<b>1 635</b>	<b>15 197</b>	<b>41 414</b>	<b>18 036</b>	<b>3 899</b>	<b>3 560</b>	<b>83 741</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>

### 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
Factory buildings	33
Office buildings	40
Land	no depreciation

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## 2.5 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 2016</b>	<b>15 215</b>	<b>4 062</b>	<b>8 551</b>	<b>27 828</b>
Additions	3 074	0	385	3 459
Disposals	-66	0	0	-66
Change in scope of consolidation	141	0	0	141
Reclassifications	8 518	0	-8 518	0
Currency differences	149	1	0	150
<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>
<b>Depreciation</b>				
<b>As at 31 December 2016</b>	<b>-9 474</b>	<b>-4 060</b>	<b>0</b>	<b>-13 534</b>
Additions	-3 339	-2	0	-3 341
Disposals	60	0	0	60
Change in scope of consolidation	-117	0	0	-117
Currency differences	-99	-1	0	-100
<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>
<b>Book values</b>				
<b>As at 31 December 2016</b>	<b>5 741</b>	<b>2</b>	<b>8 551</b>	<b>14 294</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) 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	2018			2017		
	Goodwill subsidiaries	Goodwill associated companies	Total	Goodwill subsidiaries	Goodwill associated companies	Total
<b>Historical costs as at 1 January</b>	<b>72 064</b>	<b>0</b>	<b>72 064</b>	<b>57 308</b>	<b>1 530</b>	<b>58 838</b>
Additions	241	0	241	14 797	0	14 797
Disposals	0	0	0	0	-1 530	-1 530
Currency differences	-67	0	-67	-41	0	-41
<b>Historical costs as at 31 December</b>	<b>72 238</b>	<b>0</b>	<b>72 238</b>	<b>72 064</b>	<b>0</b>	<b>72 064</b>
<b>Theoretical accumulated depreciation as at 1 January</b>	<b>-24 366</b>	<b>0</b>	<b>-24 366</b>	<b>-17 781</b>	<b>-303</b>	<b>-18 084</b>
Theoretical depreciation	-7 499	0	-7 499	-6 673	-115	-6 788
Theoretical depreciation on disposals	0	0	0	0	418	418
Currency differences	9	0	9	88	0	88
<b>Theoretical accumulated depreciation as at 31 December</b>	<b>-31 856</b>	<b>0</b>	<b>-31 856</b>	<b>-24 366</b>	<b>0</b>	<b>-24 366</b>
<b>Theoretical net book value as at 31 December</b>	<b>40 382</b>	<b>0</b>	<b>40 382</b>	<b>47 698</b>	<b>0</b>	<b>47 698</b>

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

in TCHF	31.12.2018	31.12.2017
Shareholders' equity according to balance sheet	281 640	258 178
Theoretical capitalization of net book value of goodwill	40 382	47 698
Theoretical tax impacts	737	715
<b>Theoretical shareholders' equity</b>	<b>322 759</b>	<b>306 591</b>

in TCHF	2018	2017
Group profit after taxes (EAT) according to income statement	51 787	42 101
Theoretical goodwill depreciation	-7 499	-6 788
Theoretical impact of goodwill disposals	0	418
Theoretical tax impacts	22	-235
<b>Theoretical Group profit after taxes (EAT)</b>	<b>44 310</b>	<b>35 496</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.

