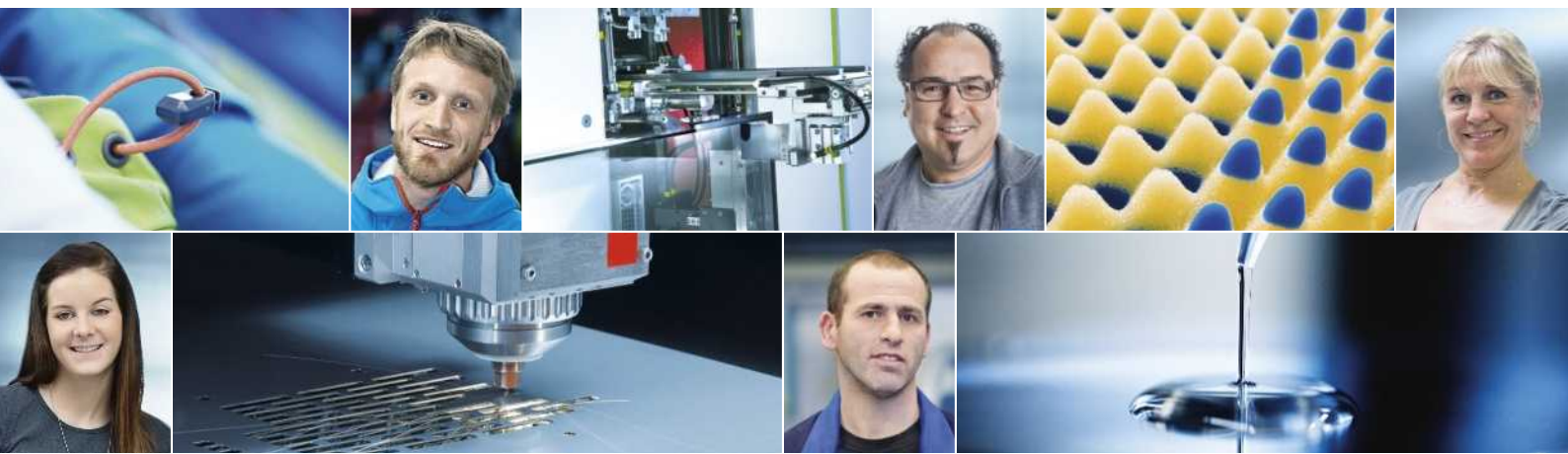



Annual Report 2015



Conzzeta at a glance

As an international holding company with diverse interests, Conzzeta strives to achieve leading positions in its target markets and build a business portfolio with aboveaverage growth and long-term value creation. The Conzzeta Group companies are “best choice” for customers, offering innovative solutions in Sheet Metal Processing, Sporting Goods, Foam Materials, Graphic Coatings and Glass Processing; the Group has 3 500 employees at more than 60 locations worldwide. Conzzeta is listed on the SIX Swiss Exchange (SIX:CON).

	<p>Bystronic Solutions for the processing of sheet metal and other sheet materials</p>	Sheet Metal Processing
	<p>Mammut Sports Group Clothing and equipment for mountaineering, climbing and winter sports</p>	Sporting Goods
	<p>FoamPartner Foam products for industry and comfort applications</p>	Chemical Specialties
	<p>Schmid Rhyner Print varnishes for the graphical industry</p>	
	<p>Bystronic glass Systems for processing flat glass</p>	Glass Processing

Key figures

		2015	2014
Group			
Net revenue	CHF m	1 140.8	1 195.7
Operating result	CHF m	80.8	104.3
Group result	CHF m	59.3	61.4
Operating free cash flow	CHF m	70,5	84,8
Shareholders' equity	CHF m	959.9	1 132.8
Total assets	CHF m	1 221.7	1 451.1
Shareholders' equity as % of total assets	%	78.6	78.1
Net operating assets	CHF m	413.3	517.4
Employees at year-end	Number	3 479	3 337
Net revenue per full-time position	CHF thousand	333.0	341.6
Conzeta AG			
Net income for the year	CHF m	46.7	38.8
Share capital	CHF m	4.1	5.2
Total dividend	CHF m	20.7 ¹	25.9
Number of shares on 12/31			
registered A	Number	1 827 000	456 750
registered B	Number	1 215 000	303 750
Gross dividend per share			
registered A	CHF	10.00 ²	50.00
registered B	CHF	2.00 ²	10.00
Market price per share ³			
registered A			
high	CHF	696.17	716.52
low	CHF	536.96	367.99
year-end	CHF	639.00	637.76
Total capitalization on 12/31	CHF m	1 323	1 752
Group key figures per share⁴			
Group result			
registered A	CHF	28.65	31.00
per share			
registered B	CHF	5.73	6.20
Cash flow from operating			
activities per share			
registered A	CHF	41.93	52.49
registered B	CHF	8.39	10.50
Shareholders' equity			
per share			
registered A	CHF	464.15	547.24
registered B	CHF	92.83	109.45

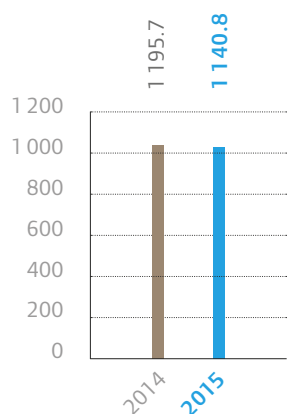
¹ As proposed by the Board of Directors.

² For the comparison with 2014, the 1:4 share split has to be considered.

³ The historical stock market prices were adjusted by the SIX Swiss Exchange.

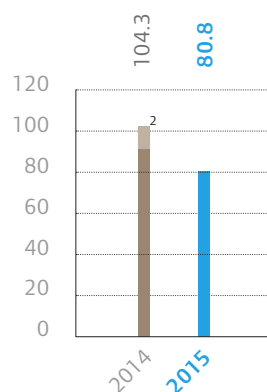
⁴ For better comparability, the figures for 2014 have been retrospectively adjusted to take account of the 1:4 share split.

Net revenue (in CHF m)



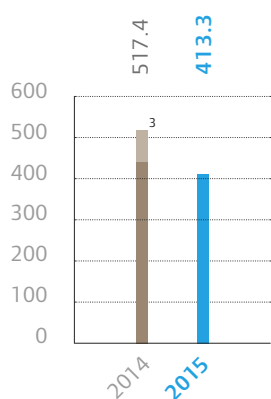
– Revenue growth in 2015 on a comparable¹ basis: 1.7%

Operating result (in CHF m)



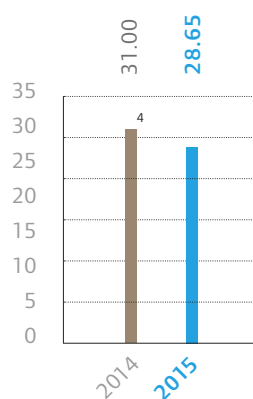
– EBIT margin for 2015: 7.1%

Net operating assets (in CHF m)



– Net return after taxes for 2015: 13.4%

Earnings per registered share A (in CHF)



– Proposed dividend for 2015: CHF 10

1 Adjusted for currency translation effects and changes in the scope of consolidation.

2 2014 includes CHF 10.5 million from reversal of provisions no longer required for inherited environmental liabilities.

3 2014 includes CHF 71.5 million for discontinued business units.

4 For better comparability, the 2014 figure has been retrospectively adjusted to take account of the 1:4 share split.

Key facts for 2015

- Solid performance in demanding environment
- Transition continues – spin-off of Real Estate business unit
- Continuation of strategic process – greater focus on growth
- Change in leadership – Michael Willome takes over as Group CEO effective January 2016
- Innovative product portfolio – solid equity ratio of 78.6%

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Annual Report

The Annual Report contains a detailed commentary on the year-end results and the operational and financial situation of the Group. It comprises the financial statements and the Governance and Compensation Reports.



Group Overview

The Group Overview provides information on the business profile of the Conzzeta Group and the individual business units. It also includes statements about the business strategy and the principal financial key figures.

Solid performance in demanding environment

The Conzzeta Group returned an operating result (EBIT) of CHF 80.8 million in a challenging operating environment. The EBIT margin was 7.1 %.

At CHF 1 140.8 million, net revenue was 4.6 % lower than in the previous year; on a comparable basis, that is adjusted for currency translation effects and changes in the scope of consolidation (in particular disposal of ixmation in 2014 and spin-off of the Real Estate segment in 2015), revenue grew by 1.7 %. Return on net operating assets (RONOA) was 13.4 %. Overall, the result was in line with expectations since marked exchange rate fluctuations had required the implementation of measures to cushion adverse sales and profitability effects, starting early 2015. During the reporting year, further steps were taken as planned to transform the Conzzeta Group and lay important foundations for future growth.

Uneven economic environment – marked currency fluctuations

Overall, the annual performance reflects inconsistent developments in the various business units and regions. The faltering sales performance in Switzerland, Europe and Asia was only partly offset by sales growth in North America. The fluctuations in exchange rates had a significant impact: The average exchange rate of the US dollar rose strongly, both against the Swiss franc (+5.5 %) and the euro (+19.3 %), while the euro depreciated sharply against the Swiss franc (–11.6 %). These currency fluctuations contributed to considerable margin pressure, above all in the Sporting Goods segment (Mammut Sports Group), where purchasing is largely denominated in US dollars; at the same time, the proportionately high sales in euros came under pressure and price reductions had to be granted in Switzerland.

To cushion the adverse impacts, economy measures were adopted immediately after the decision of the Swiss National Bank (SNB) on January 15, 2015, to discontinue the minimum euro rate. Short-term measures, taken across the entire Group, included increased working

hours, a hiring freeze, reduction of temporary personnel and general budget cuts. Further medium-term structural measures were also adopted and these should start taking effect as of 2016. Restructuring costs of CHF 4.1 million were recognized in fiscal 2015. The negative currency impact on the Group result at EBIT level from a one-time valuation effect on net working capital recognized in the income statement amounted to CHF 9.1 million. However, this impact has been largely compensated by the economy measures mentioned above.

Progress with the transformation of the Conzzeta Group

With the spin-off of the Real Estate segment, the transformation of the Conzzeta Group continued as planned. At Conzzeta AG's Extraordinary General Meeting held on June 22, 2015, a large majority of shareholders approved the proposals of the Board of Directors. They supported the splitting of Conzzeta's shares in a ratio of 1:4 as a first step and the subsequent spin-off plan and capital reduction.

After completion of the transaction, the share capital of Conzzeta AG is divided into 1 827 000 category A registered shares with a par value of CHF 2, and 1 215 000 category B registered shares with a par value CHF 0.40. This completed the reorganization of ownership and control. Under the terms of the shareholder agreement dated March 25, 2014, the "ASS" shareholder group – comprising representatives of the Auer, Schmidheiny and Spoerry families – will hold 29 % of the capital rights and 51 % of the voting rights in Conzzeta AG until 2022. The free float of category A registered shares listed on the Swiss Exchange increased to 80 % as a result of the transaction.



Ernst Bärtschi
Chairman of the Board
of Directors

Kaspar W. Kelterborn
Group CFO

Continuation of strategy process – greater focus on growth

The currency turmoil and subsequent measures to cushion its adverse effects demanded a greater focus on operational development in the business units during the 2015 business year. Nevertheless, the Board of Directors continued with the strategy process started in 2014. A systematic review of the business units' various long-term perspectives was undertaken, applying the criteria of innovation potential, growth prospects and value creation. The reviews also took in risk considerations and aspects of the complexity of the existing portfolio structure. Conzzeta strives for accelerated growth in its markets and will continue to develop its business portfolio in

a disciplined way, with a particular emphasis on long-term value generation. The comprehensive review of the Glass Processing business unit (Bystronic glass) – announced in March 2015 – is continuing, even though the business unit did return to profit in 2015.

In the reporting year, the business units continued to develop their specific business strategies and operational plans in line with the Group's specifications. The challenging currency situation in particular has shown that customers are only prepared to pay more if it secures them genuine added value compared with the offerings of competitors. Against this background, it is of key importance for Conzzeta to secure the innovation potential and the sales and service expertise of the business units and continue to develop their presence in the

Conzzeta group strategy

- Conzzeta is developing a business portfolio in markets with potential for above average growth and sustainable value creation by securing leading positions in its target markets.
- Innovative solutions for our clients, regional expansion and operational excellence combine to provide long-term returns in the top quartile of the respective peer groups, Conzzeta supports its individual business units in creating their unique value proposition and helps management realize ambitious targets.
- Conzzeta aims to ensure its business units are “best choice” for customers. All business units contribute to meeting the Group targets, balancing the Group portfolio in terms both of diversified business cycles and geographical footprint.
- The Group seeks value creation above cost of capital with a solid balance sheet and professional risk management. It envisages a pay-out ratio of between one third and half of the annual profit, in consideration of the economic situation and Conzzeta’s outlook.

growth markets. The foundations for achieving this include solid capital resources, good corporate governance and a stable shareholder base with a long-term perspective.

Key projects aimed at putting the approved growth plans into action were specified at Group and business unit level; the Board of Directors will systematically oversee their implementation. For example, the Sporting Goods business unit (Mammut Sports Group) will embark on a multiyear strategy program, starting in 2016, to invest in the capacity to collaborate with major wholesale customers and increase customer traffic by exploiting retail premises more actively. There are also plans to expand the international multichannel sales network by bolstering online sales and adding monobrand stores. The Sheet Metal Processing business unit (Bystronic) continued to fine-tune the basis for automation and intelligent networking of machinery and systems in production lines. Scalable sheet metal processing systems and the progressive informatization of manufacturing (industry 4.0) are opening up new opportunities for Bystronic to offer customers all-round support to optimize their production processes.

As previously announced, the Board of Directors has introduced the more performance-oriented compensation model for the Executive Committee to encourage targeted implementation of strategic priorities (see Compensation Report, page 47 f.). The drive for a systematic focus on the long-term interests of the shareholders is promoted by balanced criteria and targets for growth, profitability, efficiency and non-financial aspects.

Corporate responsibility

Conzzeta is committed to value-oriented corporate management with a long-term perspective, at the same time striving to preserve and increase enterprise value. In addition to responsible corporate behavior and a consistent focus on innovation and sustainable customer value, this demands appropriate consideration of the interests of all stakeholder groups.

During the reporting year, the Code of Conduct, which is valid for all employees, was revised and updated; the new code was introduced as of January 1, 2016, accompanied by a training program. The Code of Conduct sets forth binding basic rules for conduct in day-to-day business and the behavior of each individual employee toward customers, suppliers, investors, fellow employees, as well as society and the state. It contains clearly defined processes for reporting violations of the rules and can be downloaded from the website at www.conzzeta.com/Code-of-Conduct.

Operational excellence, internal controls and risk management

Currency turmoil as well as higher growth expectations increased pressure on all business units to apply innovative measures to improve operational performance. For example, the Sheet Metal Processing business unit (Bystronic) oriented its production, sales and service processes worldwide toward efficiency and growing customer requirements. In 2015 Bystronic also introduced synchronized lean manufacturing at its Swiss production plant in Niederönz. The Glass Processing business unit (Bystronic glass) implemented a 6S production program at the Neuhausen-Hamberg site, optimized production management and restructured the technology department. At Group level, the treasury function was expanded; measures included introducing a new system to further bolster foreign currency and liquidity management across the Group.

As previously announced, the changes to Board of Directors' way of working included the introduction of an internal audit function that reports directly to the Audit Committee. The international auditing firm Deloitte was given the relevant brief for this. The tools created as part of this process will facilitate systematic implementation of monitoring standards and continuous operational improvements.

In the reporting year, the Board of Directors again undertook an integral Group-wide risk assessment based on management reporting and the separate Group risk report, covering the risk monitoring process as well as the most significant risks. The risk management process, which has been implemented across the Group, encompasses the identification, evaluation and qualitative appraisal of operational, financial and strategic risks in all business units as well as at Conzzeta AG. It is supported by risk monitoring, a plan of action and standardized risk reporting.

Financial performance

The Conzzeta Group generated net revenue of CHF 1 140.8 million in 2015 (previous year CHF 1 195.7 million). The decrease of 4.6 % is primarily due to adverse currency effects amounting to CHF 53.5 million. On a comparable basis, that is at constant exchange rates and adjusted for changes in the scope of consolidation, revenue grew by 1.7 % in the reporting year.

In 2015 the Conzzeta Group generated exactly half its net revenue (previous year: 48.6 %) in the Sheet Metal Processing segment (Bystronic). The Glass Processing segment returned year-on-year growth of 9.4 % thanks to a series of major orders in North America and increased order intake in Europe. Group net revenue grew in North and South America, buoyed by an improving economy in the USA and the stronger US dollar. In Switzerland and the Europe region, the weakening of the euro against the Swiss franc was most apparent, while in Asian markets the economic uncertainties had an adverse impact on sales performance from the second half of the year.

The operating result in 2015 was CHF 80.8 million (previous year CHF 104.3 million) and the EBIT margin was 7.1 % (8.7 %). The previous year included a CHF 10.5 million reversal of provisions for inherited environmental liabilities. Taking this effect into account and adjusted for comparison purposes, the operating result for 2014 was CHF 93.8 million with an EBIT margin of 7.8 %. On a comparable basis, the 2015 operating result was 11.7 % down on the adjusted 2014 figure. The lower

result was due, on the one hand, to the adverse impact of one-time valuation effects amounting to CHF 9.1 million arising from the discontinuation of the minimum euro rate by the Swiss National Bank, which were largely offset by short-term, one-time cost-saving measures. On the other hand, there were margin reductions, above all due to the unfavorable currency constellation and higher costs incurred for the targeted development of business activities. The 2015 operating result was also affected by currency-related restructuring costs of CHF 4.1 million.

The Group result for 2015 came in at CHF 59.3 million, 3.4 % lower than the previous year (CHF 61.4 million). This figure for the previous year included the disposal loss of CHF 26.3 million from the divestment of the Automation Systems business unit (ixmation), which was recognized as an extraordinary result. The financial result in 2015 was CHF 7.4 million down on the previous year, mainly because of higher expenses and currency losses. Tax expense in 2015 was CHF 5.9 million lower year on year, primarily due to the lower ordinary result and positive effects from the change in tax loss carryforwards.

Investments and divestments

Investments in fixed and intangible assets in 2015 amounted to CHF 20 million; this was lower than the 2014 figure (CHF 27 million), which had included the final investment tranche for the new logistics building at Schmid Rhyner AG business unit as well as planning expenses incurred by the Real Estate segment, spun off at the end of June 2015. Noteworthy single investments in 2015 included the renewal of machinery at the Sheet Metal Processing business unit and the installation and equipping of the Sporting Goods segment's own network of branches.

At the end of 2015, about 7 % of the workforce at Conzzeta was employed in research and development. They work closely with colleagues in other specialist units to create the foundations for innovative, customized solutions. Despite the challenging market environment in the reporting year, expenditure on research and development was maintained at the same level as 2014.

Appropriation of profit

The Board of Directors' benchmark for the payout ratio is between one-third and half of Group profit. It also takes the economic situation and Conzzeta's outlook into consideration. Group profit for 2015 was CHF 28.65 per registered share A and CHF 5.73 per registered share B, compared with CHF 31.00 and CHF 6.20 the previous year (adjusted for the share split and capital reduction in conjunction with the spin-off of the Real Estate business unit). In keeping with a consistent dividend policy, the Board of Directors is proposing to the Annual General Meeting on April 26, 2016, a dividend of CHF 10 per registered share A and CHF 2 per registered share B.

Employees

At the end of 2015, the Conzzeta Group had 3 479 employees worldwide, compared with 3 337 the previous year. The headcount increased in the Sheet Metal Processing and Sporting Goods business units. By contrast, the number of employees in the Chemical Specialties and Glass Processing segments remained virtually stable. Changes in consolidation somewhat impacted the headcount, in 2015 mainly in connection with the spin-off of the Real Estate segment. The average headcount for 2015 was 3 425, compared with 3 317 the previous year (without ixmation).

The Board of Directors and Executive Committee would like to take this opportunity to thank all the employees for their efforts. The challenging business environment in 2015 demanded a high level of commitment. Employees helped bear the burden of some difficult management decisions and economy measures, which made a significant contribution to cushioning the adverse impact of exchange rate movements. Their flexibility and constant commitment are the key factors in ensuring the long-term success of the Conzzeta Group companies.

New Group CEO

At the beginning of February 2015 the Chairman of the Board of Directors took over the role of Group CEO on an interim basis as Delegate of the Board. He handed on this role to Michael Willome at the beginning of 2016. In August 2015, the Board of Directors, on the recommendation of the Human Resources Committee, appointed Michael Willome as the new Group CEO with effect from January 1, 2016.



Michael Willome
Group CEO since 2016

In the estimation of the Board of Directors, Michael Willome – born 1966, lic. oec. HSG – has the qualities necessary to drive forward the ongoing transformation of Conzzeta and implement the growth strategy. He has extensive international management experience in an industrial environment, having worked for Clariant AG from 1997, most recently as head of the Industrial & Consumer Specialties business unit.

Trends and outlook

In 2015 all Conzzeta business units developed concrete measures for implementing their strategic objectives. With the strong footprint in Europe as a base, there are attractive opportunities for the longer term to broaden the regional presence in North America and Asia. With an innovative portfolio and a sound equity ratio of 78.6%, the Conzzeta Group is well placed to achieve the long-term goals of the growth initiatives it has defined. Although the structural efficiency measures agreed in 2015 should begin to take effect in 2016, the expansion phase in the Sporting Goods business unit will initially have a negative impact on the Group result, although with the prospects of attaining a market positioning on a broader international footing.

In the short term, the business performance will be strongly influenced by the specific market environment of each individual area of activity. Growing macroeconomic uncertainties and the corrections in financial markets in early 2016 are inhibiting overall economic development at the moment. Compared with the healthy situation the previous year, the orders books for capital goods at Conzzeta Group companies were somewhat lower at the end of 2015, although in the USA the upturn continued. The macroeconomic development means Conzzeta is cautious in its assessment of the prospects for 2016. In the current situation moderate growth is expected, with a slight improvement in the profitability at EBIT level compared with 2015.



Ernst Bärtschi
Chairman of the Board
of Directors



Kaspar W. Kelterborn
Group CFO



Sheet Metal Processing – Bystronic

Bystronic is a world-leading supplier of solutions for the processing of sheet metal and other sheet materials.