**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 seven 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.

**2.6 Other non-current receivables**

in TCHF	31.12.2018	31.12.2017
Non-current loans to associates	0	1 337
Rent deposit and other non-current receivables	861	799
<b>Total</b>	<b>861</b>	<b>2 136</b>

## 2.7 Other liabilities

### a) Other payables

in TCHF	31.12.2018	31.12.2017
Prepayments by customers	13 084	11 355
Contingent consideration	1 427	4 357
Current income tax liabilities	6 125	4 978
Prepayments on construction contracts	2 408	5 077
less accruals / deferrals in respect of construction contracts	-2 400	-2 451
<b>Liabilities arising from POC</b>	<b>8</b>	<b>2 626</b>
Other positions	13 259	11 122
<b>Total other payables</b>	<b>33 903</b>	<b>34 438</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	2018	2017
<b>Total as at 1 January</b>	<b>2 359</b>	<b>2 222</b>
Additional provisions	2 631	2 126
Change in scope of consolidation	0	113
Amounts utilized during the year	-1 183	-1 448
Unused amounts reversed	-778	-672
Currency differences	-54	18
<b>Total as at 31 December</b>	<b>2 975</b>	<b>2 359</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.

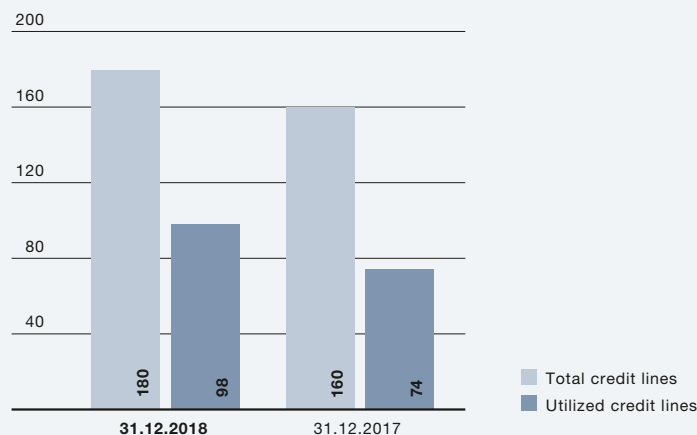
#### 3.1 Financial liabilities

in TCHF	Currency	31.12.2018	31.12.2017
Bank liabilities	CHF	59 000	46 000
Bank liabilities	EUR	24 408	18 906
Bank liabilities	USD	6 930	4 950
<b>Total financial liabilities</b>		<b>90 338</b>	<b>69 856</b>

Komax Holding AG finalized an agreement with a bank syndicate for a credit line amounting to CHF 160 million (31 December 2017: CHF 140.0 million). Additionally, there are further local credit lines for subsidiaries available amounting to CHF 19.6 million, up to a maximum of CHF 30.0 million (31 December 2017: CHF 19.9 million, up to a maximum of CHF 25.0 million). As at 31 December 2018 the Group has drawn on this credit limit to the amount of CHF 98.5 million (31 December 2017: CHF 74.2 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 2018</b>	734	86 823	2 781	<b>90 338</b>
as at 31 December 2017	966	67 592	1 298	<b>69 856</b>

#### Recognition and measurement

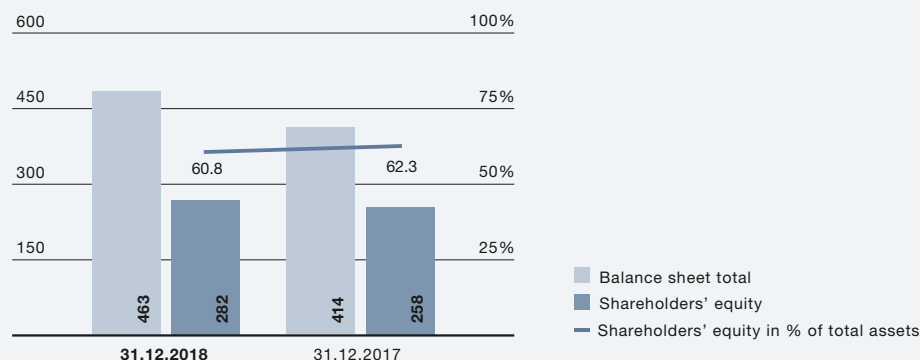
**Financial liabilities:** Financial liabilities comprising bank loans, mortgages, and bonds are valued at amortized cost. Financial liabilities are recorded as current liabilities in the balance sheet unless the Group has the unconditional right to defer settlement of the liability to a point in time 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 2018</b>	<b>3 847 510</b>	<b>0.10</b>	<b>384 751</b>
31 December 2017	3 834 482	0.10	383 448
31 December 2016	3 774 148	0.10	377 415

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

	2018			2017		
	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>16 364</b>	<b>247.75</b>	<b>4 054</b>	<b>9 000</b>	<b>233.85</b>	<b>2 105</b>
Purchases	1 000	254.22	254	8 000	262.27	2 098
Transfer (share-based compensation)	-8 061	247.75	-1 997	-636	233.85	-149
<b>Total as at 31 December</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>

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**

	2018			2017		
	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>15 518</b>	<b>0.10</b>	<b>1 552</b>	<b>75 852</b>	<b>0.10</b>	<b>7 585</b>
Exercise of options	-13 028	0.10	-1 303	-60 334	0.10	-6 033
<b>Total as at 31 December</b>	<b>2 490</b>	<b>0.10</b>	<b>249</b>	<b>15 518</b>	<b>0.10</b>	<b>1 552</b>

There was no increase in conditional capital either in 2017 or in 2018. Conditional capital is created for management and employee share ownership schemes.

**d) Reserves**

The non-distributable reserves amounted to CHF 7.8 million as at 31 December 2018 (31 December 2017: CHF 8.0 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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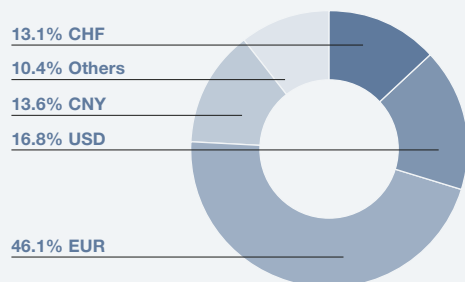
**3.3 Financial risk management**

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.

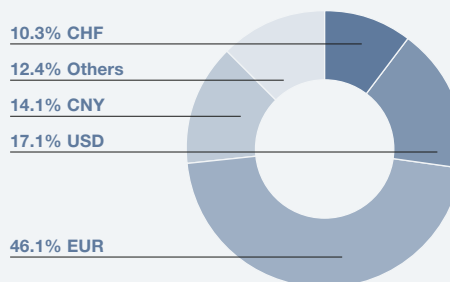
**a) Currency risk**

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:

**2018**



**2017**



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

Currency	Year-end rate 31.12.2018	Average rate 2018	Year-end rate 31.12.2017	Average rate 2017
USD	0.990	0.990	0.990	1.000
EUR	1.140	1.170	1.180	1.110
CNY	0.145	0.150	0.152	0.147

Komax is mainly exposed to currency risks relating to the USD, the EUR, and the CNY. Assuming that the average rates in 2018 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 2018	Change EBIT margin 2017
EUR/CHF average rate +/- 10%	+/- 1.0%-pt.	+/- 1.0%-pt.
USD/CHF average rate +/- 10%	+/- 0.8%-pt.	+/- 0.8%-pt.
CNY/CHF average rate +/- 10%	+/- 0.7%-pt.	+/- 0.8%-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 2018 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 2018.

**4.1 Scope of consolidation**

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

A further subsidiary company was founded in 2018 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. The activities of this company had been transferred to Komax Shanghai Co. Ltd., China, back in 2016. In addition to the acquisitions listed under Note 4.2, two additional subsidiaries were founded in the prior-year period, namely Komax Manufacturing de México S. de R.L. de C.V., Mexico, and Komax Bulgaria EOOD, Bulgaria.

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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 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 is strengthening 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 are not significant.