The Sheet Metal Processing segment generated net revenue of CHF 570.9 million in 2015 (previous year CHF 580.7 million). On a comparable basis, revenue growth was 3.8%. The operating result was CHF 55.4 million (CHF 54.3 million), giving an EBIT margin of 9.6% (9.3%). The challenging operating environment with persistent price pressure was influenced in the first half of the year by generally negative exchange rate movements (see Business Review/Group), and in the second half by the cooling of the economy in key markets, above all in Asia. The order book at the end of the year was somewhat below the average level.

Laser cutting machines in the higher performance category and the mobile pressbrake Xpert 40, introduced in 2015, were in great demand in the reporting year. The share in sales of fiber lasers increased further, standing at over 70% in 2015. Sales grew strongly in the USA, underpinned by the favorable currency trend. In Europe, by contrast, marked volume growth was more than offset by adverse currency effects. The Asia region, above all China, saw a downturn in demand. Sales in the mid-range product segment showed a disproportionately marked rise, boosted in 2015 by the launch of a separate product line (Global Performance Line) as a complement to the Top Line.

Bystronic now generates more than half of its revenue through products and services introduced in the last three years. The reporting year saw further promising

market launches, for example in the Top Line, ByStar Fiber laser cutting machine, whose technology platform has been fundamentally renewed, and the redesigned Xpert pressbrakes line. BySmart Fiber and the Xact Smart were launched in the Global Performance Line. “World Class Manufacturing” is Bystronic’s motto: the business unit is focusing more and more on creating added value for customers, with an emphasis on the automation and integration of individual production steps. Corresponding “cockpit” solutions provide the customer with comprehensive production data as a basis for process optimization.

Bystronic achieved slight improvements in market share during 2015 thanks to its innovative range of services. At the same time, profitability improved slightly as a result of effective cost management and the proportionally high level of procurement in the euro zone. In view of the expected tightening of competition, Bystronic continued to invest in strengthening the sales organization as well as the service and production infrastructure. Competitive products and services are being launched with the aim of creating measurable added value for customers and distancing Bystronic from the competition over the long term.



Net revenue in CHF m



EBIT in CHF m



Net operating assets in CHF m



Number of employees



Overview Bystronic

- **Head:** Alex Waser
- **Presence:** worldwide, 26 sales and service companies; 3 development and production sites in Switzerland, Germany and China; used machinery centers in Romania and the USA.

www.bystronic.com



Sporting Goods – Mammut Sports Group

Mammut, a leading supplier in the mountaineering sports sector, offers clothing and equipment of the highest quality.

The Sporting Goods segment generated net revenue of CHF 235.3 million (previous year CHF 249.9 million) in 2015. On a comparable basis, revenue dropped by 1.7%. The lower sales in the euro zone and Switzerland were partly offset by solid growth in North America and Asia. Volume sales of clothing increased. The operating result was CHF 0.1 million (CHF 20.8 million).

Among the factors contributing to this result were pronounced currency shifts, which had a negative impact on the proportionally high level of sales in the euro zone, as well as on the Swiss market, where price reductions had to be granted; while the cost of procurement, which is largely denominated in US dollars, increased. A further negative factor was the widespread mild winter weather, with low snowfall. In addition, growth in the outdoor activities market declined amid signs of market saturation and increasing competitive pressure, particularly in the core European markets of Switzerland, Germany and Austria (DACH-region).

Mammut responded to the unfavorable development of business in 2015 with short- and medium-term measures. These included the divestment of the rope-making business, which operated under increasing economic pressure and which was sold as per mid-2016, and the restructuring of the sales organization. The operating result includes restructuring costs of CHF 2.4 million.

In view of the challenges emerging in these adverse market conditions, the Board of Directors and Executive Committee undertook an in-depth review of Mammut's market environment and potential. A strategic program designed to run for five years was established to take advantage of the growth opportunities. This involves investing in the cooperation with important wholesale customers and increasing store traffic through more active management of sales space. Mammut also plans to expand its international, multi-channel sales network, strengthening the online channel and opening further mono-brand stores. Part of the strategy is to make greater use of customer potential in the outdoor activities segment, without compromising on the "absolute alpine" claim.

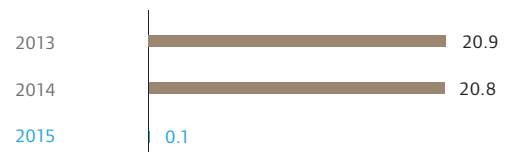
The program requires further development of the business model and strengthening of specific capabilities in a process of change that was initiated at the beginning of 2016. The current expenses for implementation of the strategy will have a noticeable adverse effect on the operating result and operational free cash flow of the segment.



Net revenue in CHF m



EBIT in CHF m



Net operating assets in CHF m



Number of employees



Overview Mammut Sports Group

- **Head:** Rolf G. Schmid
 - **Presence:** worldwide sales network in over 50 countries; head offices, product development including design in Seon (Switzerland); numerous production partners in Europe and Asia
- www.mammut.ch



Chemical Specialties – FoamPartner und Schmid Rhyner

Leading suppliers of customized solutions in
polyurethane foam materials and print finishing.

The Chemical Specialties segment generated net revenue of CHF 204.5 million in 2015 (previous year CHF 219.2 million). In the reporting year, the acoustic foam specialist Benien – which was acquired in 2014 and integrated in the course of 2015 – was consolidated for the full period. On a comparable basis, revenue was 6.3 % lower. The operating result was CHF 18.5 million (CHF 23.8 million), giving an EBIT margin of 9.1 % (10.8 %). The operating result included restructuring costs of CHF 1.7 million. Reduced revenue in Europe was only partly offset by revenue growth in North America. In Switzerland, and in the generally stagnating European market, the further tightening of competitive pressure and negative consequences of exchange rate movements (see Business Review / Group) were apparent. Although business in Europe recovered somewhat in the fourth quarter, the growth momentum in Asia showed a tendency to weaken.

The technical foams business grew in 2015 on a broader base, particularly in North America and thanks to the customized products for sound insulation. FoamPartner launched SealPoreVibe, a high-quality sealing foam intended for use in many applications, particularly those involving minute particles such as dust or toner powder. The comfort foams business, which is strongly focused on Switzerland and its neighboring countries, was heavily affected by the appreciation of the Swiss franc against the euro. The rapid increase in pricing and competitive

pressure further exacerbated the challenging market conditions in Europe, necessitating comprehensive economy measures. FoamPartner responded to specific customer requirements in the reporting year, implementing targeted expansion of production capacity in Europe through the construction of an additional reticulation chamber.

As a result of the continuing process of consolidation in commercial printing, the print finishing business also faced challenges in the European market. Moves to reposition the business to focus more on packaging printing, initiated in previous years, were systematically pursued. In the tobacco sector, sales of the Soft Touch products increased. The market continued to respond positively to solutions that contributed to differentiation by way of new packaging concepts. Stabilizing impetus also came from the more broadly based sales in Asia and growing demand for “low migration” UV varnishes in the food packaging area. Investment in innovative product offerings for tactile packaging, digital varnishing systems and the sales network continued in 2015. The business is aiming to improve direct access to product manufacturers by various approaches, including strengthening of key account management. That will ease the task of presenting the benefits of modern packaging varnishes as a low-cost solution for the crucial differentiation at the point of sale.



Net revenue in CHF m



EBIT in CHF m



Net operating assets in CHF m



Number of employees



Overview FoamPartner

- **Head:** Bart J. ten Brink
 - **Presence:** worldwide sales network in 54 countries; 11 production, processing and sales locations as well as an acoustics test center in Europe, Asia & Pacific, and North and South America
- www.foampartner.com

Overview Schmid Rhyner

- **Head:** Jakob Rohner
 - **Presence:** worldwide sales network in over 100 countries; 1 production site in Adliswil (Switzerland); 1 subsidiary in New Jersey (USA)
- www.schmid-rhyner.ch



Glass Processing – Bystronic glass

Bystronic glass is a world-leading supplier of solutions for the processing of architectural and automotive glass.

The Glass Processing segment generated net revenue of CHF 119.9 million in 2015 (previous year CHF 109.5 million). On a comparable basis, revenue growth was 13.9%. The operating result was CHF 6.4 million, giving an EBIT margin of 5.6% (–4.4%). The business developed unevenly across the different markets and regions. The first half year was influenced by a series of major orders in North America for the automotive glass business. Order intake in the architectural glass business in Europe was strong in the second half. Business in the Asian markets, by contrast, advanced only hesitantly. Compared with 2014, the order book was slightly lower overall at the end of 2015.

The business made a welcome return to profitability after several years of losses. A greatly improved sales performance, implementation of restructuring measures, as well as general measures to increase efficiency, contributed to this result. Above all the consciously benefit-oriented sales arguments presented to customers and the high level of service availability have enabled Bystronic glass to acquire new customers and gain a greater share of the European architectural glass market. Key account business in the automotive glass segment advanced, gaining market share in a generally weaker market environment. A high number of installations – the 1 000th sealing robot was delivered to a customer in the architectural glass segment, for example – ensured that the service business performed well in global terms. The

provision of efficient services is an important competitive distinguishing factor.

Worldwide efforts to curb climate change will help to increase the use of energy-efficient architectural glass and thin, lightweight automotive glass in the long term. 2015 saw the launch of the B'JUMBO insulating glass line, an individual production solution for large-scale insulating glass and façade units, and eco'sealer, an entry-level solution for the automated sealing of insulating glass units. New B'CHAMP configurations were sold for thin glass applications in automotive and technical displays. An innovation drive has been initiated to boost the rate of new product introductions. As part of this initiative, the existing range of high-performance, high-end machinery (B'VARIO) will systematically be complemented by quality mid-range solutions (B'COMFORT).

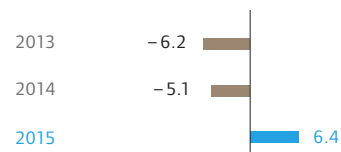
The Glass Processing segment is continuing to increase the flexibility of its cost base, despite the significant improvement in earnings performance. At the same time, Bystronic glass is investing in innovation in its product portfolio as well as in new business models, further market diversification and sales activities with the aim of improving sales performance and broadening its geographical base.



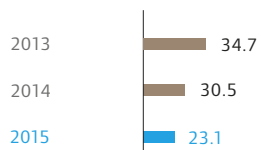
Net revenue in CHF m



EBIT in CHF m



Net operating assets in CHF m



Number of employees



Overview Bystronic glass

- **Head:** Burghard Schneider
- **Presence:** worldwide sales and service network, with subsidiaries and representative offices; Strategic Business Units (SBUs) with development and production sites in Germany, Switzerland and China

www.bystronic-glass.com

Corporate Governance

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Corporate Governance

Conzzeta attaches great importance to good Corporate Governance and the provision of detailed information for shareholders. In the following pages, the Committee Chairmen report on their activities in 2015.

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



Philip Mosimann, Chairman of the Human Resources Committee

New Group CEO and new contracts for the Executive Committee

Focus topics were the search for a new CEO and the implementation of the new compensation system for the Executive Committee

The Human Resources Committee met eight times in 2015. In addition to these meetings, several rounds of interviews were conducted with candidates for the position of Group CEO in the second half of the year. The search for a new CEO was organized and led by the HR Committee. The preferred candidate was chosen unanimously by the entire Board of Directors in mid-August. We are delighted to have found, in Michael Willome, a highly qualified person with the capacity to help us drive Conzzeta's transformation forward.

The results of the external benchmarking study commissioned by the HR Committee showed that the level of overall compensation for the Executive Committee was basically in line with market levels, although the performance-related variable component was set comparatively low and in particular a share-based component was lacking. Accordingly, fixed compensation was reduced as of 2016 in favor of the performance-related component and, in addition to the existing performance-related cash component, a further variable, share-based performance component will be introduced.

An external follow-up study into the pension benefits of members of the Executive Committee showed that the management pension scheme should be adjusted stepwise in comparison with the market. Over the next three years, the employer savings contribution will be increased in stages.

On the HR Committee's recommendation, the compensation arrangements and future pension plan for the Executive Committee and the contracts of the members

of the Executive Committee were amended with effect from January 1, 2016.

A new compensation and expenses regulation was adopted for the Board of Directors at the HR Committee's request to formalize the amendment of the compensation system introduced with the 2015/2016 term of office and put into effect by the Board as of January 1, 2016.

The binding compensation budget for the Board of Directors approved by the 2015 Annual General Meeting for the period up to the 2016 Annual General Meeting was adhered to. At the beginning of 2017, we will report on adherence to the binding compensation budget for the Executive Committee approved for the 2016 business year. At the 2016 Annual General Meeting, shareholders will again cast binding votes on the compensation budgets for the Board of Directors for the next term of office and for the Executive Committee for the 2017 business year. They can also vote in a consultative capacity on the Compensation Report.

A handwritten signature in dark ink, appearing to read 'Philip Mosimann', written in a cursive style.

Philip Mosimann
Chairman of the Human Resources Committee



Roland Abt, Chairman of the Audit Committee

Successful start for the new internal audit concept

The new internal audit structure is fully implemented.
A comprehensive treasury policy was adopted.

The composition of the Audit Committee in the reporting year was unchanged, comprising Matthias Auer, Urs Riedener and Roland Abt (Chairman). The committee held four meetings and two conference calls. In addition to the members of the Audit Committee, the Chairman of the Board and the Group CEO and Group CFO also attended the meetings in an advisory capacity.

One of the priorities of the Audit Committee was the implementation of the internal revision function, carried out by the accountancy firm of Deloitte. After an induction phase, during which Deloitte familiarized itself with the business models and organization of the individual business units, the firm tackled the work of revision in accordance with an audit program approved by the Audit Committee. During its meetings, the committee uses a controlling tool to monitor the progress of action taken to deal with the points raised by the internal revision.

The spin-off of the Real Estate business unit and subsequent new listing of Piazza AG was a very important step in Conzzeta's efforts to strengthen its focus. The Audit Committee oversaw and assisted the spin-off process and examined the related documents.

The treasury function was reorganized within a professional framework during the reporting year. In addition to strengthening staff resources, a comprehensive treasury policy was drafted. The Audit Committee made a detailed examination of this policy. The final draft was subsequently approved by the entire Board of Directors.

The effectiveness and relevance of the risk management procedures were analyzed. Useful amendments were

determined for future application. The annual risk management report was approved and passed on to the Board of Directors, which endorsed it.

The functional capability of the internal control system (ICS) was assessed in the framework of the discussion of the interim audit with the auditing firm. The set-up of the ICS should be adapted to the size of a business. Accordingly, the Audit Committee adopted an ICS concept designed for smaller companies that takes account of their specific requirements.

A handwritten signature in black ink, appearing to read 'Roland Abt'.

Roland Abt
Chairman of the Audit Committee

Corporate Governance Report

The following information is provided in accordance with the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange as valid on December 31, 2015, insofar as it is applicable to Conzzeta AG. Conzzeta AG also acts in accordance with the principles set forth in the Swiss Code of Best Practice for Corporate Governance of *economiesuisse* and implements these in a manner commensurate with its size and structure. It acts under all circumstances according to statutory and regulatory requirements and requires its staff to comply with the law.

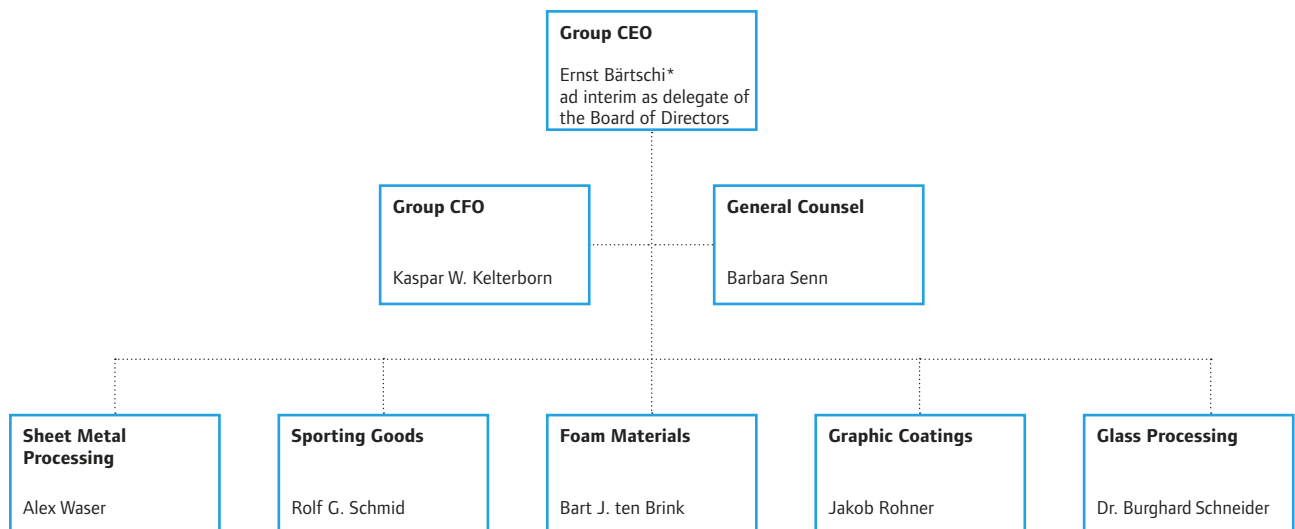
Much of the information provided below is from the Articles of Association or the Organizational Regulations of Conzzeta AG. Both these documents can be viewed at Conzzeta AG's website at www.conzzeta.com/Investors/Corporate-Governance.

1 Group Structure and Shareholders

Group Structure

The Conzzeta Group is divided into five business units: Sheet Metal Processing (Bystronic), Sporting Goods (Mammut Sports Group), Foam Materials (FoamPartner), Graphic Coatings (Schmid Rhyner) and Glass Processing (Bystronic glass). At the Group level, the Group staff supports the activities of the holding company Conzzeta AG and the operating units. Conzzeta AG, which is based in

Zurich, holds direct or indirect equity interests in the companies specified on page 90 f. of the Financial Report. Conzzeta AG is the only listed company. The Conzzeta class A registered share (securities code number 24401750 and ISIN CH0244017502) is listed on the SIX Swiss Exchange. The stock market capitalization (class A registered shares) on December 31, 2015, amounts to CHF 1 167 453 000, while the total capitalization (class A registered shares and class B registered shares) amounts to CHF 1 400 943 600.



* as of Jan. 1, 2016, Michael Willome

Significant Shareholders

According to the information available to the company, on the balance-sheet date, the shareholders listed on page 99 ("ASS Shareholder Group"; ASS stands for the surnames Auer, Schmidheiny, and Spoerry) held more than 3 % of the voting rights in Conzzeta AG.

On March 25, 2014, the shareholders of the ASS Shareholder Group in relation to the merger concluded in 2014 between the previous majority shareholder Tegula AG and Conzzetta AG concluded a Shareholder Agreement (hereinafter "SA 1") and thus constituted a group within the meaning of Article 12 FMIO-FINMA. Also on March 25, 2014, the shareholders of the ASS Shareholder Group concluded another Shareholder Agreement (hereinafter "SA 2"), which was to come into force at the time of the spin-off of Piazza Immobilien AG and to replace the SA 1. The SA 2 relates to shares held by the ASS Shareholder Group accounting for 51 % of the voting rights in Conzzeta AG. The spin-off of the Real Estate business unit was resolved upon at the Extraordinary General Meeting of Conzzeta AG held on June 22, 2015,

and thereafter implemented. At the same time the SA 2 took effect. Following the entry into force of the SA 2 the portion held by the ASS Shareholder Group of the voting rights in Conzzeta AG fell from 69.3 % to 51 % (disclosure report of July 1, 2015). Under SA 2, the members of the ASS Shareholder Group agreed to exercise their voting rights jointly with regard to particular amendments of the Articles of Association that could result in a limitation of the voting majority of the ASS Shareholder Group. In other areas of the business they may vote as they consider fit.

On December 31, 2015, the share of the voting rights of the ASS Shareholder Group in Conzzeta AG amounted to 51.05 %. Of this figure, 0.05 % relates to the own shares held by Conzzeta AG. The individual disclosure reports made during the reporting year may be consulted on the website of SIX Swiss Exchange www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=CONZZETA.

Cross-Shareholdings

Conzzeta AG does not have any cross-shareholdings with other companies accounting for more than 5% of the voting rights or capital.

2 Capital Structure

Capital

According to Article 3 of the Articles of Association of Conzzeta AG, the share capital amounts to CHF 4 140 000. On December 31, 2015 the company did not have any conditional or authorized capital.

Changes in Capital

On December 31, 2013, and December 31, 2012, the share capital of Conzzeta AG amounted to CHF 4 600 000, consisting of 406 000 bearer shares with a nominal value of CHF 100 and 270 000 registered shares with a nominal value of CHF 20. There was no conditional or authorized capital.

By resolution of the Annual General Meeting of April 29, 2014, Conzzeta AG approved a reduction of the share capital from CHF 46 000 000 by CHF 41 400 000 to CHF 4 600 000 by a proportional reduction of the nominal value of the bearer shares (today class A registered shares) and the registered shares (today class B registered shares), that is, by reducing the nominal value from the previous CHF 100 to CHF 10 for the 406 000 bearer shares (today class A registered shares) and by reducing the nominal value from the previous CHF 20 to CHF 2 for the 270 000 registered shares (today class B registered shares). The reduction of the share capital was completed on July 8, 2014, by registration with the Commercial Register and the

subsequent payment of the reduction amount. The reduction of the share capital was resolved by the Annual General Meeting in place of ordinary dividends.

At the Extraordinary General Meeting of June 13, 2014, the general meeting of Conzzeta AG resolved to transform the bearer shares into class A registered shares. In addition, the general meeting approved the merger with Tegula AG on the basis of the merger agreement of March 24/25, 2014, which was associated with a capital increase in connection with the merger from CHF 4 600 000 by CHF 575 000 to CHF 5 175 000. As a result of this capital increase, 50 750 new class A registered shares and 33 750 new class B registered shares were created.

Conzzeta AG resolved upon a share split in a ratio of 1:4 at the Extraordinary General Meeting of June 22, 2015. Each Class A share with a nominal value of CHF 10 and each Class B share with a nominal value of CHF 2 was divided into four shares each with one quarter of the original nominal value. Thereupon, the Extraordinary General Meeting resolved in relation to the spin-off of the Real Estate business unit to reduce the capital from CHF 5 175 000 by CHF 1 035 000 to CHF 4 140 000. The capital reduction was implemented by reducing the nominal value of Class A registered shares (after the share split) from CHF 2.50 to CHF 2.00 and by reducing the nominal value of Class B registered shares (after the share split) from CHF 0.50 to CHF 0.40. The shareholders in Conzzeta AG were issued with shares in the newly founded Piazza AG to the extent of the reduction in the share capital of Conzzeta AG as a result of the spin-off of the Real Estate business unit, totaling 1 215 000 Class B registered shares with a nominal value of CHF 0.10 each (voting shares) and 1 827 000 Class A registered shares with a nominal value of CHF 0.50 each, making up the nominal value totaling

Shares and Participation Certificates

	Class A registered shares nominal value CHF 2.00	Class B registered shares nominal value CHF 0.40	Total
Number of shares	1 827 000	1 215 000	3 042 000
Share capital in CHF	3 654 000	486 000	4 140 000

CHF 1 035 000 of Piazza AG. This capital reduction was implemented on June 25, 2015, by registration in the Commercial Register.

Each share establishes entitlement to one vote at the general meeting. According to Article 15 of the Articles of Association of Conzzeta AG, at least two representatives from each share class are entitled to a seat on the Board of Directors. The dividend entitlement of class A registered shares and class B registered shares (voting shares) corresponds to the ratio between the nominal values of the two share classes. The share capital has been fully paid up.

The company has not issued any participation certificates.

Dividend-Right Certificates

Conzzeta AG has not issued any dividend-right certificates.

Limitations on Transferability and Nominee Registrations

Shares in the company are not subject to any restrictions on transfer. Accordingly, nominees are also entered in the share register.

Convertible Bonds and Options

Conzzeta AG has no outstanding convertible bonds and neither the company itself nor its Group companies have issued options on Conzzeta shares.

3 Board of Directors



Ernst Bärtschi



Dr. Roland Abt



Dr. Matthias Auer



Werner Dubach



Philip Mosimann



Urs Riedener



Jacob Schmidheiny



Robert F. Spoerry

Members of the Board of Directors

According to Article 14 of the Articles of Association, the Board of Directors of Conzzeta AG consists of between five and eight members. On December 31, 2015, it was composed of eight members.

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

Curriculum Vitae and Other Activities and Vested Interests

Ernst Bärtschi

lic. oec. HSG, born in 1952, a Swiss national. Since 2005 he has been a member of the board of directors of Bucher Industries Ltd, Niederweningen, since 2011 a non-executive director of the building materials supplier CRH Plc. (Ireland), and since 2012 a member of the advisory board of the private-equity investor CRCI (China). In 2002 he joined Sika Ltd, Baar, where he worked until 2004 as chief financial officer and from 2005 until 2011 as chief executive officer. After working at Nestlé, Vevey, Ernst Bärtschi occupied various management positions between 1980 and 2002 at the Schindler Group, Ebikon, including managing director of Schindler Switzerland and chief financial officer of the Schindler Group.

Jacob Schmidheiny

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

Werner Dubach

Dipl. Ing. Chem. ETH, MBA, born in 1943, a Swiss national. He is chairman of the board of directors at Datacolor Ltd., Lucerne. From 1998 until 2008, he was chairman and CEO of Eichhof Holding Ltd., Lucerne. In 1983 he became CEO and a member of the board of directors of Brauerei Eichhof. Between 1970 and 1983, Werner Dubach held various management positions within the Eichhof Group. He holds various appointments to the boards of directors of start-up companies.

Dr. Matthias Auer

Dr. iur., born in 1953, a Swiss national. He has been an independent attorney and notary public in Glarus since 1981. He is also a member of the Glarus Cantonal Parliament.

Robert F. Spoerry

Dipl. Masch.-Ing. ETH, MBA, born in 1955, a Swiss national. He is chairman of the board of directors of

Mettler-Toledo International Inc., Greifensee, which he also headed as CEO from 1993 until 2007, and of Sonova Holding Ltd., Stäfa, as well as vice-chairman of the board of directors of Geberit Ltd., Jona.

Philip Mosimann

Dipl. Ing. ETH, born in 1954, a Swiss national. In 2001 he joined Bucher Industries Ltd, Niederweningen, where he was appointed chairman of the executive committee in 2002. Between 1980 and 2001, he held various management positions within the Sulzer Group from Winterthur, including at Sulzer Innotec Ltd (1980 to 1992), then as head of division at Sulzer ThermoTec (1992 to 1996) and as head of division at Sulzer Textil, Rüti (1997 to 2000). He is chairman of the board of directors of Uster Technologies Ltd, Uster.

Dr. Roland Abt

Dr. oec. HSG, born in 1957, a Swiss national. Since 2004 he has been chief financial officer at Georg Fischer Ltd., Schaffhausen, which he joined in 1996, initially working as chief financial officer for the Agie Charmilles Group (1997 to 2004). He held various positions at the Eternit Group in Switzerland and in Venezuela (1987 to 1996). He is a member of the regulatory board and the issuers committee of the SIX Swiss Exchange.

Urs Riedener

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

Following the departure of the Group COE, Robert Suter, Ernst Bärtschi temporarily performed the function of Group CEO as a Delegate of the Board of Directors between February 3 and December 31, 2015. Otherwise, no member of the Board of Directors works in an executive role for the Conzzeta Group or has worked in any such role within the last three years. No member and no enterprise or organization represented by that member

has any significant business relationship with the Group – other than with the status as a shareholder, where applicable.

In 2013, the Board of Directors targeted not only men but also women in the search for new members. The Board of Directors would have liked to have proposed to the 2014 Annual General Meeting that it elect a highly qualified female candidate who had been identified as part of this process and was most suited to Conzzeta; however, in the end she refused the appointment on personal grounds.

Rules Contained in the Articles of Association Relating to the Number of Permitted Activities under Article 12 para. 1 point 1 OaEC¹

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

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

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

Elections and Terms of Office

The date of first election to the Board of Directors of each member is presented in the table on page 30. There are no limitations on the term of office.

None of the rules contained in the Articles of Association concerning the appointment of the Chairman, the members of the Remuneration Committee, and the independent proxy deviates from those prescribed by law.

Internal Organization

The powers and tasks of the Board of Directors are determined by law and the Articles of Association along with the Organizational Regulations of Conzzeta AG (see further also “Definition of Areas of Responsibility”, page 34). The Articles of Association and the Organizational Regulations of Conzzeta AG may be consulted on the company’s website (www.conzzeta.com/Investors/Corporate-Governance), the latter not including the annexes.

Chairman of the Board of Directors

The Chairman of the Board of Directors coordinates the work of the Board of Directors, issues invitations to the meetings of the Board of Directors, determines the agenda, prepares for meetings along with the Group CEO and chairs the meetings. He monitors the implementation of resolutions of the Board of Directors and the general meeting.

Board of Directors

The Board of Directors meets as often as required by business activities, but on no less than five occasions each year. During the reporting year, the Board of Directors held four full-day and two half-day meetings as well as one two-hour meeting and one telephone conference. The Group CEO, the Group CFO, the General Counsel, and the Secretary to the Board of Directors are included in meetings of the Board of Directors, unless decided otherwise by the Board of Directors. In addition, the relevant heads of the business units and other managers and, on occasion, external advisors may also be included.

Cooperation between the Board of Directors and its Committees

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

The Board of Directors determines the duties of the committees, subject to provisions of law. Overall responsibility for the tasks transferred to the committees remains with the Board of Directors. However, if the Board of Directors has granted a committee decision-making powers in areas that lie outside the non-transferable powers of the Board of Directors, the committee concerned bears sole responsibility for such decisions. Ordinarily, no specific responsibility for decisions is transferred to the committees. They thus bear responsibility for the preparation of decisions and for the detailed examination of the affairs to be handled

¹ Ordinance against Excessive Compensation at Listed Joint-Stock Companies

by them, and they submit proposals to the Board of Directors or inform the Board of Directors of their conclusions. The committees report on their activities, results, and proposals at the next Board of Directors meeting. The Board of Directors is informed immediately of important events. Brief minutes are taken concerning the meetings of the committees and their decisions, which are also presented to the remaining members of the Board of Directors.

Human Resources Committee

The Human Resources Committee consists of those members of the Remuneration Committee appointed to the task in the course of the Annual General Meeting held on April 28, 2015. These are namely Philip Mosimann (Chairman), Werner Dubach and Robert F. Spoerry. The Chairman of the Board of Directors also participates in meetings of the Human Resources Committee as a general rule, as well as the Group CEO and the Group HR manager, in an advisory capacity, albeit it not when it comes to determining their own salaries. With regard to using external advisors, reference is made to page 42 ff. of the Compensation Report.

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

- Presentation of proposals to the Board of Directors concerning rules on the remuneration of the Board of Directors and the Executive Committee;
- Examination of all remuneration as to its permissibility;
- Recommendation to the Board of Directors concerning proposals to the annual general meeting on remuneration;
- Proposal to the Board of Directors concerning the annual remuneration of the members of the Board of Directors, the Group CEO, and the other members of the Executive Committee;
- Preparation of the Compensation Report and discussion of the report with the auditors; presentation of proposals to the Board of Directors;
- Assessment of share and option plans in addition to bonus plans and other performance-related remuneration with regard to compliance with the provisions of the Articles of Association applicable to such matters, and the payment of variable remuneration in cash or as options and shares to members of the Board of Directors and the Executive Committee; presentation of proposals to the Board of Directors;
- Proposal to the Board of Directors concerning the setting of the principles applicable to the selection procedure for

candidates for election to the Board of Directors or the Executive Committee and preparation of the short-list of candidates;

- Preparation of medium- to long-term succession planning for members of the Board of Directors and members of the Executive Committee;
- Recommendation concerning appointments for the attention of the Board of Directors to the Group CEO, Group CFO, and the members of the Executive Committee;
- Monitoring of training and staff advancement measures;
- Assessment of managers and internal talent;
- Assessment of staff pension benefits;
- Any recommendations and monitoring of compliance with Group targets in relation to personnel;
- The issuance of guidelines on the acceptance by members of the Executive Committee of appointments outside the Group and the presentation of proposals to the Board of Directors in individual cases.

The Human Resources Committee meets at least twice annually. In the reporting year, eight meetings lasting for several hours each and two short telephone conferences were held. Additional details can be found in the Compensation Report on page 42 ff., as well as the activity report of the Chairman of the Human Resources Committee on page 24.

Audit Committee

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

- Examination of and presentation of proposals to the Board of Directors concerning the organization of the accounting, financial control, and financial planning systems;
- Critical analysis of individual company and Group financial statements (annual and half-year financial statements). Discussion of these financial statements with the Group CFO, the internal auditors, and the external auditors. Presentation of proposals to the Board of Directors concerning these financial statements;
- Assessment of the efficacy and performance of the external auditors and their fee, as well as their independence. Decision regarding the issue of additional mandates to the external auditors other than the auditing

mandate. Preparation of the proposal of the Board of Directors to the general meeting regarding the election of the external auditors. Presentation of proposals to the Board of Directors concerning the form of the auditing mandate. Assessment of the reports of the external auditors (including in particular the audit report and the comprehensive report pursuant to Article 728b CO) and the discussion of these reports with the external auditors;

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

The Audit Committee meets upon invitation by the Chairman as often as required by business, but on no less than three occasions each year. It normally meets in March, August, and November and at these meetings discusses, among other things, any annually recurring issues in accordance with the description of tasks provided above and following a standard agenda. During the reporting year, the Audit Committee held three half-day meetings, one two-hour meeting and two one-hour telephone conferences. Additional details can be found in the activity report of the Chairman of the Audit Committee on page 25.

Definition of Areas of Responsibility

The Board of Directors of Conzzeta AG bears responsibility for the overall management, supervision, and control of the Group and its management and monitors compliance with the provisions of applicable legislation. Acting on a proposal by the Group CEO, it decides on the strategic targets of the Group and the financial and human resources necessary in order to achieve the targets. In addition, the Board of Directors determines the values and standards of the Group and ensures that duties towards shareholders and other stake-

holders are complied with. Specifically, the Board of Directors is vested in particular with the following tasks:

- Overall management of the company and the setting of targets relating to corporate policy and culture, approval of Group strategy and the strategic priorities of individual business units;
- Approval of the strategic and financial targets of the Group and the business units;
- Risk assessment for the Group;
- Decisions on the creation of new business units or the abandonment of existing business units. Approval of significant acquisitions, mergers, sales, or individual projects;
- Adoption of resolutions relating to contracts under which Conzzeta AG acts as a party to mergers, spin-offs, transformations, or transfers of assets under the Mergers Act;
- The organization of the accounting, financial control, and financial planning for the Group and the organization of a comprehensive reporting system in line with strategy;
- Approval of the applicable accounting standards, the framework conditions for financial control, and the internal control system along with any significant changes to the same;
- Annual assessment and approval of the budget and medium-term planning for the Group and business units;
- Examination and approval of the (annual and half-year) financial statements and Group reporting;
- Compilation of the Annual and the Compensation Report;
- Notification of the court in the event that the company is overindebted;
- Assessment of liquidity with reference to Group goals;
- Determination of the organization and the issuance of organizational regulations for the Group;
- Examination and approval of management principles, Group guidelines, and the Group management structure;
- Overall supervision of the persons entrusted with managing the company, including with regard to compliance with laws, the Articles of Association, and regulations and the implementation of the resolutions of the Board of Directors and of the general meeting;
- Appointment and removal of members of the Executive Committee;
- Calling of annual and extraordinary general meetings;
- Adoption of resolutions on proposals presented to shareholders;
- Implementation of resolutions adopted by shareholders.

On the basis of the Organizational Regulations, the Board of Directors has delegated the operational management of business to the heads of the business units, who are also members of the Executive Committee, under the leadership of the Group CEO. The heads of the business

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

Information and Control Tools vis-à-vis the Executive Committee

The Conzzeta Group has a well-developed planning and information system. It is built from the bottom up with increasing consolidation. The Board of Directors is informed in writing and orally of the strategies, plans, and results of all business units. The Board of Directors receives a written report each month including the key figures and a commentary on the most important occurrences. Every three months, the Board of Directors is provided with a detailed report containing the comprehensive accounts for the business units and the Group along with management reports. Each year the Board of Directors is presented with medium-term and annual plans for approval.

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

The Conzzeta Group applies methodological processes, which the Board of Directors uses as a basis for assessing the business outlook and strategic, financial, and operational risks. Alongside the financial reports and analyses, these constitute the internal control system and the strategic and operational risk management. The Board of Directors receives an annual report concerning the risk situation drawn up by the Group CEO in consultation with the Group CFO and the General Counsel, which is based on the

written risk reports of the business units following the discussions of the same. As regards the risk management process, reference is made to the statements on page 8 f. In addition, it receives the management letter from the external auditors each year along with a report on the employee pension funds in Switzerland.

As announced in the previous year, Conzzeta has introduced the function of internal audit in the reporting year. This function will be assumed by the auditing company Deloitte. The internal auditors perform the internal operational audit function within the Group. They report to the Chairman of the Audit Committee. Coordination of the implementation of auditing tasks is delegated to the Group CFO. The internal auditors carry out audits within the Group in accordance with the auditing plan proposed by the Audit Committee and determined by the Board of Directors. The audits cover the following areas on a rolling basis:

- effectiveness of selected operational processes on the level of the Group, business units and selected Group companies, in particular with regard to the requirements of the Group and the business unit concerned;
- effectiveness of governance and risk management requirements and processes;
- effectiveness of internal control processes;
- reliability and comprehensiveness of financial and operational information;
- compliance with provisions of law, the Articles of Association and internal regulations.

The internal auditors draw up reports containing recommendations for the local management and the Audit Committee. The local management states its position regarding the recommendations and, where it agrees with the recommendations, implements corrective measures promptly. If local management rejects a recommendation whilst the internal auditors and the Group CEO wish to pursue it, it is implemented on the instructions of the Audit Committee.

The Board of Directors deals in depth with key strategic issues at the Group and business unit levels at regular intervals. The business units present their situation and plans upon invitation by the Board of Directors. Special documents are prepared concerning important individual transactions, which are explained by the persons responsible at the meetings of the Board of Directors.

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

With regard to participation by the Group CEO and the Group CFO at meetings of the committees of the Board of Directors, reference is made to page 33.

4 Executive Committee



Ernst Bärtschi (Feb 3 until
Dec 31, 2015)



Bart J. ten Brink



Kaspar W. Kelterborn



Jakob Rohner



Rolf G. Schmid



Dr. Burghard Schneider



Barbara Senn



Alex Waser

Members of the Executive Committee

On December 31, 2015, the Executive Committee was composed of the following persons:

Name	Function	In office since
Ernst Bärtschi	Delegate of the Board of Directors and Group CEO ad interim	Feb 3 till Dec 31, 2015
Bart J. ten Brink	Head of the Foam Materials business unit	2009
Kaspar W. Kelterborn	Group CFO	2006
Jakob Rohner	Head of the Graphic Coatings business unit	2011
Rolf G. Schmid	Head of the Sporting Goods business unit	2000
Dr. Burghard Schneider	Head of the Glass Processing business unit	2014
Barbara Senn	General Counsel	2014
Alex Waser	Head of the Sheet Metal Processing business unit	2013

Curriculum Vitae and Other Activities and Vested Interests

Ernst Bärtschi

For the CV of Ernst Bärtschi please refer to page 31.

Bart J. ten Brink

Dipl. Ing. VAT Tilburg, born in 1964, a Dutch national. From 1991, he worked for the international foam material manufacturer Recticel N.V. in various management and executive functions. During the last ten years at Recticel N.V., he led both strategic segments of composite foams and sound insulation products, with global responsibility. Between 1995 and 1998, he was in charge of the Nordflex Group Scandinavia (joint venture between Recticel Int. and Shell Scandinavia) as technical director and industrial manager. Between 1992 and 1995, he was plant manager at Recticel Industry Buren. Bart J. ten Brink is chairman of the board of directors of EUROPUR, the European Association of Flexible Polyurethane Foam Blocks Manufacturers.

Kaspar W. Kelterborn

lic. oec. HSG, born in 1964, a Swiss national. Between 2003 and mid-2005, he was the chief financial officer and a member of the executive committee at the Unaxis Group. Between 1996 and 2002, he worked for the Clariant Group abroad, performing managerial roles in the areas of finance and controlling, including between 2000 and 2002 as the head of finance at a division with global operations based in Manchester, England; between 1998 and 2000 as chief financial officer for the ASEAN region based in Singapore; and between 1996 and 1998 as country head of finance for Spain and Thailand. Between 1992 and 1995, he worked for Sandoz International Ltd in Switzerland and abroad. Kaspar W. Kelterborn is a member of the board of directors of CPH Chemie + Papier Holding AG, Root.

Jakob Rohner

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

Rolf G. Schmid

lic. oec. HSG, born in 1959, a Swiss national. He joined the Conzzeta Group in 1996 as head of the Sports division of Arova Mammüt AG. In 2000 he took over leadership of the current Mammüt Sports Group AG. Between 1985 and 1995, he held executive positions in the pharmaceutical industry and in the watchmaking and tourism sectors. Rolf G. Schmid is a member of the board of directors of Kuhn Rikon AG, Zell, and the Mobility Cooperative, Lucerne.

Dr. Burghard Schneider

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

Barbara Senn

lic. iur., Attorney-at-Law, LL.M., born in 1967, a Swiss national. She has been General Counsel for the Conzzeta Group since 2010. She previously worked at Georg Fischer AG, Schaffhausen, as a legal adviser and corporate compliance officer (2002 to 2010) and, between 1996 and 2001, as legal counsel at the Rieter Group in Winterthur.

Alex Waser

Automotive engineer HTL, MBA, born in 1967, a Swiss national. Between 2010 until his arrival at the Conzzeta Group, he managed the majority of European markets for Ecolab, a US provider of systems solutions for the food industry, out of its European branch Ecolab Europe GmbH, Wallisellen. Between 1994 and 2010, he worked at the SPX Group, a business offering workshop equipment and diagnostic systems for the automotive industry worldwide. During this time, he performed various management functions in Europe and in the United States, including most recently that of president of Service Solutions for SPX Europe GmbH, Hainburg (Germany) for the Europe, Middle East, and Africa regions.

The members of the Executive Committee do not carry out any significant activities outside the Conzzeta Group other than those specified above.

Rules Contained in the Articles of Association Relating to the Number of Permitted Activities under Article 12 para. 1 point 1 OaEC

According to Article 28 of the Articles of Association of the company, no member of the Executive Board³ may accept more than four appointments, including no more than two in companies listed on the stock exchange. Each appointment must be approved by the Board of Directors. These restrictions do not apply to:

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

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

Management Contracts

Conzzeta AG has not concluded any management contracts with companies or natural persons from outside the Group.

5 Compensation, Shareholdings, and Loans

Content and Method for Determining Compensation and Shareholding Programs

For the content of and determination procedures for compensation and shareholding programs and any loans, credit, or retirement benefits, please refer to the statements in the Compensation Report, pages 45 ff.

Rules contained in the Articles of Association

According to Article 25 of the Articles of Association of Conzzeta AG, the company may pay the members of the Executive Board a performance-related remuneration in addition to their fixed remuneration. The performance-related remuneration paid in any given year may not exceed 150 % of the fixed remuneration for that year.

The performance-related remuneration is determined in accordance with company targets. It takes account in particular of:

- a. the achievement of planned targets within the area of responsibility;
- b. the further development of the business;
- c. staff management and development.

The remuneration of the Board of Directors and the performance-related remuneration of the Executive Board may be paid in cash or through the allocation of shares or options. The shares must be acquired on the market.

The remuneration may be paid by the company or by companies controlled by it.

According to Article 24 of the Articles of Association of Conzzeta AG, the company or the companies controlled by it are empowered to pay an additional amount of up to 35 % of the relevant approved overall amount for the duration of the remuneration periods already approved to any member who joins the Executive Board or is promoted within the Executive Board after remuneration has been approved by the general meeting.

According to Article 27 of the Articles of Association of Conzzeta AG, the company or companies controlled by it may arrange for alternative retirement benefits for members of the Executive Board who do not or only partially benefit from Swiss pension funds.

³ The term "Executive Board" used in the Articles of Association indicates the group of people referred to as the Executive Committee in the Annual Report, the Organizational Regulations, the Conzzeta website, and elsewhere.