### b) Acquisitions 2017

in TCHF	Practical Solution	Laselec	Total
<b>Acquired net assets at fair value</b>			
Cash and cash equivalents	0	579	<b>579</b>
Securities	0	22	<b>22</b>
Trade receivables	0	891	<b>891</b>
Other receivables	0	365	<b>365</b>
Inventories	1 176	3 700	<b>4 876</b>
Accrued income and prepaid expenses	0	1 276	<b>1 276</b>
Property, plant, and equipment	54	618	<b>672</b>
Intangible assets	0	17	<b>17</b>
Deferred tax assets	0	346	<b>346</b>
Other non-current receivables	0	88	<b>88</b>
<b>Total assets</b>	<b>1 230</b>	<b>7 902</b>	<b>9 132</b>
Current financial liabilities	0	-74	<b>-74</b>
Trade payables	0	-863	<b>-863</b>
Other payables	0	-316	<b>-316</b>
Current provisions	0	-113	<b>-113</b>
Accrued expenses and deferred income	0	-1 450	<b>-1 450</b>
Non-current financial liabilities	0	-1 655	<b>-1 655</b>
Other non-current liabilities	0	-386	<b>-386</b>
Deferred tax liabilities	0	-38	<b>-38</b>
<b>Total liabilities</b>	<b>0</b>	<b>-4 895</b>	<b>-4 895</b>
<b>Acquired net assets</b>	<b>1 230</b>	<b>3 007</b>	<b>4 237</b>
<b>Acquisition costs</b>	<b>0</b>	<b>198</b>	<b>198</b>
<b>Goodwill</b>	<b>4 499</b>	<b>10 298</b>	<b>14 797</b>
<b>Total consideration</b>	<b>5 729</b>	<b>13 305</b>	<b>19 034</b>
Contingent consideration	1 597	1 006	<b>2 603</b>
Investment in associates	0	2 755	<b>2 755</b>
Transferred consideration	4 132	9 544	<b>13 676</b>
less acquired cash and cash equivalents	0	-579	<b>-579</b>
<b>Net cash out 2017</b>	<b>4 132</b>	<b>8 965</b>	<b>13 097</b>

#### **Laselec**

As at 1 October 2017 Komax has taken over 100% of Laselec SA in Toulouse, France, and its subsidiary in Grand Prairie, USA. The acquired company generated in the fourth quarter 2017 revenues of CHF 3.9 million and a profit after taxes of around CHF 0.9 million.

#### **Practical Solution**

As at 3 March 2017 Komax has taken over the business of Practical Solution Pte Ltd, Singapore, as well as Practical Solution Trading (Shanghai) Co., Ltd, China, by means of an asset deal. With the business acquired Komax generated revenues of CHF 1.0 million and a profit after taxes of CHF 0.1 million in 2017.

#### **4.3 Investments in associates**

Komax holds interests in Xcell Automation Inc., York, USA, which is accounted for as an associated company. The valuation of investments as at 31 December 2018 was based on the unaudited financial statements. Any changes in these statements will be taken into account in the following period. The participation was valued at CHF 0.0 million as at 31 December 2018, as was the case at the end of 2017.

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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 2018

Company	Place
<b>Switzerland</b>	
Komax Management AG	Dierikon, Switzerland
Komax AG	Dierikon, Switzerland
<b>Europe</b>	
Kabatec GmbH & Co. KG	Burghaun, Germany
Komax Bulgaria EOOD	Yambol, Bulgaria
Komax Consult Deutschland GmbH	Nuremberg, Germany
Komax France Sàrl.	Epinay-sur-Seine, 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 Beteiligungs 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>	
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 Manufacturing 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 Innovations Co.	El Paso, Texas, USA
Xcell Automation Inc.	York, Pennsylvania, USA
<b>Asia</b>	
Komax Automation India Pvt. Ltd.	Gurgaon, India
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
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
Engineering, production, 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
Sales	100%	Full consolidation	BRL 200 000
Sales	100%	Full consolidation	USD 1 000 000
Sales	100%	Full consolidation	MXN 3 000
Production	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
Engineering, production, marketing, sales	100%	Full consolidation	USD 1 000 000
R&D, engineering, production, marketing, sales	25%	Equity method	USD 560 000
Sales	100%	Full consolidation	INR 10 000 000
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 2 600 000