The company or companies controlled by it may grant loans up to the value of the annual remuneration to members of the Executive Board.

The Articles of Association do not contain any rules on loans, credit, or retirement benefits with respect to members of the Board of Directors.

The general meeting has the non-transferable power to approve the remuneration of the Board of Directors and the Executive Board (Article 9 para. 5 of the Articles of Association of Conzzeta AG). According to Article 23 of the Articles of Association, the general meeting approves the proposals of the Board of Directors concerning the maximum overall amounts a) of the direct and indirect remuneration of the Board of Directors for the period until the next ordinary general meeting; b) of the direct and indirect remuneration of the Executive Board for the following financial year.

The Board of Directors may present additional or differing proposals relating to the same period or other periods for approval by the general meeting.

6 Participation Rights of Shareholders

Restrictions on Voting Rights and Representation

Each class A registered share and each class B registered share is entitled to one vote at the general meeting of the company (Article 13 para. 1 of the Articles of Association). The shares of Conzzeta AG are not subject to any restrictions on voting rights per the Articles of Association.

Pursuant to Article 689 para. 2 CO, a shareholder may represent his or her own shares at the general meeting or arrange to be represented by a third party. According to Article 9 OaEC, the shareholders may also authorize the independent proxy to exercise their voting rights. In addition, according to Article 13 of the Articles of Association, the Board of Directors issues rules of procedure concerning participation in and representation at the general meeting. The company recognizes only one representative per share.

The Articles of Association of Conzzeta AG do not contain any regulations governing the issue of instructions to the independent proxy or concerning electronic participation at the general meeting.

Quora Stipulated in the Articles of Association

According to Article 11 of the Articles of Association of Conzzeta AG, a resolution by the general meeting requires at least two-thirds of the votes represented and an absolute majority of the nominal value of shares represented for:

- any amendment of the Articles of Association;
- any change to the share capital;
- any restriction or cancellation of the subscription right;
- the dissolution of the company.

Except as provided by Article 704 CO, the general meeting passes all other resolutions and conducts elections by an absolute majority of the votes cast, excluding blank or invalid votes.

Calling of the General Meeting

According to Article 8 of the Articles of Association of Conzzeta AG, invitations to ordinary and extraordinary general meetings are issued no later than 20 days prior to the date of the meeting by the Board of Directors, or as the case may be, by the external auditors, by a notice published in the Swiss Official Gazette of Commerce, which must state the agenda items and the proposals of the Board of Directors, and as the case may be, of the shareholders who have requested that a general meeting be held or that a specific item be placed on the agenda.

Shareholders representing at least 10 % of the share capital may request that a general meeting be called.

Inclusion of Items on the Agenda

Article 8 of the Articles of Association of Conzzeta AG provides that shareholders representing at least 5 % of the share capital may request that a specific item be placed on the agenda. The request must be filed with the company at least 40 days before the general meeting.

Subsequent to the reduction of the share capital approved at the Annual General Meeting of April 29, 2014 (see, in this regard, “Changes in Capital”, page 28), the Board of Directors considered reducing the percentage threshold required in order to place a certain item on the agenda and arrived at the conclusion that, in view of the shareholder structure of Conzzeta AG, it was not advisable to reduce the threshold.

Entries in the Share Register

According to Article 13 para. 2 of the Articles of Association of Conzzeta AG, the Board of Directors issues rules of procedure concerning participation in and representation at the general meeting. The Board of Directors has resolved to set the cut-off date for participation in a general meeting in future at five working days before the date of the meeting. The cut-off date is announced in the invitation to the shareholders. No entries may be made in the share register between the cut-off date and the date of the meeting. There are no rules that allow for any exceptions.

7 Change in Control and Defensive Measures

Duty to Offer

According to Article 6 of the Articles of Association of Conzzeta AG, purchasers of shares in the company are not obligated to present a public offer to buy in accordance with the Financial Market Infrastructure Act (FMIA) (opting-out).

Change of Control Clauses

No agreements or plans contain any change of control clauses in favor of the members of the Board of Directors and/ or of the Executive Committee or any other managers at Conzzeta AG.

8 Auditors

Duration of the Mandate and Term of Office of the Chief Auditor

Since 1939, the statutory auditors of Conzzeta AG (and previous Group auditors) have been KPMG Ltd, based in Zurich, or its legal predecessor. The chief auditor, Hanspeter Stocker, has been responsible for the mandate since financial year 2010.

Auditing Fee

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

- Auditing fees: CHF 998 000.
- Additional fees for auditing and consultancy services in connection with the spin-off of the Real Estate business unit, tax advice, accounting advice and general financial advice: CHF 482 000.

Information Tools Pertaining to the External Auditors

The Audit Committee established by the Board of Directors for finance and auditing assesses the efficacy, performance, fee, and independence of the auditors and presents a report concerning these matters once each year to the Board of Directors. The Board of Directors does not carry out any further assessment without cause.

The auditors are invited to the meetings of the Audit Committee where the issues dealt with are relevant. During the reporting year, they participated in all four meetings. In particular, the annual financial statement, the management letter, and the comprehensive report to the Board of Directors are discussed between the Audit Committee and the auditors. The Chairman of the Audit Committee and the Group CFO inform the Board of Directors at the Board of Directors' meeting in March about the auditors' reports, their own assessment of the issues raised and the action to be taken. At its meeting in August, the Audit Committee establishes the key points of the audit along with the auditors for presentation to the Board of Directors.

The Group CFO prepares all of these matters in conjunction with the auditors for discussion by the Audit Committee and approval by the Board of Directors and implements the recommended improvements.

9 Information Policy

According to Article 32 of the Articles of Association of Conzzeta AG, the publication organ of the company is the Swiss Official Gazette of Commerce. In the situations prescribed by law, written notices are sent by the company to the shareholders or beneficial owners registered at the time of the notice by ordinary letter to the service address included in the share register.

The company publishes an annual report for the period ending December 31 and an interim report for the period ending June 30. Interested persons can obtain information at Conzzeta AG's website, via the company's press releases (pull-service: www.conzzeta.com/News-Media/Media-Releases) or subscribe to an e-mail distribution list (push-service: www.conzzeta.com/News-Medien/Subscription-Media-Releases). A financial press and analysts' conference is held for media and financial analysts in conjunction with the publication of the Annual Report. The Group accounts drawn up according to Swiss GAAP FER provide an overview that corresponds to the actual circumstances.

The above and further information concerning the company, including next events and contacts, are available on the website www.conzzeta.com/Investors.

10 Significant Events since the Balance-Sheet Date

On August 17, 2015, Conzzeta AG announced that the Board of Directors appointed Michael Willome as the new Group CEO of the Conzzeta Group with effect from January 1, 2016. As communicated at the time, he has taken on his appointment on January 1, 2016. Ernst Bärtschi, who performed temporarily the function of Group CEO following the departure of Robert Suter on February 2, 2015, dedicates himself now again exclusively to his responsibilities as Chairman of the Board of Directors.

Compensation Report

The Compensation Report provides an overview of the compensation programs and the method for determining compensation at Conzzeta. It documents the compensation awarded in 2015 to the Board of Directors and the Executive Committee and describes the more performance-related compensation system introduced with effect from 2016.

The report conforms to the relevant provisions of the Ordinance against Excessive Compensation in Listed Companies, the standards relating to information on corporate governance issued by the SIX Swiss Exchange, and the principles of the *economiesuisse* guideline Swiss Code of Best Practice for Corporate Governance.

1 Compensation Governance

1.1 Shareholder involvement

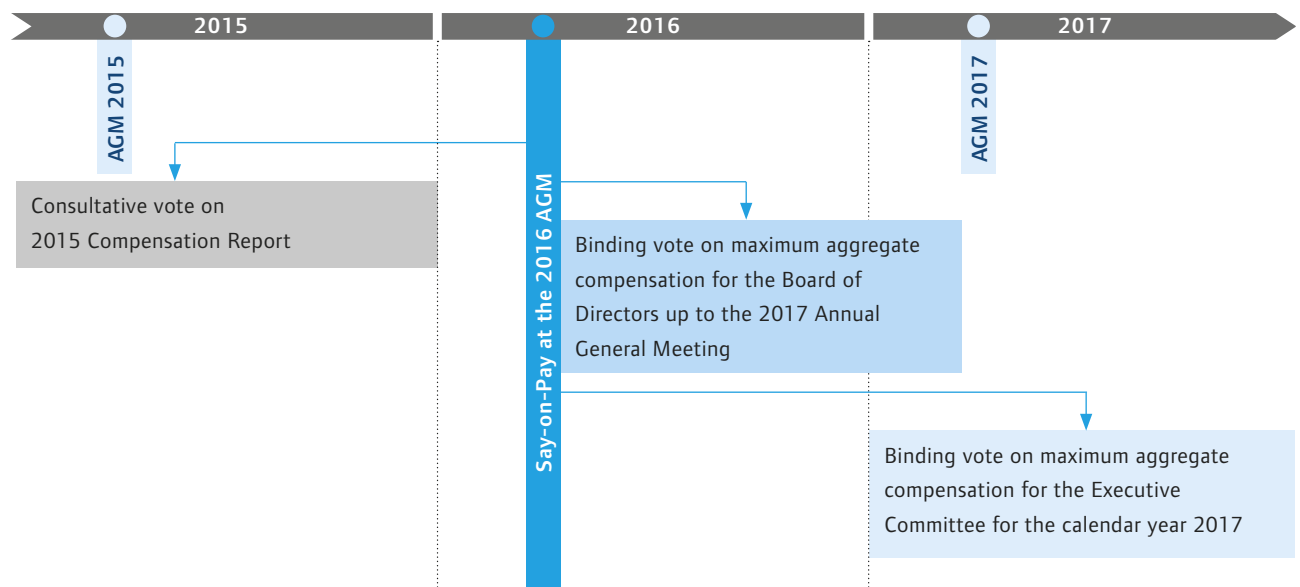
At the Ordinary General Meeting of April 29, 2014, the shareholders set out the principles for revising the compensation models for the Board of Directors and Executive Committee. At the Ordinary General Meeting of April 28, 2015, the shareholders agreed on the amendment of article 25 of the Articles of Association, sections 1 and 3:

- The company may award Executive Committee members performance-related compensation in addition to the fixed compensation. The performance-related compensation rate will be set for a period of one year and may not exceed one and a half times the fixed compensation rate.
- Compensation awarded to the Board of Directors and the performance-related compensation of Executive Committee members may be disbursed either as a cash sum or through the allocation of shares or options. Shares must be purchased on the market.

The members of the HR Committee established in 2014 were re-elected by the shareholders with a large majority. They also agreed the 2014 Compensation Report presented for consultation and authorized the maximum aggregate compensation for the Board of Directors for the 2015/2016 period of office amounting to CHF 2.3 million, and to the Executive Committee for 2016 financial year in the amount of CHF 7.5 million.

At the 2016 Annual General Meeting of shareholders, shareholders will again be asked to approve in a binding prospective vote the aggregate compensation amounts to be awarded to the Board of Directors and to the Executive Committee respectively. They will also be able to pronounce retrospectively in a consultative vote on this Compensation Report.

Structure of shareholders' vote on compensation at the 2016 AGM



1.2 Duties of the Board of Directors

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

At the AGM, the Board of Directors puts forward its own aggregate compensation amount and that of the Executive Committee for approval. It also approves the compensation to be awarded individually to the members of the Board of Directors and Executive Committee, based on the proposal of the HR Committee and with reference to the aggregate compensation amounts agreed by the shareholders' AGM.

1.3 Duties of the HR Committee

As determined in the Articles of Association and in the Organizational Rules of Conzzeta AG, the Human Resources Committee (the HR Committee) is responsible for preparing the proposals for the attention of the Board of Directors in relation to nomination and compensation matters:

Nomination:

- Development of the selection criteria for positions on the Board of Directors and the Executive Committee
- Succession planning for positions on the Board of Directors and the Executive Committee
- Assessment and encouragement of the executives and talents

- Supervision of the human resources policy and personal development plans
- Responsibility for the guideline on permissible external mandates for the members of the Executive Committee and preparation of the respective requests to the Board of Directors.

Compensation:

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

The final power of decision remains with the Board of Directors.

The HR Committee consists of three members of the Board of Directors who are elected individually and annually by the Annual General Meeting of shareholders for a period of one year. At the 2015 Annual General Meeting

Responsibilities

	CEO	Compensation Committee	Board of Directors	Annual General Meeting
Compensation policy		proposes	approves	
Aggregate compensation of Board of Directors		recommends	proposes	approves
Individual compensation Board of Directors		proposes	approves	
Aggregate compensation of Executive Committee		recommends	proposes	approves
Individual compensation of CEO		proposes	approves	
Individual compensation Executive Committee	recommends	proposes	approves	
Compensation Report		proposes	approves	consultative vote

of shareholders, Philip Mosimann (Chairman), Werner Dubach and Robert Spoerry have been elected as members of the HR Committee.

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

As a general rule, the Chairman of the Board, the CEO and the Head of Corporate Human Resources are invited to join the meetings of the HR Committee in an advisory capacity. The HR Committee Chairman may invite other members of the Executive Committee as appropriate. The Chairman of the Board, the CEO and other executives do not take part in the discussions concerning their own compensation.

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

In 2015, two external advisers were brought in to evaluate the compensation for the Executive Committee and the Conzzeta benefits plans. Both have completed their work.

2 HR Committee Priorities in 2015

The HR Committee met eight times during the 2015 reporting year. In addition, two telephone conferences were held. Their work focused on the search for and selection of the Conzzeta Group CEO and preparing and implementing a more performance-related compensation system for the Executive Committee from 2016. The HR Committee also worked out a contributions scheme for executive pensions.

2.1 Recruitment of CEO

With the release of the Group CEO at the beginning of 2015 the HR Committee began the search for a new Group CEO. Essential requirements of the job profile were wide-ranging management experience in the complex international field of listed companies, an engaging and pragmatic personality and the ability to take the lead quickly in a variety of areas of business. At the end of August, after several rounds of interviews with a number of candidates, Michael Willome was selected with effect from January 1, 2016, by the Board of Directors at the request of the HR Committee.

2.2 Compensation system: Board of Directors

The HR Committee completed its revision of the compensation system for the Executive Committee according to plan. The work was founded on benchmark studies commissioned externally.

The new compensation system and the amendments to the compensation rules were agreed by the Board of Directors at the meeting of August 15, 2015, to come into effect on January 1, 2016. As a consequence, the existing employment contracts of the members of the Executive Committee were revised. All Executive Committee members signed new contracts in October 2015. The main changes concern the increased variabilization of the

aggregate compensation amount, the introduction of a share-based component to the compensation as a long-term incentive (LTI) and the standardization of employment contracts to include competition clauses, non-solicitation agreements, periods of notice, holiday entitlements and fixed expenses. The new compensation system for the Executive Committee is described in greater detail in section 5.

2.3 Executive pensions

As part of the revision of the compensation system for the Executive Committee, the HR Committee also had the executive pension scheme externally audited. The findings of this study together with the further variabilization of the aggregate compensation led to the initial stage of the Conzzeta executive pension scheme (Conzzeta Giesshübel-Stiftung) being aligned to the new compensation system as of January 1, 2016, largely with no effect on income. In subsequent stages, the employer's savings contributions for Executive Committee members will be stepped up until January 1, 2018, in line with the market.

3 Principles of Compensation

The compensation principles for the Executive Committee applied over many years also form the basis for the new, more performance-related compensation system for the Executive Committee.

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

The level of compensation paid by other international industrial companies based in Switzerland is taken into consideration to determine the target compensation of the Board of Directors and of the Executive Committee, insofar as these companies are comparable in terms of

complexity, size (market capitalization, revenue, number of employees) and geographical reach.

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

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

The compensation awarded to the Board of Directors is aligned to the market situation and the specific scope of responsibility of individual members. In order to guarantee independent supervision the compensation awarded to Board members does not contain a performance-related component.

4 Compensation System for 2015

4.1 Board of Directors

Compensation for the members of the Board of Directors is composed of a fixed compensation amount and additional compensation for committee work. The fixed amount is paid in cash and in shares that are restricted for a period of four years. In addition to this they are eligible for benefits including flat-rate expenses and social security contributions.

The cash compensation for the Board of Directors is paid out in December and includes the additional compensation for committee work and flat-rate expenses.

The share-based portion of the compensation is allocated in the form of restricted category A shares. The number of shares is calculated according to the net payment amount divided by the applicable share price. This is the average price from November 1 to January 31. The allocation is made at the end of April 2016 after the AGM and is rounded down to the next whole number of shares and the rounding difference will be paid in cash.

4.2 CEO and Executive Committee

For 2015, the compensation awarded to the CEO and the other members of the Executive Committee comprises a fixed base salary, a variable cash compensation amount and benefits in kind. The compensation system for the CEO and Executive Committee was amended for 2016 (see section 5).

4.2.1 Base salary

The fixed base salary is determined on the basis of the following factors:

- Scope and responsibilities of the respective function
- Market value of the role (competitiveness)
- Internal peer comparisons (internal equity)
- Individual profile of the incumbent, such as skills set, capabilities, experience and performance

4.2.2 Variable cash compensation (STI)

The variable cash compensation for the Executive Committee averages out at 24 % of annual target income for 100 % achievement of targets, with the variable component for the CEO being the largest at 40 %.

The performance criteria are based 75 % to 80 % on the financial performance of the Group and its business units and up to 20 % to 25 % on the performance of the individual Executive Committee members.

The financial performance criteria were total revenue (TR = total revenue), earnings before interest and taxes (EBIT), ratio of net operating assets to total revenue (NOA/TR) and earnings per share (EPS).

The individual performance was based on the achievement of personal targets that had been determined at the beginning of the year. As well as quantitative targets these may also include non-quantitative targets of a strategic nature, such as the entry in new

markets, mergers and acquisitions, opening of a new branch, management of key projects and leadership development goals.

The variable cash compensation is generally paid in March of the following year. According to the Articles of Association, this payment may not exceed 150 % of the fixed target compensation.

4.2.3 Transitional solution

The greater variabilization of the aggregate compensation and the introduction of a deferred long-term incentive (LTI) results in a cut in base salary of up to 25 % for the members of the Executive Committee at the beginning of 2016; for this reason a transitional solution was agreed upon. The LTI was already introduced for performance achieved in the 2015 business year and the members of the Executive Committee received a degressive minimum guarantee for the LTI and STI payment over the next three years of 50 %, 40 % and 30 % of the variable target salary respectively.

In the case of the LTI, 100 % of the LTI target value was allocated in shares for the 2015 business year. For fiscal 2016 and 2017, the members of the Executive Committee can choose, during a transitional phase, between shares or a partial cash payout of a maximum of 70 % (2016) and 40 % (2017) respectively. To align the incentives of the Executive Committee more closely with the interests of the shareholders, payment in shares will also be subject to a degressive share price reduction of 30 % (2015), 20 % (2016) and 10 % (from 2017). In addition, the earnings per share (EPS) performance parameter serves as a multiplier (see section 5.1.2). For 2015 the EPS multiplier was 1.334, which represents the EPS factor for the 2015 business year adjusted for special factors.

Compensation system for the Executive Committee

Elements	Description
Fixed base salary	Monthly cash compensation for execution of the role and to attract executives. Based on the current market price and on the individual executing a leadership role conducive to achieving profitable growth.
Variable cash compensation (STI)	Annual compensation to reward achievement of financial results and personal targets (short-term incentive; STI)
Long-term Incentive (LTI)	In order to offset the sizeable cut in fixed base salary as of January 1, 2016, a long-term incentive (LTI) had already been introduced as a transitional solution in 2015 creating the opportunity to receive restricted shares in April 2016 in order to additionally increase motivation and retention of executives.
Additional benefits	Retirement and insurance plans to establish a reasonable level of income in case of retirement, perquisites based on market practice (e.g. flat-rate expenses)

4.2.4 Benefits

Members of the Executive Committee participate in the benefit plans available in their country of contract. Benefits consist mainly of retirement plans that are designed to ensure a reasonable standard of living for the employees and their dependants with regard to retirement and the risk of sickness, disability and death.

Members of the Executive Committee with a Swiss employment contract participate in the retirement plans offered to all employees in Switzerland, insuring the annual earnings (fixed base salary and variable compensation) up to the maximum amount permitted by law. The benefits go beyond the statutory requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans.

Members of the Executive Committee with a foreign employment contract are insured according to the local market practice and legislation. In addition, members of the Executive Committee are entitled to certain perquisites such as a company car or car allowance and other benefits in kind. Executive Committee members further receive a representation allowance in line with the expense regulations applicable to all members of management in Switzerland and approved by the tax authorities.

4.2.5 Contractual provisions

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

5 Compensation System: Executive Committee, from 2016

At the request of the HR Committee the Board of Directors agreed the new compensation system on August 15, 2015, to take effect from January 1, 2016. To this end, the employment contracts of all members of the Executive Committee were revised and reissued on a standardized basis.

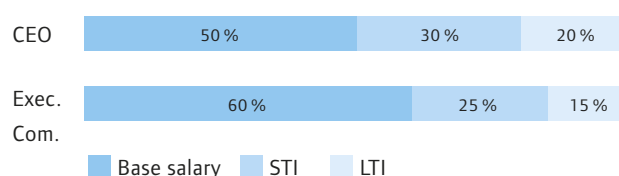
5.1 Performance components

The new compensation system is based on an annual target income comprised of a base salary, a variable performance-related component in cash (short-term incentive; STI) and a variable share-based performance-related component (long-term incentive; LTI). The breakdown of the aggregate compensation for the Group CEO and the other members of the Executive Committee given 100% achievement of targets is shown in the illustration below.

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

Depending on the target achievement, the variable compensation varies between 0% up to a maximum of 150% of the agreed target amounts (cap). The maximum STI here, given 150% achievement of targets, can be 90% of base salary for the CEO and 62.5% of base salary for the members of the Executive Committee. The maximum amounts for the LTI are 60% of base salary for the CEO and 37.5% for the members of the Executive Committee.

Breakdown of compensation (with 100% achievement of targets)



5.1.1 Short-term incentive (STI)

The performance parameters for the STI comprise 75% financial and 25% individual targets, which are agreed on an annual basis during the target-setting process. For members of the Executive Committee with a Group role the financial performance parameters correspond to the consolidated values of the Conzzeta Group, whereas the financial performance parameters for heads of business units are specified as 25% at Group level and 50% for the relevant business unit. For the financial targets, the target value is generally the budget allowance, and is paid out at 100% on achievement of targets; for each individual parameter, any deviations from the budget result in upward or downward adjustments in line with a pre-defined scale, so that payments may vary between 0% and 150% (cap).

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

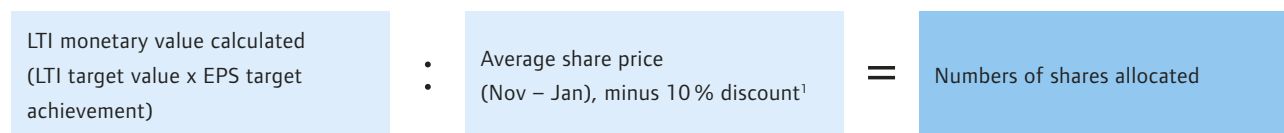
		Financial targets			Non-financial targets
		Total revenue (TR)	EBIT	NOA	Individual
Group CEO, CFO, General Counsel	Conzzeta	20 %	35 %	20 %	25 %
Business unit heads	Conzzeta	10 %	10 %	5 %	25 %
	Business unit	10 %	30 %	10 %	

5.1.2 Long-term incentive (LTI)

Of the variable performance-related target compensation, the LTI represents 15 % (or 20 % in the case of the CEO). Of this, the only performance parameter is the earnings per share (EPS) for the financial year. Depending on the actual value, the monetary value of the share allocation can vary between 0 % and 150 % (cap). The number of shares allocated is the product of the LTI monetary value divided by

the average share price from November 1 in the current year to January 31 in the following period, with a discount allowed of 10 %. The allocation of shares is effected at the end of March, with the number of shares being rounded up to the next whole number. The shares allocated for the LTI remain restricted for four years. In the event of invalidity, death or termination of the employment relationship following a change of control this vesting period is cancelled.

Calculation of share allocation (LTI)



¹ During transition phase 2016 20 %.

6 Compensation of the Board of Directors for 2015

At the ordinary Annual General Meeting on April 28, 2015, a maximum total amount of CHF 2.3 million was approved for compensation of the Board of Directors for the term of office up to the 2016 Annual General Meeting. This sum covers the basic fee comprising fixed and share-based compensation, additional compensation for committee work, and additional services, including fixed expenses and social security contributions. The approved total amount also includes the fixed compensation of CHF 747 304 paid to the Chairman of the Board for his interim service as Group CEO. This sum is recognized under the total compensation of the Executive Committee. This compensation structure was implemented for the first time for the 2015/2016 term of office.

For the 2015 business year, the members of the Board of Directors received total compensation of CHF 2 067 150 (including the Group CEO compensation of CHF 747 304 paid to the Chairman of the Board). The total amount of compensation paid to Board members is

significantly lower than the total sum of CHF 2.3 million approved by the General Meeting for the 2015 term of office. The total compensation of CHF 1 319 847 for the Board of Directors has not risen compared with 2014. The difference over 2014 is due to the compensation of directors Urs Riedener, Roland Abt and Ernst Bärtschi being calculated and recognized on a pro-rata basis only. Furthermore, fixed expenses were shown in additional services for the first time in 2015.

For fiscal 2015, the members of the Board of Directors will receive part of their fixed compensation in the form of shares for the first time. These shares, which are due to be allocated at the end of April after the 2016 ordinary Annual General Meeting, are restricted for four years. Information on the shareholdings of the Board of Directors is given on page 99.

In the reporting year, there were no loans or credits granted to members of the Board of Directors or related parties. As of December 31, 2015, there were no outstanding loans or credits between the company and the members of the Board of Directors or related parties.

Compensation for members of the Board of Directors for 2015

	Fixed cash component	Share component	Committee work	Additional services ²	Total
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand
R. Abt, Member	45 000	50 000	15 000	15 931	125 931
M. Auer, Member	45 000	50 000	10 000	15 373	120 373
E. Bärtschi, Chairman ¹	200 000	200 000		62 603	462 603
W. Dubach, Member	45 000	50 000	10 000	9 224	114 224
Ph. Mosimann, Member	45 000	50 000	15 000	15 931	125 931
U. Riedener, Member	45 000	50 000	10 000	15 373	120 373
J. Schmidheiny, Member	45 000	50 000	25 000	10 039	130 039
R. F. Spoerry, Member	45 000	50 000	10 000	15 373	120 373
Total	515 000	550 000	95 000	159 847	1 319 847

¹ Not including CEO compensation from March 1, 2015, to December 31, 2015, totaling CHF 747 304, disclosed in total compensation of the Executive Committee.

² Including social security contributions plus first time including fixed expenses.

Compensation for members of the Board of Directors for 2014¹

	Fixed cash component	Share component	Committee work	Additional services	Total
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand
R. Abt, Member ²	68 333		10 000	8 732	87 065
M. Auer, Member	95 000		10 000	11 704	116 704
E. Bärtschi, Chairman ²	266 667			40 160	306 827
W. Dubach, Member	95 000		10 000	4 789	109 789
Ph. Mosimann, Member	95 000		15 000	12 261	122 261
U. Riedener, Member ²	68 333		6 667	6 508	81 508
J. Schmidheiny, Member ³	211 000		25 000	8 023	244 023
R. F. Spoerry, Member	95 000		10 000	11 704	116 704
Total	994 333		86 667	103 881	1 184 881

¹ Table of previous year's figures has been adjusted.

² Pro rata temporis from May 1, 2014.

³ Incl. of Chairman compensation pro rata until April 30, 2014.

7 Compensation of the Executive Committee for 2015

For the 2015 business year, the members of the Executive Committee received total compensation of CHF 8 307 644, compared with CHF 6 725 178 in the previous year. The increase is partly due to the overlap in occupancy of the

Group CEO function and partly to additional share-based compensation (LTI) introduced as a transitional solution for 2015. Changes in the Executive Committee must also be taken into account; in 2014, two new members joined and there were three departures. In the 2015 business year, fixed expenses were booked for the first time under additional services.

Total compensation of the Executive Committee in 2015

	Basic salary	STI	LTI	Pension contribution 1 st + 2 nd pillar ¹	Additional services ²	Total compensation for 2015
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand
Executive Committee						
Total for Executive Committee ³	4 609 037	1 511 057	1 126 830	798 655	262 065	8 307 644
Highest single amount: Group CEO, R. Suter ⁴	985 834	650 000	0	167 881	96 010	1 899 725

¹ Employer contributions.

² Company car, advanced training plus first time including fixed expenses.

³ EC had eight members at year-end (the Real Estate business unit was spun off), and on February 3, 2015, Ernst Bärtschi, Chairman of the Board of Directors, took over the CEO function ad interim from Robert Suter.

⁴ Includes the compensation paid during the 12-month period of notice until end of February 2016.

Total compensation of the Executive Committee in 2014¹

	Basic salary	STI	LTI	Pension contribution 1 st + 2 nd pillar ²	Additional services ³	Total compensation for 2014
	CHF Tsd.	CHF Tsd.	CHF Tsd.	CHF Tsd.	CHF Tsd.	CHF Tsd.
Executive Committee						
Total for Executive Committee ⁴	4 346 171	1 551 206		751 433	76 368	6 725 178
Highest single amount: Group CEO, R. Suter	845 000	550 000		142 911	8 500	1 546 411

¹ Table of previous year's figures has been adjusted.

² Employer contributions.

³ Company car, fixed expenses.

⁴ EC had nine members at year-end.

The variable component of compensation (STI) for all members of the Executive Committee was ascertained for the business year on the basis of the financial performance at Group and business unit level as well as individual performance. When exogenous currency and other special factors are taken into account, the average target attainment by members of the Executive Committee was 98 %, slightly lower than the targets set for the 2015 business year. At Group level, the adjusted targets for operating result (EBIT) and earnings per share (EPS) were both exceeded, however total revenue (TR) and the ratio of net operating assets to total revenue (NOA/TR) were below expectations.

For fiscal 2015 as a whole, the members of the Executive Committee received 1 816 shares at an average price of CHF 620.5 as part of the transitional solution described in section 4.2.3. These shares are restricted for four years, i.e. they will be released in April 2020. Infor-

mation on the shareholdings of the Executive Committee is given on page 100.

No former members of the Executive Committee were paid compensation in the 2015 business year. Similarly, in the reporting year, there were no loans or credits granted to members of the Executive Committee or related parties. At December 31, 2015, there were no current loan or credit contracts between the company and members of the Executive Committee or related parties.

Statutory Auditor's Report

Statutory auditor's report on the compensation report to the Annual General Meeting of Conzzeta AG, Zurich

We have audited the compensation report of Conzzeta AG dated March 18, 2016, on pages 42–50 for the year ended December 31, 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies contained in the tables – Compensation for Board of Directors and Executive Committee – on pages 49 and 50 of the compensation report.

Responsibility of the Board of Directors

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

Responsibility of the auditor

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

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

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

Opinion

In our opinion, the compensation report for the year ended December 31, 2015, of Conzzeta AG complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Hanspeter Stocker
Authorized audit expert
Lead auditor

Reto Kaufmann
Authorized audit expert

Zurich, March 18, 2016

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Commentary on the consolidated financial statements

Acquisitions and divestments

The Sporting Goods business unit acquired the business activities of “Bergschule Uri” (Switzerland) as of June 1, 2015. This was both an extension of the offering as well as active support for product development in combination with the Mammut Alpine School which already operates in Switzerland, Austria and Germany. The acquisition increased Group revenue by CHF 0.7 million and resulted in a cash outflow of CHF 0.6 million. As of April 1, 2014, the Foam Materials business unit acquired acoustics specialist Benien in Delmenhorst (Germany). This acquisition strengthened the Group’s position in the growing market for sound-insulating components. On the 2014 basis of comparison, pro rata sales amounted to CHF 5.0 million. As per July 1, 2014, Conzzeta AG sold the Automation Systems business unit as part of the transition of the Group. The Group result for 2014 contained revenues of CHF 17.3 million and an EBIT of CHF –3.9 million. At Conzzeta AG’s Extraordinary General Meeting of Shareholders held on June 22, 2015, shareholders approved the spin-off of the Real Estate business unit into the newly formed Piazza AG. Piazza AG’s shares are listed on the SIX Swiss Exchange. As a result of this transaction, carried out on June 26, 2015, liquid funds of CHF 103.3 million, other net operating assets of CHF 79.0 million and equity of CHF 182.3 million were spun off. The business unit recorded half-year revenues of CHF 9.6 million and EBIT of CHF 4.4 million. The previous year’s result contained revenues of CHF 19.3 million and an EBIT of CHF 19.8 million, including a CHF 10.5 million reversal of provisions for inherited environmental liabilities.

The Group figures have not been restated; the influences of the transactions set out above are recognized as acquisition and divestment effects or changes in the scope of consolidation. Figures on a comparable basis take account of currency translation effects and changes in the scope of consolidation.

Income statement

The consolidated income statement for the continuing activities is shown below. The Automation Systems and Real Estate business units are included as discontinuing operations.

	Continuing operations		Discontinuing operations		Total Group	
	2015	2014	2015	2014	2015	2014
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Net revenue	1 131.4	1 159.5	9.4	36.2	1 140.8	1 195.7
Total revenue	1 129.1	1 166.8	9.4	37.6	1 138.5	1 204.4
Operating result	75.9	87.4	4.9	16.9	80.8	104.3
Operating result in % total revenue	6.7 %	7.5 %	52.1 %	44.9 %	7.1 %	8.7 %
Group result	56.0	72.3	3.3	–10.9	59.3	61.4
Group result in % total revenue	5.0 %	6.2 %	35.1 %	–29.0 %	5.2 %	5.1 %

Net revenue

	CHF m	%
Net revenue 2014	1 195.7	100.0
Changes in Group revenue 2015 due to:		
– currency translation effects	– 53.5	– 4.5
– acquisitions	5.7	0.5
– divestments	– 27.0	– 2.3
– changes in quantity and price	19.9	1.7
Total change	– 54.9	– 4.6
Net revenue 2015	1 140.8	

Group revenue amounted to CHF 1 140.8 million, 4.6% down on the previous year. On the basis of the previous year's exchange rates and taking acquisition and divestment effects into account, revenues were 1.7% up on the previous year. The currency effect was negative 4.5% and the net acquisition and divestment effect negative 1.8%. The trends in the reporting segments presented a varying picture. The Sheet Metal Processing and Glass Processing segments recorded currency-adjusted growth, while the Sporting Goods and Chemical Specialties segments declined. The Sheet Metal Processing segment generated growth of 3.8%, thanks in particular to the good performance in the USA and Germany as well as brisk demand for fiber lasers. The Glass Processing segment generated growth of 13.9% thanks to a series of major orders from an automotive supplier in the USA and an improved sales performance in the architectural glass segment. The Sporting Goods segment recorded a downturn of 1.7%, since sales growth in Asia and the USA was unable to compensate for declining sales in Germany, Austria and Switzerland (D-A-CH region), caused by faltering growth in the outdoor goods market, the currency disadvantages of the stronger Swiss franc as well as the warm winter. The decline in the Chemical Specialties segment was partly offset by growth in the technical foams business, which generated healthy sales, particularly in Asia and the USA. The Real Estate segment, which was included in the consolidated financial statements for only six months, developed in line with expectations. The average EUR/CHF exchange rates used for the consolidated income statement fell by 11.6% and the USD/CHF exchange rates rose by 5.5% respectively.

Operating result

The cost of materials was CHF 540.6 million, 4.9% down on the previous year. This figure contains a negative acquisition and divestment effect of 1.2% and a negative currency effect of 1.9%. The cost of materials in relation to total revenue (material rate) is significantly influenced by changes in inventories of semifinished products, work in progress and finished products. Adjusted for this effect, the ratio of materials is 0.8 percentage points up on the previous year. A slight improvement in the Sheet Metal Processing segment was more than offset overall by negative currency and margin effects as well as material-intensive customer projects in other segments.

Personnel expenses amounted to CHF 283.6 million, a year-on-year decrease of 4.9%. This figure contains a negative acquisition and divestment effect of 3.3% and a negative currency effect of 4.0%. The comparable increase of 2.4% is due mainly to hiring in the Sheet Metal Processing, Sporting Goods and Foam Materials business units as well as wage cost increases outside Switzerland. Savings from short-term economy measures partly offset the increase in personnel costs, which are contingent on business performance. In the reporting year, restructuring costs of CHF 2.9 million were incurred.

Other operating expenses increased year on year by 1.1% and amounted to CHF 205.0 million. This figure contains a negative currency effect of 4.0% and a positive acquisition and divestment effect of 3.2%. The latter effect includes the reversal of provisions for inherited environmental liabilities of CHF 10.5 million in the Real Estate segment, which were released to income the previous year. In the reporting year, it was possible to partly offset additional costs for revenue growth as well as for projects and growth initiatives through short-term savings in current expenditure. As a result, other operating expenses at 18.0% of total revenue were slightly above the previous year's level, after adjustment for the one-time effect from reversal of provisions. Restructuring costs of CHF 1.2 million were incurred in the reporting year.

The operating result (EBIT) amounted to CHF 80.8 million, 22.5% down on the previous year. This figure contains a negative currency effect of 1.9% and a negative acquisition and divestment effect of 10.0%. As already mentioned, the latter effect includes the reversal of provisions for inherited environmental liabilities of CHF 10.5 million in the Real Estate segment. On a comparable basis, EBIT was around 12% lower than the previous year. The decision of the Swiss National Bank (SNB) on January 15, 2015, to discontinue the minimum euro rate resulted in a one-time valuation effect on net working capital of CHF 9.1 million, recognized in the income statement, which was largely offset by short-term economy measures. The SNB decision also had a negative impact on the revenue base of the export-oriented Swiss subsidiaries, which led to the implementation of further restructuring measures and mid-term economy measures whose effect will be felt into 2016. The restructuring costs affected the result of the second half to the tune of CHF 4.1 million. The EBIT contribution of the reporting segments was varied. An important positive contribution was made by the Glass Processing segment, which achieved a clear operational improvement thanks to a better sales performance and the structural and reorganization measures implemented in the previous years. The Sheet Metal Processing segment turned in an excellent performance, reflected by an EBIT margin of 9.6%. While both segments benefit from a positive mix of countries and products as well as a favorable EUR/USD cross rate, the same cross rate also had a strongly negative impact, particularly on the Sporting Goods segment, where purchasing is mostly denominated in USD and sales in EUR. The result was further affected by a weakening in the outdoor activities market

primarily in the D-A-CH region, as well as greater pressure on prices. After a fourth quarter result well down on the previous year because of the unseasonably mild weather, the Sporting Goods segment reported EBIT of CHF 0.1 million (previous year: CHF 20.8 million), which had a considerable impact at Conzzeta Group level. The Chemical Specialties segment also returned a lower operating result, with EBIT of CHF 18.5 million (CHF 23.8 million). This was primarily due to weakening demand in the European market, which could not be compensated for by the positive performance in the USA and Asia. In the reporting year, the EBIT margin for the Group as a whole was 7.1 %, while that for the continuing activities amounted to 6.7 %.

Financial result

Exchange rate losses and lower financial income led to a negative financial result of CHF 2.6 million. In the previous year, the result was still positive, at CHF 4.8 million. The biggest negative influence is attributable to currency losses from the valuation of liquid assets, short-term loans between Group companies and other financial assets of CHF 3.1 million which date from the revaluation of the Swiss franc in the balance sheet of January 2015. The previous year was still showing a currency gain of CHF 2.1 million. Interest and securities income and income from the investments of the employer contribution reserves decreased year on year by CHF 2.1 million to CHF 1.2 million.

Extraordinary result

The extraordinary result comprises the reversal of provisions as well as accruals and deferrals no longer required from the sale of the Automation Systems business unit of CHF 0.9 million as well as the transaction costs for the spin-off of Piazza of negative CHF 1.5 million. The extraordinary result of previous year comprises a gain of CHF 2.5 million from the sale of two non-operational properties in La Chaux-de-Fonds and Necker (Switzerland) as well as a loss of CHF 26.3 million incurred through the divestment of the Automation Systems business unit.

Income taxes and Group result

The expected tax rate increased by 3.9 percentage points from 21.2 % to 25.1 % and is attributable to higher taxable profits and tax rates at foreign Group companies. Thanks to positive tax effects, the effective tax rate rose from 22.1 % by 1.1 percentage points to 23.2 % of the lower ordinary result before taxes. Recognition of non-capitalized tax loss carryforwards with taxable profits as well as lower losses without activation of deferred taxes had a positive influence on the tax rate. Based on the lower Group result and a slightly higher average number of shares outstanding compared with the previous year, earnings are 7.6 % lower per registered share A at CHF 28.65 (CHF 31.00) and per registered share B at CHF 5.73 (CHF 6.20).

Balance sheet

Net operating assets amounted to CHF 413.3 million, against CHF 517.4 million the previous year. The 20.1 % decrease is largely attributable to the spin-off of the Real Estate segment, with net operating assets of CHF 79.0 million, and to the appreciation of the Swiss franc. The translation effect at 2014 rates was negative CHF 21.4 million. Net working capital, adjusted for currency effects, was maintained at the same level as the previous year. At the end of the year, the average net operating assets as a percentage of total revenue amounted to 40.8% (previous year: 42.4%). This resulted in a return on net operating assets (RONOA) after taxes of 13.4%. Property, plant and equipment fell by 35.6% to CHF 202.5 million. The lower inventory was attributable to the moderate level of investment activity as well as the spin-off of the Real Estate portfolio. In addition to the construction project in Switzerland – the residential development in Wallisellen – in the Real Estate business unit, as well as major expenditure for monobrand stores and the development of a web shop in the Sporting Goods business unit, the majority of the activity comprised replacement investments.

Net operating assets

	2015	2014
	CHF m	CHF m
Inventories	227.6	256.2
Trade receivables	148.5	163.2
Prepayments to suppliers	6.0	8.5
Other receivables, prepaid expenses and accrued income	28.0	29.6
Property, plant and equipment	202.5	314.2
Financial assets	18.8	18.7
Intangible assets	9.0	8.7
Trade payables	-74.2	-87.3
Advance payments from customers	-32.8	-41.2
Other liabilities, accrued expenses and deferred income	-77.1	-96.9
Provisions	-43.0	-56.3
Net operating assets (NOA)	413.3	517.4
Net operating assets (NOA), average	465.4	512.2
Operating result	80.8	104.3
Chargeable taxes	-18.7	-23.0
Operating result after taxes	62.1	81.3
Return on net operating assets (RONOA) after taxes¹	13.4 %	15.9 %

¹ Return on net operating assets (RONOA) after taxes is calculated from the operating profit after deduction of the chargeable tax expense in relation to the average net operating assets as of January 1 and December 31.

Cash flow

Operating free cash flow was CHF 70.5 million (previous year: CHF 84.8 million). The decrease is primarily due to the reduced cash flow from operating activities, which was influenced the previous year by the better operating result and the greater reduction in net working capital. A monetary investment of CHF 130.0 million with a notice period of more than 90 days which was entered into as a consequence of the introduction of negative interest rates, led to a reclassification from cash and cash equivalents to securities. This resulted in a negative free cash flow of CHF 60.1 million (CHF 73.4 million). Besides the dividend of CHF 25.9 million, the spin-off of Piazza contributed CHF 103.3 million to a further significant outflow of funds. At the end of the reporting year, the Group had liquid assets of CHF 410.8 million, a decrease of CHF 198.2 million from the beginning of the year.

Operating free cash flow/free cash flow

	2015	2014
	CHF m	CHF m
Cash flow from operating activities	86.8	104.0
Investment in property, plant and equipment	-16.0	-22.1
Divestment of property, plant and equipment	0.6	4.5
Investment in financial assets without securities	-1.1	-2.5
Divestment of financial assets without securities	4.3	5.8
Investment in intangible assets	-4.1	-4.9
Operating free cash flow	70.5	84.8
Purchase of securities	-130.0	
Sale and redemption of securities	8.1	47.9
Acquisition of business activities	-0.6	-46.6
Divestment of business activities	-8.1	-12.7
Free cash flow	-60.1	73.4

Operating free cash flow is calculated on the basis of free cash flow, excluding changes in securities and financial assets with a term of more than 90 days as well as acquisition and divestment of business activities. The key indicator serves for management of operating performance.