## 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	2018		2017
	Surplus cover as per FER 26	Economic share within the Group	Economic share within the Group
Pension plans with surplus cover	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

in TCHF	2018			2017
	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	4 536	4 536	4 168
<b>Total</b>	<b>0</b>	<b>4 536</b>	<b>4 536</b>	<b>4 168</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 111.4% as at 31 December 2018 (31 December 2017: 117.4%). The actuarial calculations are based on a technical interest rate of 2.5% (31 December 2017: 2.5%) as well as the technical basis of BVG 2015 (31 December 2017: BVG 2015).

There were no material employer contribution reserves as at 31 December 2018 or as at 31 December 2017.

#### 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**

As at 31 December 2018, the Komax Group had the following share-based compensation agreements:

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

The share option plan takes 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 depends on the individual performance of the entitled employee. The options granted entitle holders to subscribe one Komax Holding AG share per option and are valid for five years. They have a predetermined exercise price and are subject to a three-year lock-in period.

	2018		2017	
	Weighted average exercise price		Weighted average exercise price	
	Number	CHF	Number	CHF
<b>Outstanding as at 1 January</b>	<b>18 489</b>	<b>129.21</b>	<b>95 173</b>	<b>115.46</b>
Granted	0	0.00	0	0.00
Exercised	-15 128	129.21	-72 134	115.00
Forfeited	0	0.00	0	0.00
Expired	-3 361	129.21	-4 550	67.03
<b>Outstanding as at 31 December</b>	<b>0</b>	<b>0.00</b>	<b>18 489</b>	<b>129.21</b>

The allocation of share options was discontinued at the end of 2015. As an alternative to selling a registered share of Komax Holding AG, Komax Holding AG has the right to pay the cash sum equivalent to the difference between the market value of the registered share at the point of exercising and the exercise price. Since the last options expired on 31 December 2018, there was no longer any need to consider any accruals for options (31 December 2017: 2 971 options with an accrual of CHF 0.6 million).

**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 2018**

	2016–2018	2017–2019	2018–2020
Number of outstanding rights	2 785	1 862	2 826
Vesting period	3 years	3 years	3 years
Allocation	2019	2020	2021
Fair value on the day of granting	CHF 175.19	241.98	295.00
<b>Total fair value at allocation</b>	<b>TCHF 488</b>	<b>451</b>	<b>834</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.

	2018	2017
Number of rights		
<b>Total as at 1 January</b>	<b>9 111</b>	<b>6 770</b>
Granted 1 January	1 660	2 495
Forfeited	0	-154
Transferred to participants	-3 526	0
<b>Total as at 31 December</b>	<b>7 245</b>	<b>9 111</b>

The fair value on the day of granting amounted to CHF 295.00 (2017: CHF 241.98).

**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>2018</b>	2017
<b>Total as at 1 January</b>	<b>4 268</b>	<b>2 795</b>
Granted 1 January	1 189	1 473
Forfeited	-15	0
Transferred to participants	-1 748	0
<b>Total as at 31 December</b>	<b>3 694</b>	<b>4 268</b>

The fair value on the day of granting amounted to CHF 294.60 (2017: CHF 222.94).

**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 2018 financial year, 640 shares (2017: 636 shares) with a fair value of CHF 270.00 (2017: CHF 259.07) 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	2018	2017
Sale of goods and services	36	661
Purchase of goods and services	0	-410
Interest income	69	125
Extraordinary expenses	0	-3601
Trade receivables as at 31 December	0	22
Other receivables (current and non-current) as at 31 December	69	0
Granted loans as at 31 December	0	1337

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 (2017: none). With the exception of the regular employer contributions to the pension fund, no transactions were effected with related parties (2017: none).