Shareholders' equity

Equity as per December 31, 2015, was 15.3% lower at CHF 959.9 million. The reduction is due mainly to the spin-off of Piazza, accounting for CHF 182.3 million, the dividend payment totaling CHF 25.9 million, and negative currency effects from the translation of equity of foreign subsidiaries, which amounted to CHF 24.3 million. These factors were offset by the Group result of CHF 59.3 million. The equity ratio rose by 0.5 percentage points to 78.6%, so the Group continues to have a solid financial base.

Number of employees

At the balance sheet date, the number of employees stood at 3 479, 4.3% higher year on year. The increase of 4.0%, after adjustment for acquisition and divestment effects, was due to hiring of additional personnel in the Sheet Metal Processing and Sporting Goods segments. The average number of employees in full-time positions in the reporting year was 3 425. The acquisition and divestment effect was negative 4.4%. The average number of full-time positions also increased, up by 76 on a comparable basis due to the above-mentioned hiring in the Sheet Metal Processing and Sporting Goods business units as well as the deployment of additional temporary staff by the Foam Materials business unit to deal with a major order in the USA. Net revenue per employee decreased from CHF 341 600 to CHF 333 000. Adjusted for currency, acquisition and divestment effects, as well as a one-time valuation effect on net working capital, the figure for the reporting year is CHF 342 200.

Dividends

The Board of Directors is proposing to the Annual General Meeting on April 26, 2016, a dividend of CHF 10 per registered share A and a dividend of CHF 2 per registered share B. In the previous year, a dividend of CHF 50 per registered share A and a dividend of CHF 10 per registered share B was paid. In comparison with the previous year, it should be noted that the Conzzeta shares, following the decision of the Annual General Meeting of June 22, 2015, were split in a ratio of 1 to 4.

Consolidated income statement – Group

		2015	2014
	Notes	CHF m	CHF m
Net revenue	1	1 140.8	1 195.7
Changes in inventory and own work capitalized	4	-2.3	8.7
Total revenue		1 138.5	1 204.4
Cost of materials	5	-540.6	-568.4
Personnel expenses	6	-283.6	-298.1
Other operating expenses	7	-205.0	-202.7
Depreciation on property, plant and equipment, and financial assets	16, 17	-24.7	-27.8
Depreciation on intangible assets	18	-3.8	-3.1
Operating result		80.8	104.3
Financial result	8	-2.6	4.8
Result from unconsolidated investments		-0.1	0.1
Ordinary result before taxes		78.1	109.2
Extraordinary result	9	-0.6	-23.7
Result before taxes		77.5	85.5
Taxes	10	-18.2	-24.1
Group result		59.3	61.4
Earnings per registered share A, in CHF ¹	11	28.65	31.00
Earnings per registered share B, in CHF ¹	11	5.73	6.20
Diluted earnings per registered share A, in CHF ¹	11	28.65	31.00
Diluted earnings per registered share B, in CHF ¹	11	5.73	6.20

¹ The par value per registered share A is CHF 2 and per registered share B CHF 0.40. In the previous year, registered shares A (par value: CHF 10) and registered shares B (par value: CHF 2) were issued. To facilitate comparison, the average number of shares has been adjusted retroactively.

Consolidated balance sheet at December 31 – Group

	Notes	2015 CHF m	2014 CHF m
Assets			
Cash and cash equivalents		410.8	609.0
Securities	12	130.0	8.2
Trade receivables	13	148.5	163.2
Prepayments to suppliers		6.0	8.5
Other receivables	14	21.7	25.2
Prepaid expenses and accrued income		6.3	4.4
Inventories	15	227.6	256.2
Current assets		950.9	1 074.7
Property, plant and equipment	16	202.5	314.2
Financial assets	17	59.3	53.5
Intangible assets	18	9.0	8.7
Fixed assets		270.8	376.4
Total assets		1 221.7	1 451.1
Liabilities and shareholders' equity			
Trade payables		74.2	87.3
Advance payments from customers	19	32.8	41.2
Short-term financial liabilities	20	7.1	5.7
Other short-term liabilities	21	14.6	20.8
Accrued expenses and deferred income	22	62.5	76.1
Short-term provisions	23	22.5	21.8
Short-term liabilities		213.7	252.9
Long-term financial liabilities	20	6.5	6.8
Other long-term liabilities		0.7	1.0
Pension fund liabilities	27	1.1	1.2
Long-term provisions	23	39.8	56.4
Long-term liabilities		48.1	65.4
Share capital	24	4.1	5.2
Capital reserves		98.2	123.7
Treasury shares	25	- 1.2	
Retained earnings		858.8	1 003.9
Shareholders' equity		959.9	1 132.8
Total liabilities and shareholders' equity		1 221.7	1 451.1

Consolidated cash flow statement – Group

	Notes	2015 CHF m	2014 CHF m
Group result		59.3	61.4
Depreciation		27.9	30.5
Impairments		0.6	0.4
Gain on disposal of fixed assets		-0.3	-3.6
Change in provisions and pension fund liabilities		-0.2	-13.0
Non-cash change in employer contribution reserves		-0.3	-1.9
Result from divestment of business activities		-0.9	26.3
Other non-cash items		-3.4	-8.4
Cash flow from operating activities before change in working capital		82.7	91.7
Change in inventories		19.6	-18.5
Change in trade receivables		6.6	14.6
Change in prepayments to suppliers		2.3	-1.2
Change in other receivables, prepaid expenses and accrued income		-1.0	4.7
Change in trade payables		-10.8	5.0
Change in advance payments from customers		-6.5	9.2
Change in other liabilities, accrued expenses and deferred income		-6.1	-1.5
Cash flow from operating activities		86.8	104.0
Investment in property, plant and equipment	16	-16.0	-22.1
Divestment of property, plant and equipment		0.6	4.5
Investment in financial assets and securities	12	-131.1	-2.5
Divestment of financial assets and securities		12.4	53.7
Investment in intangible assets	18	-4.1	-4.9
Acquisition of business activities	26	-0.6	-46.6
Divestment of business activities	26	-8.1	-12.7
Cash flow from investing activities		-146.9	-30.6
Cash flow from operating and investing activities (free cash flow)		-60.1	73.4
Purchase of treasury shares	25	-1.2	
Dividends		-25.9	
Plazza spin-off		-103.3	
Par value reduction			-41.4
Capital increase from merger with Tegula			124.2
Change in liabilities to former Tegula shareholders		-5.1	5.4
Change in short-term financial liabilities		1.4	-2.5
Change in long-term financial liabilities		-0.3	-0.2
Change in other long-term liabilities		-0.2	0.1
Cash flow from financing activities		-134.6	85.6
Effect of currency translation on cash and cash equivalents		-3.5	-0.4
Change in cash and cash equivalents		-198.2	158.6
Cash and cash equivalents at 1/1		609.0	450.4
Cash and cash equivalents at 12/31		410.8	609.0

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

	Share capital	Agio/ capital reserves	Treasury shares	Retained earnings			Total
	CHF m	CHF m	CHF m	Currency translation effects	Other retained earnings	Value fluctuation financial instruments	CHF m
Shareholders' equity							
At 12/31/2013	46.0	0.1		-83.6	1 046.3		1 008.8
Group result 2014					61.4		61.4
Par value reduction	-41.4						-41.4
Capital increase from merger with Tegula	0.6	123.6					124.2
Recognition of goodwill with equity					-28.5		-28.5
Currency translation effects				8.3			8.3
At 12/31/2014	5.2	123.7	-	-75.3	1 079.2	-	1 132.8
Group result 2015					59.3		59.3
Dividend payment					-25.9		-25.9
Plazza spin-off	-1.1	-26.9			-154.3		-182.3
Change resulting from hedging transactions						0.9	0.9
Recognition of goodwill with equity					-0.8		-0.8
Purchase of treasury shares			-1.2				-1.2
Share-based payments		1.4					1.4
Currency translation effects				-24.3			-24.3
At 12/31/2015	4.1	98.2	-1.2	-99.6	957.5	0.9	959.9

Notes to the consolidated financial statements

General principles

The consolidated financial statements comprise the audited financial statements of the Group companies of Conzzeta AG at December 31, using accounting policies which are consistent throughout the Group and in accordance with Swiss GAAP FER. For the 2015 consolidated financial statements, the historical costs have been reported using the same valuation policies and basis as in the previous year. The principle of individual valuation has been applied to assets and liabilities.

The provisions of Swiss GAAP FER 31 “Complementary Recommendation for Listed Companies” were adopted in 2014.

Consolidation principles

Scope and method of consolidation

The consolidated financial statements include the financial statements of Conzzeta AG and of all companies directly or indirectly controlled by Conzzeta AG, through investments with more than 50% of the votes or by another means, and uniformly managed. These investments are fully consolidated. The share of the minority shareholders in the net assets and net result is disclosed separately. Investments with 50% of the voting rights are consolidated on a pro rata basis in accordance with the share in the capital. Intragroup receivables and payables as well as expenses and income are offset against each other, and intragroup profits have been eliminated. The assets and liabilities of companies included in the consolidation for the first time are valued at current values. Goodwill arising from this revaluation is offset against equity. First-time consolidations are included from the date on which control is acquired; deconsolidations from the date on which control is relinquished. Investments in associates (at least 20%, but less than 50% of the voting rights) are accounted for under the equity method. Other minority interests are valued at acquisition cost, less any necessary provisions for diminution in value.

A list of the consolidated companies and the associated companies can be found on page 90f.

Foreign currency translation

The financial statements of foreign Group companies are prepared in their respective functional currencies and translated into CHF as follows:

- balance sheets at year-end exchange rates
- income statements at annual average rates
- cash flow statements at annual average rates

The resulting translation differences, as well as foreign currency gains and losses on long-term, equity-like loans to Group companies, are taken directly to the consolidated shareholders' equity.

All gains and losses resulting from transactions in foreign currencies as well as adjustments to foreign currency balances at the balance sheet date are recognized in the income statement.

Accounting and valuation policies

Cash and cash equivalents

Cash and cash equivalents include cash on hand, postal checking and bank account balances as well as fixed-term deposits with a maximum residual term of 90 days.

Securities

The securities are marketable, readily realizable monetary and capital investments (including structured financial products). They are shown at market value.

Receivables

Trade receivables and other receivables are shown at invoiced amounts, less appropriate provisions for debtors' risks. Specific provisions for bad debts are accounted for where required.

Inventories

Inventories are shown at the lower of acquisition or production cost and fair value less cost to sell. Production cost is calculated without imputed interest. Discounts are recognized as purchase price reductions. Provisions are made for inventories that are difficult to realize or slow-moving.

Property, plant and equipment

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

Properties for rent	30 to 45 years
Factory buildings	30 to 40 years
Plant and machinery	5 to 12 years
Tools, fixtures and fittings, vehicles	2 to 8 years
IT hardware and office machinery	3 to 5 years

As a result of the Group's diversified business activities, it has a broad range of fixed assets, and the useful lives of property, plant and equipment vary.

Financial assets

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

Intangible assets

Intangible assets include the formulas, licenses, trademarks and software acquired from third parties. In principle, these are amortized using the straight-line method over their economically useful life; normally, this is between three and five years for software and licenses.

The goodwill resulting from acquisitions is offset against retained earnings at the time of acquisition. On divestment of a business activity, the goodwill offset against equity at an earlier date is transferred to the income statement. The effects of theoretical capitalization and depreciation, including any impairments from valuation assessments, are shown in note 18. For the shadow accounting, the goodwill is amortized in principle on a straight-line basis over its estimated useful life, normally five years.

Impairment of assets

The value of assets is assessed at regular intervals. Where there are signs of loss of value, the realizable value is reassessed. If the book value exceeds the realizable value, an additional depreciation adjustment is made.

Liabilities

Liabilities are usually recognized in the balance sheet at invoiced amounts.

Provisions

Provisions are formed when an event likely to give rise to an obligation occurs prior to the balance sheet date, and the amount involved and/or the settlement date are uncertain, but can be estimated. This obligation can have legal or factual grounds. In the case of land which contains waste or noxious materials, there is a legal obligation to undertake measures for remediation or decontamination.

Deferred taxes

Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for reporting purposes, using the currently enacted tax rates on an entity level. Movements in the deferred tax provision are included in the tax position in the income statement. Deferred taxes for loss carryforwards and temporary differences are only capitalized when in all probability future taxes on profits can be offset.

Employee pensions

The pension obligations of Group companies in respect of retirement, death and disability benefits are based on local rules and customs in each country. Regular contributions are paid to government bodies, autonomous pension funds or insurance companies. The pension and benefit payments and outstanding benefits during the accounting period and the regular contributions to the various pension funds are charged to the income statement. The private pension plans are principally those existing in Switzerland. They are for the creation of retirement assets for conversion into fixed pensions, with additional risk benefits. These are valued and presented in accordance with the standards of Swiss GAAP FER 16. Any actual economic impact of the pension funds on the company is calculated at the balance sheet date. An economic benefit is only capitalized when this is to be used for the future service cost of the company. An economic obligation is recognized as a liability when the requirements for the formation of a provision are met. Freely available employer contribution reserves are shown as assets. The difference between the annually determined economic benefits and obligations and the change in the employer contribution reserves are included in the income statement.

Research and development

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

Extraordinary result

The extraordinary result shows gains and losses from non-recurring transactions which do not form part of the operational core business. These comprise primarily the sale of non-operational real estate and divestment of business activities. The plots of land in question derive almost exclusively from the properties owned by the former tile and brick works and the construction materials businesses.

Derivative financial instruments

Currency and interest rate hedges are used against some currency and interest rate risks arising from business operations. Hedges, like the underlying transactions, are shown at market value and recognized in the balance sheet as accrued income or expense. Value changes on hedge transactions against future currency risks will be shown directly in equity until completion of the underlying transaction.

Treasury shares/share-based compensation

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

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

Additional notes to the consolidated financial statements

1 Segment information

In view of Conzzeta's broad diversification, for the purposes of segment reporting the revenues of the economically similar Foam Materials and Graphic Coatings business units are grouped together in a single reporting segment. Given that this aggregated reporting segment is characterized by similar value drivers (e.g. innovation, life cycle, raw materials used) and risk factors, the informative value of the disclosed key figures per segment is not adversely affected.

The business units are grouped in the following reporting segments:

Sheet Metal Processing	Sheet Metal Processing
Sporting Goods	Sporting Goods
Chemical Specialties	Foam Materials and Graphic Coatings
Glas Processing	Glass Processing
Discontinued business units	Real Estate and Automation Systems
Other	Corporate and eliminations

	2015	2015	2014	2014
	CHF m	%	CHF m	%
Net revenues by segment				
Sheet Metal Processing	570.9	50.0	580.7	48.6
Sporting Goods	235.3	20.6	249.9	20.9
Chemical Specialties	204.5	17.9	219.2	18.3
Glass Processing	119.9	10.5	109.5	9.2
Discontinued business units	9.6	0.8	36.2	3.0
Net revenues as per segment reporting	1 140.2		1 195.5	
Other	0.6		0.2	
Net revenues as per income statement	1 140.8	100.0	1 195.7	100.0

	2015	2015	2014	2014
	CHF m	%	CHF m	%
Total revenues by segment				
Sheet Metal Processing	576.3	50.6	581.4	48.3
Sporting Goods	234.8	20.6	249.4	20.7
Chemical Specialties	203.5	17.9	220.8	18.3
Glass Processing	113.7	10.0	115.0	9.5
Discontinued business units	9.4	0.8	37.6	3.1
Total revenues as per segment reporting	1 137.7		1 204.2	
Other	0.8		0.2	
Total revenues as per income statement	1 138.5	100.0	1 204.4	100.0

	2015	2015	2014	2014
	CHF m	in % TR	CHF m	in % TR
Operating result by segment				
Sheet Metal Processing	55.4	9.6	54.3	9.3
Sporting Goods	0.1	0,0	20.8	8.3
Chemical Specialties	18.5	9.1	23.8	10.8
Glass Processing	6.4	5.6	-5.1	-4.4
Discontinued business units ¹	4.9	52.1	16.9	44.9
Operating result as per segment reporting	85.3		110.7	
Other	-4.5		-6.4	
Operating result as per income statement	80.8	7.1	104.3	8.7

¹ Not including intragroup revenue and expenses. In 2014, on the basis of official reassessments, the Real Estate business unit was able to reverse provisions and impairments for inherited liabilities in the amount of CHF 10.5 million, recognized in the income statement.

	2015	2015	2014	2014
	CHF m	%	CHF m	%
Net operating assets (NOA) by segment				
Sheet Metal Processing	162.1	39.2	166.5	32.2
Sporting Goods	113.6	27.5	131.9	25.5
Chemical Specialties	110.9	26.8	116.4	22.5
Glass Processing	23.1	5.6	30.5	5.9
Discontinued business units			71.5	13.8
NOA as per segment reporting	409.7		516.8	
Other	3.6		0.6	
NOA as per balance sheet	413.3	100.0	517.4	100.0

Net operating assets (NOA) include the operating current and fixed assets (not including cash, cash equivalents and securities, non-operating financial assets and deferred tax assets) less operating liabilities (not including financial liabilities and deferred tax liabilities).

	2015	2015	2014	2014
	CHF m	%	CHF m	%
Net revenue by geographic area				
Switzerland	128.7	11.3	145.6	12.2
Europe	557.5	48.9	594.5	49.7
North and South America	232.0	20.3	197.5	16.5
Asia and others	222.6	19.5	258.1	21.6
Total	1 140.8	100.0	1 195.7	100.0

2 Changes in the scope of consolidation and discontinuing operations

Purchase of investments in the reporting year:

With effect from June 1, 2015, the Sporting Goods business unit acquired the business activities of Bergschule Uri (Switzerland). The pro rata revenues for 2015 amounted to CHF 0.7 million. Information about the impact of the acquisition on the balance sheet and cash flow can be found in note 26.

Purchase of investments in the previous year:

With effect from April 1, 2014, the Foam Materials business unit acquired the Benien group of companies in Delmenhorst (Germany). As a basis for comparison with 2014, the pro rata revenues amounted to CHF 5.0 million.

Disposal of investments in the reporting year/discontinuation of the Real Estate business unit:

At Conzzeta AG's Extraordinary General Meeting of Shareholders held on June 22, 2015, shareholders approved the spin-off of the Real Estate business unit into the newly formed Piazza AG as per June 26, 2015. Piazza AG's shares are listed on the SIX Swiss Exchange. This decision was taken following an evaluation of Conzzeta's broad portfolio of holdings. It takes account of the difference in character between the real estate business and the industrial activities.

The former subsidiary Piazza Immobilien AG managed the Conzzeta Group's portfolio of properties in Switzerland. At the time of the spin-off on June 26, 2015, the key data of the business unit, including intragroup receivables and payables as well as expenses and income, were as follows:

	2015	2014
	CHF m	CHF m
Net revenue	9.6	19.3
Operating result	4.4	19.8
Current assets	2.2	1.7
Fixed assets	92.8	93.0
Short-term liabilities	- 18.6	- 3.4
Long-term liabilities	- 9.7	- 27.0

Overall, cash and cash equivalents in the amount of CHF 103.3 million, other net operating assets of CHF 79.0 million and equity of CHF 182.3 million were spun off.

Disposal of investments in the previous year/discontinuation of the Automation Systems business unit:

Conzzeta AG sold the Automation Systems business unit with effect from July 1, 2014, to BBS International GmbH. As a global partner of high-tech companies, the Automation Systems business unit develops and manufactures automation systems for production processes. The divestment affects all the business unit's subsidiaries (see present structure of Group companies on page 90f).

The key data of the business unit were as follows:

	2015	2014
	CHF m	CHF m
Net revenue		17.3
Operating result		- 3.9
Current assets		28.3
Fixed assets		4.7
Short-term liabilities		- 28.1
Long-term liabilities		- 4.9

Information about the impact of the acquisition on the balance sheet and cash flow can be found in note 26.

The overall impact of the discontinuing operations on the individual items in the consolidated income statement is shown below (without intragroup expenses and income):

2015	Continuing operations	Discontinuing operations	Total
	CHF m	CHF m	CHF m
Net revenue	1 131.4	9.4	1 140.8
Changes in inventory and own work capitalized	- 2.3		- 2.3
Total revenue	1 129.1	9.4	1 138.5
Cost of materials	- 540.6		- 540.6
Personnel expenses	- 282.6	- 1.0	- 283.6
Other operating expenses	- 203.5	- 1.5	- 205.0
Depreciation on property, plant and equipment, and financial assets	- 22.7	- 2.0	- 24.7
Depreciation on intangible assets	- 3.8		- 3.8
Operating result	75.9	4.9	80.8
Financial result	- 2.6		- 2.6
Result from unconsolidated investments	- 0.1		- 0.1
Ordinary result before taxes	73.2	4.9	78.1
Extraordinary result		- 0.6	- 0.6
Result before taxes	73.2	4.3	77.5
Taxes	- 17.2	- 1.0	- 18.2
Group result	56.0	3.3	59.3

2014	Continuing operations	Discontinuing operations	Total
	CHF m	CHF m	CHF m
Net revenue	1 159.5	36.2	1 195.7
Changes in inventory and own work capitalized	7.3	1.4	8.7
Total revenue	1 166.8	37.6	1 204.4
Cost of materials	-559.9	-8.5	-568.4
Personnel expenses	-285.6	-12.5	-298.1
Other operating expenses	-207.5	4.8	-202.7
Depreciation on property, plant and equipment, and financial assets	-23.5	-4.3	-27.8
Depreciation on intangible assets	-2.9	-0.2	-3.1
Operating result	87.4	16.9	104.3
Financial result	4.9	-0.1	4.8
Result from unconsolidated investments	0.1		0.1
Ordinary result before taxes	92.4	16.8	109.2
Extraordinary result		-23.7	-23.7
Result before taxes	92.4	-6.9	85.5
Taxes	-20.1	-4.0	-24.1
Group result	72.3	-10.9	61.4

3 Currency translation rates

		Year-end exchange rates 2015	Year-end exchange rates 2014	Annual average rates 2015	Annual average rates 2014
		CHF	CHF	CHF	CHF
Euro area	1 EUR	1.08	1.20	1.07	1.21
USA	1 USD	1.00	0.99	0.96	0.91
Great Britain	1 GBP	1.48	1.54	1.47	1.51
Sweden	100 SEK	11.79	12.80	11.41	13.35
China	100 CNY	15.35	15.96	15.31	14.83
South Korea	100 KRW	0.08	0.09	0.09	0.09
Japan	100 JPY	0.83	0.83	0.80	0.87

4 Changes in inventory and own work capitalized

	2015	2014
	CHF m	CHF m
Change in inventory	-2.3	8.5
Own work capitalized		0.2
Total	-2.3	8.7

The change in inventory is due to the change in inventories of semifinished products, work in progress and finished products.

5 Cost of materials

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

Changes in inventories of semifinished products, work in progress and finished products have a significant influence on the cost of materials in relation to total revenue. Adjusted for this effect, the material rate was 0.8 percentage points higher than the previous year.

6 Personnel expenses

	2015	2014
	CHF m	CHF m
Wages and salaries	231.7	244.0
Social security benefits	44.0	47.2
Other personnel expenses	7.9	6.9
Total	283.6	298.1

In addition to contributions to state pension plans, social security benefits include the contributions to pension funds described in note 27 on page 88. The Sporting Goods and Foam Materials business units incurred restructuring costs of CHF 2.9 million in the reporting year.

The fixed compensation of members of the Board of Directors is paid in cash and shares (approx. 50 % each) which are restricted for a period of four years. For members of the Executive Committee, there is a share-based performance component (LTI) that is deferred for four years. In the reporting year, the share-based compensation of the Board of Directors and Executive Committee amounted to CHF 1.4 million. A detailed description of the share-based compensation is given in note 25 on page 86.

7 Other operating expenses

Other operating expenses include the cost of repairs and maintenance on property, plant and equipment, sales provisions, expenses for guarantees, assembly, transport and energy, as well as sundry expenses for production, development, sales and administration. The Sporting Goods, Foam Materials and Graphic Coatings business units incurred restructuring costs of CHF 1.2 million in the reporting year. In the previous year, on the basis of official reassessments, the Real Estate business unit was able to reverse provisions and impairments for inherited environmental liabilities in the amount of CHF 10.5 million, recognized in the income statement.

8 Financial result

	2015	2014
	CHF m	CHF m
Financial income	1.2	5.4
Financial expenses	-3.8	-0.6
Total	-2.6	4.8

Financial income contains interest income of CHF 0.9 million (previous year: CHF 1.3 million) and the book gain on the assets of the employer contribution reserves of CHF 0.3 million (CHF 1.9 million). In the previous year, this item still included income from marketable securities of CHF 0.1 million and currency gains of CHF 2.1 million. Financial expenses of CHF 3.8 million (CHF 0.6 million) contain interest expense of CHF 0.7 million (CHF 0.6 million), arising in part from the financing of sites abroad and currency losses of CHF 3.1 million from the valuation of liquid assets, short-term loans between Group companies, and other financial assets.

9 Extraordinary result

The extraordinary result comprises the reversal of provisions no longer required and accruals and deferrals of CHF 0.9 million from the disposal of the Automation System business unit as well as transaction costs of CHF 1.5 million for the spin-off of Plazza. The previous year's result concerned a profit of CHF 2.5 million from the sale of two non-operational properties in La Chaux-de-Fonds and Necker (Switzerland) as well as a loss of CHF 26.3 million incurred through the disposal of the Automation Systems business unit.

10 Taxes

	2015	2014
	CHF m	CHF m
Current taxes on income	22.8	24.5
Deferred taxes	-4.6	-0.4
Total	18.2	24.1

Current taxes on income include taxes paid and owed on taxable income of the individual companies in accordance with local tax laws. The taxable results of subsidiaries belonging to the tax group in Germany are transferred to the controlling company, Conzzeta Holding Deutschland AG. Deferred taxes are calculated individually per tax subject using the actual expected tax rate.

	Tax rate 2015	Income taxes 2015	Tax rate 2014	Income taxes 2014
	in %	CHF m	in %	CHF m
Average applicable tax rate and income taxes as a proportion of ordinary earnings (before consideration of tax loss carryforwards)	25.1	19.6	21.2	23.2
Effects of change tax loss carryforwards	-2.7	-2.1	3.5	3.8
Average applicable tax rate and income taxes as a proportion of ordinary earnings (after consideration of tax loss carryforwards)	22.4	17.5	24.7	27.0
Other influences	0.8	0.7	-2.6	-2.9
Effective tax rate and income taxes as a proportion of ordinary earnings	23.2	18.2	22.1	24.1

The evaluation of active deferred taxes using current income tax rates is based on temporary differences in individual companies. The active deferred taxes from recognized loss carryforwards as well as temporary valuation differences amount to CHF 10.6 million (previous year: CHF 7.3 million). In view of uncertainties regarding the future scope for offsetting, the tax effects from loss carryforwards amounting to CHF 11.1 million (CHF 17.5 million) were not capitalized. This evaluation is based on the projected income tax rates.

11 Earnings per share

	2015	2014
	CHF m	CHF m
Group profit	59 295 000	61 406 000
Average number of registered shares A (par value: CHF 10)		1 748 268
Average number of registered shares B (par value: CHF 2)		1 162 640
Average number of registered shares A (par value: CHF 2)	1 826 772	
Average number of registered shares B (par value: CHF 0.40)	1 215 000	
Earnings per registered share A	28.65	31.00
Earnings per registered share B	5.73	6.20

In the previous year, registered shares A (par value: CHF 10) and registered shares B (par value: CHF 2) were issued. Splitting of the Conzzeta shares in a ratio of 1:4 took place on June 22, 2015.

Earnings per category of share were calculated on the basis of the portion of net income attributable to the shareholders in Conzzeta AG, on the basis of their portion of the share capital and the average number of outstanding shares (issued shares less treasury shares). To facilitate comparison, the average number of shares before share split has been adjusted retroactively.

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

Consolidated balance sheet

12 Securities

The securities are monetary investments denominated in CHF with a term of more than 90 days. The increase is mainly attributable to a monetary investment of CHF 130.0 million with a notice period of more than 90 days, which was entered into as a consequence of the introduction of negative interest rates, leading to reclassification from cash and cash equivalents to securities.

13 Trade receivables

	2015	2014
	CHF m	CHF m
Trade receivables	162.8	181.8
Provision	-14.3	-18.6
Total	148.5	163.2

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

14 Other receivables

Other receivables consist mainly of recoverable value-added tax and other tax credits.

15 Inventories

	2015	2014
	CHF m	CHF m
Raw materials and supplies	64.1	68.8
Merchandise for resale	60.7	73.6
Semifinished products and work in progress	31.2	37.5
Finished products	71.6	76.3
Total	227.6	256.2

The decrease in raw materials and supplies as well as merchandise for resale is due to a lower purchasing volume. Merchandise for resale is largely accounted for by the Sporting Goods business unit. The decrease in semifinished products and work in progress is attributable to lower inventories in Machinery and Systems Engineering. The delivery by the Glass Processing business unit of a large installation that was in transit last year led to a reduction in finished products. Overall, the value adjustments on inventories amounted to CHF 50.9 million (previous year: CHF 49.2 million).

16 Property, plant and equipment

	Undeveloped real estate	Properties for rent	Factory buildings	Plant and machinery	Fixtures and fittings, vehicles	Assets under construction	Total property, plant and equipment
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Cost							
At 12/31/2013	11.1	226.2	259.2	196.4	60.8	7.6	761.3
Currency translation effects			0.1	0.4	0.2		0.7
Changes in scope of consolidation			11.7	9.2	-2.1		18.8
Additions			1.6	6.3	5.5	8.7	22.1
Disposals		-4.1		-4.5	-4.7		-13.3
Reclassifications			4.7	2.0	0.1	-6.8	-
Cost at 12/31/2014	11.1	222.1	277.3	209.8	59.8	9.5	789.6
Currency translation effects	-0.1		-9.8	-7.8	-2.2	-0.3	-20.2
Changes in scope of consolidation	-4.9	-222.1			-0.5	-8.6	-236.1
Additions			0.4	6.6	5.9	3.1	16.0
Disposals				-3.0	-5.8		-8.8
Reclassifications			1.1	0.7	0.1	-1.9	-
Cost at 12/31/2015	6.1	-	269.0	206.3	57.3	1.8	540.5
Accumulated depreciation							
At 12/31/2013	1.5	139.9	122.8	147.1	43.9	-	455.2
Currency translation effects			-0.1		0.1		-
Changes in scope of consolidation			-0.3	7.9	-1.6		6.0
Ordinary depreciation		4.1	7.4	9.7	6.2		27.4
Extraordinary depreciation					0.1		0.1
Disposals	-0.9	-3.6		-4.4	-4.4		-13.3
Accumulated depreciation at 12/31/2014	0.6	140.4	129.8	160.3	44.3	-	475.4
Currency translation effects			-2.7	-5.5	-1.6		-9.8
Changes in scope of consolidation	-0.6	-142.4			-0.3		-143.3
Ordinary depreciation		2.0	7.1	9.3	5.7		24.1
Extraordinary depreciation					0.1		0.1
Disposals				-2.9	-5.6		-8.5
Accumulated depreciation at 12/31/2015	-	-	134.2	161.2	42.6	-	338.0
Net book value of property, plant and equipment at 12/31/2014							
	10.5	81.7	147.5	49.5	15.5	9.5	314.2
Net book value of property, plant and equipment at 12/31/2015							
	6.1	-	134.8	45.1	14.7	1.8	202.5

The change in the scope of consolidation includes the disposals of property, plant and equipment resulting from the spin-off of the Real Estate business unit. Additions under plant and machinery include major investments in the Sheet Metal Processing business unit at the production site in Niederönz (Switzerland) and in the Foam Materials business unit at the production site in Leverkusen (Germany). The figure for fixtures, fittings and vehicles includes major expenditure in the Sporting Goods business unit on monobrand stores and shop-in-shop concepts in Switzerland, Germany and the Asia region. The additions in assets under construction are payments for refurbishment of a building in the Graphic Coatings business unit at Adliswil (Switzerland) and for the residential property development at Wallisellen (Switzerland) in the Real Estate business unit.

17 Financial assets

	2015	2014
	CHF m	CHF m
Non-consolidated investments	0.3	0.4
Long-term receivables and loans	18.8	16.6
Securities held as fixed assets	2.2	2.1
Employer contribution reserves held as assets	27.4	27.1
Active deferred taxes	10.6	7.3
Total	59.3	53.5

The long-term receivables and loans comprise long-term hire-purchase business with customers, loans to third parties and deposits for rents. A value adjustment was made on the financial assets amounting to CHF 8.0 million (previous year: CHF 8.1 million). Depreciation of CHF 0.5 million has been charged to the current period.

The statement of the change in the employer contribution reserves held as assets can be found in note 27, Employee pension funds, on page 88, and the statement of the change in deferred tax assets in note 10, Taxes, on page 77f.

18 Intangible assets

Software and licenses

	2015	2014
	CHF m	CHF m
Cost		
At 1/1	43.1	40.2
Currency translation effects	-0.7	
Changes in scope of consolidation		-1.5
Additions	4.2	4.9
Disposals	-0.4	-0.5
Cost at 12/31	46.2	43.1
Accumulated depreciation		
At 1/1	34.4	32.5
Currency translation effects	-0.6	
Changes in scope of consolidation		-0.6
Ordinary depreciation	3.8	3.0
Disposals	-0.4	-0.5
Accumulated depreciation at 12/31	37.2	34.4
Net book value of intangible assets at 1/1	8.7	7.7
Net book value of intangible assets at 12/31	9.0	8.7

Additions in asset values for software and licenses include costs for major investments for the start of a global rollout of CRM software in the Sheet Metal Processing business unit and the development of a web shop in the Sporting Goods business unit.

Goodwill

The goodwill resulting from acquisitions is offset against equity at the time of acquisition. For the shadow accounting, the goodwill is amortized in principle on a straight-line basis over its estimated useful life, normally five years.

The change in the scope of consolidation under goodwill results from the acquisition of Bergschule Uri (Switzerland) in the Sporting Goods business unit. The goodwill disposals are fully depreciated values which can no longer be assigned a measurable value.

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

Theoretical asset register – goodwill

	2015	2014
	CHF m	CHF m
Cost		
At 1/1	37.9	9.8
Currency translation effects	-2.9	-0.4
Changes in scope of consolidation	0.8	28.5
Disposals	-4.5	
Cost at 12/31	31.3	37.9
Accumulated depreciation		
At 1/1	10.6	7.7
Currency translation effects	-0.3	
Ordinary depreciation	3.3	2.9
Disposals	-4.5	
Accumulated depreciation at 12/31	9.1	10.6
Net book value of goodwill at 1/1	27.3	2.1
Net book value of goodwill at 12/31	22.2	27.3

Impact on income statement

	2015	2014
	CHF m	CHF m
Operating result	80.8	104.3
EBIT margin in %	7.1 %	8.7 %
Amortization of goodwill	-3.3	-2.9
Theoretical operating result (EBIT), incl. amortization of goodwill	77.5	101.4
Theoretical EBIT margin in %	6.8 %	8.4 %
Group result	59.3	61.4
Amortization of goodwill	-3.3	-2.9
Theoretical Group result, incl. amortization of goodwill	56.0	58.5

Impact on balance sheet

	2015	2014
	CHF m	CHF m
Equity as per balance sheet	959.9	1 132.8
Theoretical activation of net book value of goodwill	22.2	27.3
Theoretical equity, incl. net book value of goodwill	982.1	1 160.1
Equity as % of total assets	78.6 %	78.1 %
Theoretical equity, incl. net book value of goodwill as % of total assets	79.0 %	78.5 %

19 Advance payments from customers

Customer payments on account originate from the companies in the Machinery and Systems Engineering business area.

20 Financial liabilities

	Book value	Amount in foreign currency		Maturity	Interest rate
		CHF m	Foreign currency million		
Financial liabilities					
Bank current account	2.4	CNY	15.0	short-term	6,9
Bank current account	3.3	JPY	405.0	short-term	0,5–0,7
Bank loan	6.8	USD	6.9	long-term	1,4
Financial liabilities 12/31/2014	12.5				
of which short-term	5.7				
Bank current account	1.5	CNY	10.0	short-term	5,6
Bank current account	5.6	JPY	675.0	short-term	0,5–0,8
Bank loan	6.5	USD	6.5	long-term	1,5
Financial liabilities 12/31/2015	13.6				
of which short-term	7.1				

The financial liabilities are recorded at par value.

21 Other short-term liabilities

The other short-term liabilities consist mainly of taxes owed and social security contributions. In the previous year, the item also contained liabilities due to former Tegula shareholders and the purchasers of the Automation Systems business unit.

22 Accrued expenses and deferred income

	2015	2014
	CHF m	CHF m
Accruals and deferrals for taxes	7.3	13.1
Accruals and deferrals for personnel expenses	26.2	28.9
Other accruals and deferrals	29.0	34.1
Total	62.5	76.1

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

23 Provisions

	Deferred taxes	Environmental commitments	Guarantees	Restructuring	Other provisions	Total provisions
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Provisions						
At 12/31/2013	20.0	21.9	21.2	0.1	23.2	86.4
Currency translation effects			0.1		0.1	0.2
Changes in scope of consolidation	0.4		-0.4		-0.9	-0.9
Additions	4.6	0.2	25.9	0.9	8.6	40.2
Amounts used		-0.2	-22.6		-7.4	-30.2
Amounts reversed	-3.1	-10.0	-2.9		-1.5	-17.5
Provisions at 12/31/2014	21.9	11.9	21.3	1.0	22.1	78.2
of which short-term		0.3	17.4	0.8	3.3	21.8
Currency translation effects	-0.2		-1.0	-0.1	-0.4	-1.7
Changes in scope of consolidation	-1.3	-9.8			-1.1	-12.2
Additions	0.2		31.0	3.0	2.9	37.1
Amounts used			-25.8	-0.8	-5.3	-31.9
Amounts reversed	-1.3	-0.1	-3.1	-0.1	-2.6	-7.2
Provisions at 12/31/2015	19.3	2.0	22.4	3.0	15.6	62.3
of which short-term			18.4	3.0	1.1	22.5

There are land holdings which contain waste or noxious materials due to previous operating activities and landfilling. These are shown in the register of polluted sites. The liability status and the necessary measures have been assessed by an expert, but uncertainties attach to some of the findings regarding the nature and extent of the liability. Where liability-related, future-based costs arise on legal or factual grounds, an appropriate provision is formed to cover the estimated costs. The provisions for environmental commitments were discounted at a rate of 2.5 % (previous year: 2.5 %). Most of the provisions were eliminated through the spin-off of the Real Estate business unit. In the reporting year, CHF 0.1 million was released upon completion of remediation work. In the previous year, reassessment of the disposal costs at one site led to the provisions being increased by CHF 0.2 million, while the cost of the completed remediation measures amounted to CHF 0.2 million. In the previous year, a reversal of CHF 10.0 million was possible following an official reassessment.

The decision of the Swiss National Bank on January 15, 2015, to discontinue the minimum euro rate led to restructuring measures in the Sporting Goods and Foam Materials business units and a resulting increase in provisions. Under restructuring, the amounts used and reversed concern provisions for the restructuring measures in the Glass Processing Systems business unit, which were announced in previous years.

The guarantee provisions are held mainly in the Sheet Metal Processing and Glass Processing business units. They relate to product sales and are based on past experience. Experience shows the corresponding outflow of funds is evenly spread over the warranty period of one to two years.

More than half the other provisions were formed for various pending legal disputes. These are essentially cases concerning controversial contracts, intellectual property rights and employment law. The timing of the outflow of funds relating to this litigation is uncertain since it depends on the outcome of negotiations or legal proceedings. The remainder of the other provisions comprises mainly commitments arising from the normal conduct of business. The composition of these commitments is various and includes provisions for onerous contracts on purchase commitments from framework purchasing contracts, as well as provisions for seniority and anniversary premiums and old-age provision which do not qualify as pension obligations. The timing of the future outflow of funds relating to these items is also uncertain.

24 Share capital

The share capital of CHF 4.1 million is divided into 1 827 000 registered shares A with a nominal value of CHF 2 each and 1 215 000 registered shares B with a nominal value of CHF 0.40 each.

25 Treasury shares/share-based compensation

In 2015, for the first time, 1 900 registered shares A were acquired at an average transaction price of CHF 622 for the share-based compensation of the Board of Directors and Executive Committee; these formed part of Conzzeta AG's holding at the balance sheet date. In each case, the transaction price corresponded to the market value.

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

For members of the Executive Committee, there is a share-based performance component (LTI) that is deferred for four years. During the blocking period, participants are not permitted to sell, assign, transfer, pledge or otherwise encumber the allocated shares. This variable share-based, performance-related component of compensation for the Executive Committee amounts to 20% for the CEO and 15% for the other members of the Executive Committee. In the case of the LTI, the whole LTI target amount was allocated in shares for the 2015 reporting year. For fiscal years 2016 and 2017, during a transition phase, members of the Executive Committee will have two options: either to take the entire payout in shares or to receive shares plus a partial cash payout of maximum 70% in 2016 and 40% in 2017.

The number of shares allocated to the Executive Committee is calculated on the basis of the average share price (between November 1 and January 31), contingent on the earnings per share (EPS) for the reporting year. After the transition period, members of the Executive Committee are granted a 10% discount.

The value of the share-based, performance-related component and the corresponding number of shares (LTI) are determined by the Board of Directors in the year following completion of the respective financial statement. Personnel expenses contain deferred expenses amounting to CHF 1.4 million for the share-based component of compensation for the Board of Directors and Executive Committee.

Consolidated cash flow statement

26 Divestment and acquisition of business activities

	2015 Disposal	2015 Purchase	2014 Disposal	2014 Purchase
	CHF m	CHF m	CHF m	CHF m
Current assets			28.3	-5.5
Fixed assets			4.7	-16.3
Short-term liabilities		0.2	-28.1	2.1
Long-term liabilities			-4.9	0.5
Net assets divested or acquired		0.2		-19.2
Less/Plus cash and cash equivalents			-3.5	1.1
Subtotal		0.2	-3.5	-18.1
Goodwill		-0.8		-28.5
Liabilities and other non-cash items	-9.0		17.1	
Result from divestment of business activities	0.9		-26.3	
Net cash flow	-8.1	-0.6	-12.7	-46.6

The cash flow from disposal of business activities is to be recognized in the sales transaction of the discontinued Automation Systems business unit in the previous year. The cash flow from purchases arose in connection with the acquisition of Bergschule Uri (Switzerland) in the Sporting Goods business unit. In the previous year, the Foam Materials business unit acquired the Benien Group (Germany).

Further information

27 Employee pension funds

	Balance sheet 12/31/2015	Balance sheet 12/31/2014	Result in personnel expenses 2015	Result in personnel expenses 2014	Result in financial income 2015	Result in financial income 2014
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Employer contribution reserves						
Employer-funded pension fund	27.4	27.1			0.3	1.9

The financial result of CHF 0.3 million (previous year: CHF 1.9 million) comprises the return on the asset investment. In the reporting year, neither contributions nor waivers were registered.

	Surplus/ deficit 12/31/2015	Economic benefit/ obligation 12/31/2015	Economic benefit/ obligation 12/31/2014	Currency translation effect	Contributions to be allocated to reporting period	Current service cost in personnel expenses 2015	Current service cost in personnel expenses 2014
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Economic benefit/obligation and current service cost							
Employer-funded pension fund	5.0						
Pension funds with surplus					10.5	10.5	10.3
Pension funds with deficit	-0.7	-0.7	-0.8	-0.1	0.5	0.5	1.1
Pension funds without own assets		-0.4	-0.4				
Total	4.3	-1.1	-1.2	-0.1	11.0	11.0	11.4

In the previous year, the surpluses/deficits amounted to CHF 5.5 million and the contributions to be allocated to the reporting period were CHF 10.6 million.

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

28 Contingent liabilities

In connection with customer financing, there are repurchase obligations against leasing companies for machinery amounting to CHF 44.6 million (CHF 34.7 million). Assets to the value of CHF 3.0 million (CHF 3.3 million) are held with retention of title as security for bank loans. There are sureties for rental obligations of franchise stores amounting to CHF 2.3 million (CHF 5.4 million).

29 Other commitments

Commitments not recognized in the balance sheet comprise operational leasing contracts with a period of notice longer than one year.