### 5.4 Off-balance-sheet transactions

#### a) Contingent liabilities

Aside from a service performance guarantee of CHF 0.7 million (31 December 2017: CHF 1.1 million), there were other guarantees of CHF 8.1 million (31 December 2017: CHF 4.4 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	31.12.2018	31.12.2017
Book value real estate	8106	8534
Lien on real estate	5472	4248
Utilization	5358	3658

The pledged assets will be used to secure own liabilities.

#### c) Contractual obligations

As at 31 December 2018, contractual obligations of CHF 36.5 million were existing in respect of the acquisition of property, plant, and equipment (31 December 2017: CHF 28.4 million). Future liabilities arising from operating lease agreements amount to CHF 2.5 million due in 2019 and CHF 3.8 million due in 2020–2023 (31 December 2017: CHF 2.5 million due in 2018 and CHF 4.1 million due in 2019–2022).

## 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 balance sheet as at 31 December 2018 and the consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements on pages 80 to 115 give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 as well as 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 3 000 000
- We concluded full scope audit work at six group companies in five countries. Our audit scope addressed 60% of net sales of the Group.
- Additionally, 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 (six different countries). These addressed a further 16% of net sales of the Group.

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

- Revenue recognition in the appropriate period

#### Audit scope

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 38 entities. We identified six 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 5% 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.





**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 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 3 000 000
<b>How we determined it</b>	5% of group profit before taxes, rounded
<b>Rationale for the materiality benchmark applied</b>	We chose group profit before taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 250 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

**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 88 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 2018 and January 2019. 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 2018.</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 judgement 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- 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.
- 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, 8 March 2019

## Balance sheet of Komax Holding AG

in TCHF	31.12.2018	%	31.12.2017	%
<b>Assets</b>				
Cash and cash equivalents	719		2 011	
Other current receivables third parties	54		2 092	
Other current receivables Group	2 690		2 433	
Other current receivables associates	69		0	
Financial loans Group	82 804		74 598	
Accrued income / prepaid expenses	685		40	
<b>Total current assets</b>	<b>87 021</b>	<b>22.6</b>	<b>81 174</b>	<b>23.0</b>
Financial investments Group	82 467		66 066	
Financial investments associates	0		1 238	
Investments in subsidiaries	215 075		204 870	
<b>Total non-current assets</b>	<b>297 542</b>	<b>77.4</b>	<b>272 174</b>	<b>77.0</b>
<b>Total assets</b>	<b>384 563</b>	<b>100.0</b>	<b>353 348</b>	<b>100.0</b>
<b>Liabilities and shareholders' equity</b>				
Trade payables	386		385	
Other current liabilities third parties	990		3 389	
Other current liabilities Group	0		54	
Accrued expenses / deferred income	317		886	
Provisions	462		144	
<b>Total current liabilities</b>	<b>2 155</b>	<b>0.6</b>	<b>4 858</b>	<b>1.4</b>
Non-current interest-bearing liabilities third parties	83 030		65 109	
<b>Total non-current liabilities</b>	<b>83 030</b>	<b>21.6</b>	<b>65 109</b>	<b>18.4</b>
<b>Total liabilities</b>	<b>85 185</b>	<b>22.2</b>	<b>69 967</b>	<b>19.8</b>
Share capital	385		383	
Capital contribution reserves	3 270		7 350	
Other statutory capital reserves	2 000		2 000	
Statutory profit reserves	100		100	
Profit reserves determined by resolution	257 903		240 903	
Retained earnings	551		262	
Profit after taxes	37 480		36 437	
Treasury shares	-2 311		-4 054	
<b>Total shareholders' equity</b>	<b>299 378</b>	<b>77.8</b>	<b>283 381</b>	<b>80.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>384 563</b>	<b>100.0</b>	<b>353 348</b>	<b>100.0</b>

### Income statement of Komax Holding AG

in TCHF	2018	2017
Dividend income	37 622	37 734
Other financial income	8 099	8 759
Other operating income	690	637
<b>Total income</b>	<b>46 411</b>	<b>47 130</b>
Financial expenses	-5 349	-4 392
Compensation	-786	-419
Other operating expenses	-2 520	-3 262
Value adjustment on financial investment	0	-2 370
Direct taxes	-276	-250
<b>Total expenses</b>	<b>-8 931</b>	<b>-10 693</b>
<b>Profit after taxes</b>	<b>37 480</b>	<b>36 437</b>

## Notes to the 2018 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 0.3 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 8.2 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. The Group's financial investments have increased as a result of newly granted loans.