Maturity of operational leasing contracts at 12/31	2015	2014
	CHF m	CHF m
Under 1 year	7.6	6.4
1 to 5 years	16.0	15.0
Over 5 years	4.5	4.3
Total	28.1	25.7

30 Derivative financial instruments

Values at 12/31	2015	2014
	CHF m	CHF m
Contract values	35.7	
Replacement value, positive	1.3	
Replacement value, negative	0.3	

The contracts were entered into as a hedge against exchange risks on future cash flows in various currencies. In addition to these currency hedges, an interest-rate hedging transaction is outstanding for a loan with a contract value of CHF 9.0 million and a negative replacement value of CHF 0.2 million. The change in value of derivative instruments still outstanding as per balance sheet date is recognized in equity.

31 Related-party transactions

Transactions with related parties consist of normal business transactions under normal market conditions, with associated companies acting as commercial agents and distributors.

	2015	2014
	CHF m	CHF m
Trade receivables	1.1	1.9
Financial assets		0.1
Net revenue	2.3	3.4
Commission expenses	2.0	2.3

32 Compensation and shareholdings

The compensation paid to members of the Board of Directors and the Executive Committee is reported in the remuneration report on pages 48ff. Their investments in Conzzeta AG are disclosed in the notes to the financial statements of Conzzeta AG on pages 99f.

33 Events after the balance sheet date

The consolidated financial statements were approved for publication by the Board of Directors on March 18, 2016. They are also subject to approval by the Annual General Meeting.

The Foam Materials business unit acquired Hydra Sponge in Washington, Missouri (USA), as per January 5, 2016. Hydra Sponge makes technical foams for the North American cleaning market, supplying consumers via dealers and other sales partners. The company, which has 30 employees, generated revenues of around CHF 6 million in 2015.

List of consolidated companies by business unit

Company, domicile	Notes	Country	Company capital	Investments in % direct	Investments in % indirect
Sheet Metal Processing					
Bystronic Laser AG, Niederönz		CH	CHF	50 000	100
Bystronic Maschinenbau GmbH, Gotha		DE	EUR	3 400 100	100
Bystronic (Tianjin) Machinery Co. Ltd, Tianjin		CN	USD	6 095 600	100
Bystronic (Tianjin) Laser Ltd, Tianjin		CN	USD	8 000 000	100
Bystronic, Inc., Elgin IL		US	USD	250 000	100
Bystronic Scandinavia AB, Rosersberg		SE	SEK	200 000	100
Bystronic France SAS, Les Ulis		FR	EUR	2 500 000	100
Bystronic Italia S.r.l., Bovisio Masciago		IT	EUR	900 000	100
Bystronic Deutschland GmbH, Heimsheim		DE	EUR	52 000	100
Bystronic Co. Ltd, Shanghai		CN	USD	1 000 000	100
Bystronic Ibérica S.A., San Sebastián de los Reyes		ES	EUR	262 000	100
Bystronic Mexico S.A. de C.V., Guadalajara		MX	MXN	2 500 000	100
Bystronic Austria GmbH, Linz		AT	EUR	300 000	100
Bystronic do Brasil Ltda., Colombo PR		BR	BRL	5 000 000	100
Bystronic Pte. Ltd, Singapore		SG	SGD	2 500 000	100
Bystronic Benelux B.V., Hardinxveld-Giessendam		NL	EUR	18 151	100
Bystronic UK Ltd, Coventry		GB	GBP	1 200 000	100
Bystronic Sales AG, Niederönz		CH	CHF	2 000 000	100
Bystronic Korea Ltd, Anyang-si		KR	KRW	6 000 000 000	100
Bystronic Polska Sp. z o.o., Raszyn		PL	PLN	1 000 000	100
Bystronic Czech Republic s.r.o., Brno		CZ	CZK	6 000 000	100
Bystronic Laser India Private Ltd, Pune		IN	INR	34 130 000	100
Bystronic Lazer ve Su Isinlari Makineleri Sanayi ve Ticaret Limited Sirketi, Istanbul		TR	TRY	660 000	100
Bystronic Japan Ltd., Tokyo		JP	JPY	10 000 000	100
Bystronic Canada Ltd, Mississauga ON		CA	CAD	100 000	100
OOO Bystronic Laser, Moscow		RU	RUB	30 000 000	100
S.C. Bystronic Laser S.R.L., Brasov		RO	RON	3 277 000	100
Bystronic International Laser Ltd, New Taipei City		TW	TWD	5 000 000	100
LLC Bystronic Ukraine, Kyiv		UA	UAH	172 200	100
Sporting Goods					
Mammut Sports Group AG, Seon		CH	CHF	25 000 000	100
Mammut Sports Group GmbH, Wolfertschwenden		DE	EUR	500 000	100
Mammut Sports Group, Inc., Williston VT		US	USD	51	100
Mammut A Jungilak AS, Oslo		NO	NOK	2 000 000	100
Mammut Sports Group Japan Inc., Tokyo		JP	JPY	30 000 000	100
Mammut UK Ltd, Macclesfield		GB	GBP	1 000	100
Mammut Korea, Inc., Seoul		KR	KRW	1 250 000 000	100
Mammut Outdoor Equipment (Beijing) Co. Ltd, Beijing		CN	USD	1 500 000	100
Foam Materials					
Fritz Nauer AG, Wolfhausen		CH	CHF	5 000 000	100
Reisgies Schaumstoffe GmbH, Leverkusen		DE	EUR	1 000 000	100
Frina Mousse France S.à r.l., Wittenheim		FR	EUR	117 386	100
Büttikofer AG, Gontenschwil		CH	CHF	250 000	100

Company, domicile	Notes	Country		Company capital	Investments in % direct	Investments in % indirect
Swisstex, Inc., Greenville SC		US	USD	2 023 640		100
Foampartner-Bock AG, Zug		CH	CHF	1 000 000		50
Foampartner-Bock Trading (Shanghai) Ltd, Shanghai		CN	USD	600 000		50
Foampartner-Bock Polyurethane Materials (Changzhou) Co. Ltd, Changzhou		CN	USD	14 250 000		50
Woodbridge FoamPartner Company, Chattanooga TN		US	USD	2 000 000		51
Kureta GmbH, Stadtallendorf		DE	EUR	100 000		100
FoamPartner Singapore Pte. Ltd, Singapore		SG	SGD	100 000		100
Benien Produktionstechnik GmbH, Delmenhorst		DE	EUR	500 000		100
Benien Aerospace GmbH, Delmenhorst		DE	EUR	25 000		100
Benieni GmbH, Delmenhorst		DE	EUR	25 000		100
FoamPartner Holding Inc., Wilmington DE	1	US	USD	1		100

Graphic Coatings

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

Glass Processing

Bystronic Maschinen AG, Bützberg		CH	CHF	100 000	100	
Bystronic Lenhardt GmbH, Neuhausen-Hamberg		DE	EUR	2 050 000		100
Bystronic Glass Machinery (Shanghai) Co. Ltd, Shanghai		CN	EUR	4 300 000		100
Bystronic Glass UK Ltd, Telford		GB	GBP	700 000		100
Bystronic Asia Pte. Ltd, Singapore		SG	SGD	1 000 000		100
Bystronic Glass do Brasil Maquinas para Vidros Ltda., Indaiatuba SP		BR	BRL	3 494 779		100
OOO Bystronic Steklo RUS, Moscow		RU	RUB	64 975 930		100
Bystronic Glass (Shanghai) Co. Ltd, Shanghai		CN	USD	1 900 000		100
Bystronic Glass, Inc., Aurora CO		US	USD	250 000		100

Automation Systems

ixmation AG, Burgdorf	2	CH				
ixmation, Inc., Roselle IL	2	US				
ixmation (Asia) Sdn. Bhd., Penang	2	MY				
ixmation (Suzhou) Co. Ltd, Suzhou	2	CN				
ixmation (Tianjin) Co. Ltd, Tianjin	2	CN				

Real Estate

Plazza Immobilien AG, Zurich	3	CH				
Plazza Immobilienmanagement AG, Zürich	3	CH				

Holding and Management Companies

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

Associated Companies

Mammut Sports Group Austria GmbH, Steyr		AT	EUR	363 400		25.1
Mammut Nederland B.V., Benthuisen	4	NL				
Values First Consulting Sdn. Bhd., Penang	2	MY				

Notes

- 1 Incorporation at 12/8/2015
3 Spin-off at 6/26/2015

- 2 Divestment at 7/1/2014
4 Divestment at 11/30/2015

Statutory auditor's report

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Conzzeta AG, Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Conzzeta AG on pages 62 to 91, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes for the year ended December 31, 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This Responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2015, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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.

KPMG AG

Hanspeter Stocker
Licensed Audit Expert
Auditor in Charge

Reto Kaufmann
Licensed Audit Expert

Zurich, March 18, 2016

Income statement – Conzzeta AG

	2015	2014
	CHF 1 000	CHF 1 000
Income		
Income from equity holdings	59 600	59 500
Financial income	1 738	9 536
Total income	61 338	69 036
Expenses		
Financial expenses	-6 620	-396
Personnel expenses	-1 375	-1 141
Other operating expenses	-3 971	-5 034
Sale of equity holdings, expenses	-2 625	-23 664
Total expenses	-14 591	-30 235
Net income	46 747	38 801

Balance sheet at December 31 – Conzzeta AG

	2015	2014
	CHF 1 000	CHF 1 000
Assets		
Cash and cash equivalents	467 291	556 912
Securities listed on stock exchange		8 148
Other accounts receivable		
from third parties	218	378
Prepaid expenses and accrued income	1 979	186
Current assets	469 488	565 624
Financial assets		
Receivables from equity holdings	102 287	186 620
Other financial assets from third parties	5 994	5 881
Equity holdings	230 901	190 728
Fixed assets	339 182	383 229
Total assets	808 670	948 853
Liabilities and shareholders' equity		
Trade accounts payable		
towards third parties	19	202
Other payables		
towards third parties		3 000
towards associates	290	5 422
Accrued expenses and deferred income	3 037	465
Short-term liabilities	3 346	9 089
Interest-bearing liabilities towards equity holdings	10 484	21 492
Provisions		7 495
Long-term liabilities	10 484	28 987
Share capital	4 140	5 175
Legal capital reserves		
Reserve from capital contributions	72	72
Other capital reserves	96 702	120 878
Legal retained earnings	13 409	16 761
Voluntary retained earnings	500 000	600 000
Retained earnings	181 699	167 891
Treasury shares	- 1 182	
Shareholders' equity	794 840	910 777
Total liabilities and shareholders' equity	808 670	948 853

Notes to the financial statements – Conzzeta AG

Principles of accounting and valuation

General

The 2015 financial statements of Conzzeta AG have been prepared for the first time in accordance with the provisions on accounting and financial reporting (Title 32 of the Swiss Code of Obligations). The significant valuation policies applied, over and above those required by law, are described in the following. To ensure comparability, the previous years' figures in the balance sheet and income statement have been adjusted to the new classification.

Waiver of cash flow statement and additional information in the Notes

Conzzeta AG draws up consolidated accounts in conformity with a recognized accounting standard (Swiss GAAP FER). Therefore, in the present financial statements the company has abstained, in accordance with the legal requirements, from providing notes with additional information about interest-bearing liabilities and auditing fees, as well as from presenting a cash flow statement.

Securities

The securities are marketable, readily realizable monetary and capital investments (including structured financial products). They are shown at market value. It was decided to abstain from creating a value fluctuation reserve.

Financial assets

The financial investments comprise securities held as a long-term investment. Loans granted in foreign currencies are valued at year-end exchange rates; unrealized losses are recognized, but not unrealized profits (Imparity Principle).

Interest-bearing liabilities

Interest-bearing liabilities are shown at par value.

Treasury shares

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

Share-based compensation

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

Additional information on the income statement and balance sheet

Income

The investment income for the year amounted to CHF 59.6 million (previous year: CHF 59.5 million). The dividend payments by the subsidiaries were determined in relation to available retained earnings and liquidity requirements. The financial income amounted to CHF 1.7 million (CHF 9.5 million) and comprises the interest income on accounts receivable from equity holdings of CHF 1.4 million (CHF 7.7 million) and the interest income from third parties amounting to CHF 0.3 million (CHF 0.5 million). In the previous year, this item still contained currency gains on liquid assets of CHF 1.2 million and gains on securities of CHF 0.1 million.

Expenses

The financial expenses of CHF 6.6 million (CHF 0.4 million) result from interest on liabilities towards equity holdings and short-term bank loans of CHF 0.1 million (CHF 0.1 million) as well as currency losses of CHF 6.5 million (CHF 0.3 million) on accounts receivable from equity holdings and liquid assets. Personnel and other operating expenses include current administration expenses, the cost of organizing the Annual General Meeting, the production of the annual report, project costs, taxes on capital, as well as fees to the Board of Directors. Expenses from sale of equity holdings relate to the divestment of the Automation Systems business unit.

Current assets

The liquid assets of CHF 467.3 million (CHF 556.9 million) consist of bank balances almost exclusively in CHF. Other accounts receivable from third parties are made up of withholding tax claims on interest income and interest receivable on recoverable input tax. The prepaid expenses and accrued income comprise, in addition to deferred expenses, mainly accruals for balances from exchange rate hedges of CHF 1.9 million.

Fixed assets

The financial investments comprise securities held as a long-term investment. Most Group financing is handled by the holding company. Accounts receivable from equity holdings decreased in the reporting year by CHF 84.3 million and now amount to CHF 102.3 million. The figure for investments in the balance sheet is CHF 230.9 million (CHF 190.7 million). In the reporting year, the Real Estate business unit was spun off and loans were converted into equity.

Liabilities

The accrued expenses and deferred income comprise, in addition to an accrual of expenses, mainly accruals for debts resulting from exchange rate hedges of CHF 2.5 million.

Shareholders' equity

The share capital of CHF 4.1 million (CHF 5.2 million) consists of 1 827 000 registered shares A and 1 215 000 registered shares B. In the reporting year, the share capital was reduced by CHF 1.1 million as a result of the spin-off of Piazza. The spin-off also led to a decrease in other capital reserves, legal retained earnings and voluntary retained earnings. In 2015, for the first time, 1 900 registered shares A were acquired at an average transaction price of CHF 622 for the share-based compensation of the Board of Directors and Executive Committee; these formed part of the company's holding at the balance sheet date. In each case, the transaction price corresponded to the market value.

Further information

Full-time positions

Conzzeta AG has no employees.

Contingent liabilities

	2015	2014
	CHF 1 000	CHF 1 000
Sureties and guarantee obligations for subsidiaries	98 216	103 168
Effective obligations	15 777	19 393

Equity holdings

See overview on page 90f. The voting shares correspond to the capital shares.

Significant shareholders

		2015	2014
		%	%
"ASS" shareholder group	Capital rights	28.9	55.8
	Voting rights	51.1	69.3

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

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

	Registered shares A 12/31/2015	Registered shares A 12/31/2014	Registered shares B 12/31/2015	Registered shares B 12/31/2014
	Number	Number	Number	Number
Board of Directors				
E. Bärtschi, Chairman	368	92		
M. Auer, Member	28 424		1 008	252
W. Dubach, Member	7 312	1 148		
P. Mosimann, Member	676	169		
J. Schmidheiny, Member	129 112	258	420	105
R. F. Spoerry, Member	12 244	58	148	37

M. Auer, J. Schmidheiny and R. F. Spoerry hold further registered shares under a shareholder agreement within the "ASS" shareholder group, see pages 27f. of the Corporate Governance report.

	Registered shares A 12/31/2015	Registered shares A 12/31/2014	Registered shares B 12/31/2015	Registered shares B 12/31/2014
	Number	Number	Number	Number
Executive Committee				
R. Suter, Group CEO (until February 2, 2015)		12		
K. W. Kelterborn, Group CFO	36	9		
R. G. Schmid, Head of the Sporting Goods business unit	48	12		
R. Siegle, Head of the Real Estate business unit (until June 30, 2015)		5		

In comparison with the previous year, it should be noted that the Conzzeta shares, following the decision of the Annual General Meeting of June 22, 2015, were split in a ratio of 1 to 4.

The compensation to members of the Board of Directors and Executive Committee is shown in the Compensation Report on pages 48ff.

Share-based compensation

The fixed compensation for members of the Board of Directors is paid in cash and shares (approx. 50% each) which are restricted for a period of four years. Neither discounts nor performance components are taken into consideration when calculating the share allocation of the Board of Directors. The calculation is based on the average share price for the three months from November 1 to January 31. Personnel expenses contain deferred expenses amounting to CHF 0.6 million for the share-based component of compensation for the Board of Directors.

Proposed appropriation of available earnings – Conzzeta AG

	2015	2014
	CHF	CHF
The Board of Directors proposes to the Annual General Meeting on April 26, 2016, that the total sum available for appropriation to the Annual General Meeting, consisting of:		
Net income for the year	46 747 079	38 801 033
Retained earnings carried forward from previous year (after spin-off of Piazza)	134 952 369	129 089 486
Retained earnings	181 699 448	167 890 519
Treasury shares (held directly)	1 182 349	
Total sum available for appropriation	180 517 099	167 890 519

be appropriated as follows:

Dividend of CHF 10 per registered share A (previous year: CHF 50)	18 270 000	22 837 500
Dividend of CHF 2 per registered share B (previous year: CHF 10)	2 430 000	3 037 500
Transfer to the voluntary retained earnings	50 000 000	
Retained earnings to be carried forward	110 999 448	142 015 519

If this proposal is approved, the dividend distribution for the 2015 reporting year will be:

	Gross dividend	35 % withholding tax	Net dividend
	CHF	CHF	CHF
Per registered share A	10.00	3.50	6.50
Per registered share B	2.00	0.70	1.30

The dividend will be paid out with the value date of May 2, 2016.

Statutory auditor's report – Conzzeta AG

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Conzzeta AG, Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Conzzeta AG on pages 95 to 100, which comprise the balance sheet, income statement and notes for the year ended December 31, 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2015, comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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.

KPMG AG

Hanspeter Stocker
Licensed Audit Expert
Auditor in Charge

Reto Kaufmann
Licensed Audit Expert

Zurich, March 18, 2016

Further information

106 Five-year summary

108 Information for investors

Five-year summary

		2015	2014	2013 ¹	2012 ¹	2011 ¹
Consolidated income statement						
Net revenue	CHF m	1 140.8	1 195.7	1 194.0	1 161.5	1 128.1
Operating result	CHF m	80.8	104.3	89.7	55.3	61.9
Extraordinary result	CHF m	- 0.6	- 23.7	3.0	8.5	1.1
Group result	CHF m	59.3	61.4	75.4	46.3	52.1
Consolidated balance sheet						
Current assets	CHF m	950.9	1 074.7	973.6	904.6	982.8
Fixed assets	CHF m	270.8	376.4	360.8	364.6	369.4
Short-term liabilities	CHF m	213.7	252.9	253.0	242.5	266.1
Long-term liabilities	CHF m	48.1	65.4	72.6	69.3	73.0
Shareholders' equity	CHF m	959.9	1 132.8	1 008.8	957.4	1 013.1
Total assets	CHF m	1 221.7	1 451.1	1 334.4	1 269.2	1 352.2
Shareholders' equity as % of total assets	%	78.6	78.1	75.6	75.4	74.9
Net operating assets/employees						
Net operating assets	CHF m	413.3	517.4	507.0	551.9	547.0
Employees at year-end	Number	3 479	3 337	3 548	3 627	3 576
Average employees in full-time positions	Number	3 425	3 500	3 584	3 604	3 507
Net revenue per full-time position	CHF thousand	333.0	341.6	333.1	322.3	321.7
Personnel expenses per full-time position	CHF thousand	82.8	85.2	80.2	84.7	80.2

¹ As of the beginning of 2014, goodwill acquired has no longer been capitalized and depreciated, but offset against equity. The 2013 figures have been adjusted accordingly. The figures for the years 2011 and 2012 have not been adjusted.

		2015	2014	2013 ¹	2012 ¹	2011 ¹	
Share information							
Share capital	CHF m	4.1	5.2	46.0	46.0	46.0	
Number of shares issued at 12/31							
Registered shares A	Number	1 827 000	456 750	406 000 ²	406 000	406 000	
Registered shares B	Number	1 215 000	303 750	270 000	270 000	270 000	
Market prices of registered shares A ³							
High	CHF	696.17	716.52	381.86	392.67	477.51	
Low	CHF	536.96	367.99	295.04	288.20	311.61	
Year-end	CHF	639.00	637.76	373.58	299.72	324.04	
Total dividend	CHF m	20.7 ⁴	25.9	41.4 ⁵	18.4	99.8	
Key indicators per share							
Group result	per registered share A ⁶	CHF	28.65	31.00	39.19	24.08	27.06
	per registered share B ⁶	CHF	5.73	6.20	7.84	4.82	5.41
Cash flow from operating activities	per registered share A ⁶	CHF	41.93	52.49	60.11	37.81	9.43
	per registered share B ⁶	CHF	8.39	10.50	12.02	7.56	1.89
Shareholders' equity							
equity	per registered share A ⁶	CHF	464.15	547.24	548.23	520.34	550.57
	per registered share B ⁶	CHF	92.83	109.45	109.65	104.07	110.11
Gross dividend	per registered share A	CHF	10.00 ⁴	50.00	90.00 ⁵	40.00	217.00
	per registered share B	CHF	2.00 ⁴	10.00	18.00 ⁵	8.00	43.40

¹ As of the beginning of 2014, goodwill acquired has no longer been capitalized and depreciated, but offset against equity. The 2013 figures have been adjusted accordingly. The figures for the years 2011 and 2012 have not been adjusted.

² In previous years, bearer shares were issued.

³ The historical stock market prices were adjusted by SIX Swiss Exchange.

⁴ As proposed by the Board of Directors.

⁵ Payment by way of a reduction of the share capital through par value reduction.

⁶ For better comparability, the previous year's figures have been retrospectively adjusted to take account of the 1:4 share split.

Information for investors

2016

Tuesday, April 26	Ordinary General Meeting at the Lake Side, Zurich
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Monday, May 2	Payment of dividends
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Friday, August 12	Half-year results as at June 30, 2016
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2017

Tuesday, March 21	Year-end results as at December 31, 2016
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Tuesday, April 25	Ordinary General Meeting at the Zurich Marriott Hotel
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Investor Relations

Michael Stäheli
investor@conzzeta.com

Ticker symbols

Valor no. 24401750
ISIN CH0244017502
SIX Swiss Exchange CON
Reuters CONC.S
Bloomberg CON:SW

Further information about the company,
calendar dates and contacts can be found
at www.conzzeta.com/Investors.

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