## 2.2 Liabilities

The amount outstanding from the acquisition of Laselec SA, France, and Laselec Inc., USA, is reported under “Other current liabilities third parties.”

The provisions relate to taxes on earnings as well as open tax claims in respect of corporation tax to be paid on the holding in Komax SLE GmbH & Co. KG, Germany, and Kabatec GmbH & Co. KG, 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 2018, the Group had drawn on this credit limit to the amount of CHF 59.0 million, USD 7.0 million, and EUR 15.0 million (total drawing: CHF 83.0 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 37.6 million in the year under review (2017: CHF 37.7 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 as well as the cash settlement of options redeemed.

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 108 and 109.

### 6 Treasury shares

Details of the treasury shares of Komax Holding AG are provided in the consolidated financial statements on page 102.

### 7 Contingent liabilities

in TCHF	<b>31.12.2018</b>	31.12.2017
Joint liability for Group taxation value-added tax	p.m.	p.m.
<b>Guarantees</b>		
in EUR	2 147	2 725
in USD	743	1 109
in CHF	2 763	570
<b>Total</b>	<b>5 653</b>	<b>4 404</b>

From the total contingent liabilities of CHF 5.7 million (31 December 2017: CHF 4.4 million), CHF 4.9 million (31 December 2017: CHF 3.3 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 103.



**9 Major shareholders**

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

As at 31 December 2017 the company had the following major shareholders holding more than 5% of the votes:

Shareholder / shareholder group as at 31 December 2017	No. of shares	Share in % <sup>1</sup>
Veraison SICAV, Zurich, Switzerland	196 229	5.2%
Max Koch, Meggen, Switzerland	190 285	5.0%

<sup>1</sup> Calculated on the basis of 3 774 148 shares that were registered as at the balance sheet date of 31 December 2017.

**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 2018 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 2018. 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 and options

Assets in units		31.12.2018		31.12.2017	
		Shares	Options	Shares	Options
<b>Board of Directors</b>					
Beat Kälin	Chairman	9 722	0	8 507	4 000
Daniel Hirschi	Member	4 730	0	4 429	1 000
David Dean	Member	1 024	0	1 830	0
Andreas Häberli	Member	84	0	0	0
Kurt Haerri	Member	2 883	0	1 799	1 000
Roland Siegwart	Member	2 024	0	940	1 000
<b>Total Board of Directors</b>		<b>20 467</b>	<b>0</b>	<b>17 505</b>	<b>7 000</b>
<b>Executive Committee</b>					
Matijas Meyer	CEO	4 534	0	4 000	0
Andreas Wolfisberg	CFO	500	0	600	0
<b>Total Executive Committee</b>		<b>5 034</b>	<b>0</b>	<b>4 600</b>	<b>0</b>

## 12 Net release of hidden reserves

The total amount of the net released hidden reserves amounted to CHF 1.0 million (2017: CHF 2.1 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	31.12.2018	31.12.2017
Balance carried forward from previous year	550 809	262 290
Profit after taxes	37 480 320	36 437 429
Transfer from capital contribution reserves	3 078 008	5 751 723
<b>Total available for distribution</b>	<b>41 109 137</b>	<b>42 451 442</b>
Payout from capital contribution reserves of CHF 0.80 per registered share (2017: CHF 1.50) which is not subject to withholding tax <sup>1</sup>	3 078 008	5 751 723
Dividend of CHF 6.20 gross per registered share (2017: CHF 5.00) <sup>1</sup>	23 854 562	19 172 410
Allocation to free reserves	13 500 000	17 000 000
Profit carried forward	676 567	527 309
<b>Total</b>	<b>41 109 137</b>	<b>42 451 442</b>

<sup>1</sup> The stated amount covers the requirement for the payout from capital reserves for all registered shares outstanding. Registered shares which will be issued after 1 January 2019 upon exercise of options are also entitled to the payout from capital reserves. Therefore, the stated amount may be subject to change.



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 2018 and the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2018 on pages 120 to 127 comply with Swiss law and the 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

#### 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.

#### Materiality

The scope of our audit was influenced by our application of materiality. 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 1 500 000
<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 150 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.



**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 215.1 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 or the value in use of the subsidiary concerned. To determine the value in use, an in-depth 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 judgement 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- 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 Company's internal control.
- 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, 8 March 2019

# FIVE YEAR OVERVIEW

in TCHF	2018	2017	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>
<b>Income statement</b>					
Revenues	479 698	408 509	391 820	315 093	363 338
Gross profit	297 903	256 476	247 943	205 941	220 188
in % of revenues	62.1	62.8	63.3	65.4	60.6
EBITD	78 614	66 115	64 420	59 123	57 663
in % of revenues	16.4	16.2	16.4	18.8	15.9
Operating profit (EBIT)	67 254	55 069	55 424	49 938	48 102
in % of revenues	14.0	13.5	14.1	15.8	13.2
Group profit after taxes (EAT)	51 787	42 101	38 703	29 215	27 743
in % of revenues	10.8	10.3	9.9	9.3	7.6
Depreciation	11 360	11 046	8 996	9 185	9 561
Research and development	41 051	36 668	29 071	25 315	25 776
in % of revenues	8.6	9.0	7.4	8.0	7.1
<b>Balance sheet</b>					
Non-current assets	149 299	123 356	125 181	160 940	145 562
Current assets	313 605	291 102	231 879	238 027	242 490
Shareholders' equity <sup>2</sup>	281 640	258 178	246 174	283 134	284 168
in % of total assets	60.8	62.3	68.9	71.0	73.2
Share capital	385	383	377	369	361
Total liabilities	181 264	156 280	110 886	115 833	101 882
in % of total assets	39.2	37.7	31.1	29.0	26.3
Non-current financial liabilities	90 338	69 856	31 445	16 518	23 670
Current financial liabilities	0	0	78	0	0
Net cash (+) / net indebtedness (-)	-39 358	-10 544	17 008	34 365	29 211
Total assets	462 904	414 458	357 060	398 967	388 052
<b>Cash flow statement</b>					
Cash flow from operating activities	29 629	26 767	36 906	49 612	30 295
Investments in non-current assets	41 340	22 201	22 827	18 850	15 566
Free cash flow	-4 340	-7 582	441	24 519	14 412
<b>Employees</b>					
Headcount as at 31 December	No. 2 006	1 841	1 633	1 347	1 498
Revenues per employee <sup>3</sup>	248	238	255	248	261
Gross value added per employee <sup>3</sup>	120	118	122	128	126
Net value added per employee <sup>3</sup>	114	112	116	121	119
<b>Share details</b>					
Shares <sup>4</sup>	No. 1 000 3 848	3 834	3 774	3 692	3 605
Par value	CHF 0.10	0.10	0.10	0.10	0.10
Highest price	CHF 329.00	319.50	251.25	194.90	152.40
Lowest price	CHF 223.00	243.50	180.10	122.90	124.60
Closing price as at 31 December	CHF 230.00	319.50	251.25	194.90	144.50

<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. The years 2014 and 2015 are 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	16 April 2019
Dividend payment	24 April 2019
Half-year results 2019	20 August 2019
Preliminary information on 2019 financial year	28 January 2020
Annual media and analyst conference on the 2019 financial results	17 March 2020
Annual General Meeting	21 April 2020

**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.



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