PIONEER AND TECHNOLOGY LEADER

Annual Report
2020

komax

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

Komax has set itself ambitious targets for the period up to 2023 – for growth and profitability. Through its business strategy, which is geared to long-term success, Komax aims to create sustainable value, an approach which also benefits its shareholders.

KEY FIGURES

in TCHF	2020	2019	+/– in %
Order intake	**345 349**	408 682	–15.5
Gross profit	**199 860**	258 930	–22.8
in % of revenues	**61.0**	62.0	
Investments in non-current assets	**25 811**	54 448	–52.6
Free cash flow	**15 435**	–36 886	–141.8
Net working capital[1]	**155 232**	188 860	–17.8
in % of revenues	**52.5**	47.0	
Total assets	**452 089**	481 236	–6.1
Net debt	**92 426**	106 224	–13.0

328m

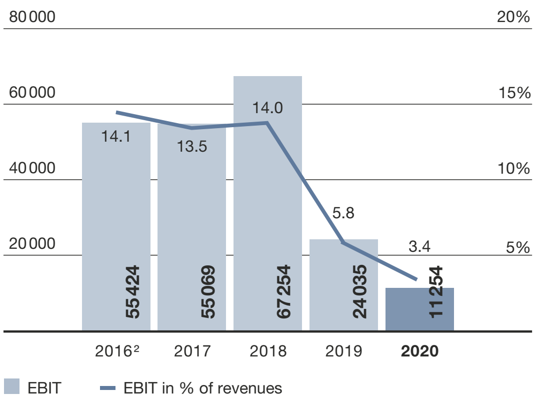
Revenues in CHF (2019: 418m)

3.7%

RONCE (2019: 8.4%)

Operating profit (EBIT)

in TCHF



2 095

Headcount as at 31.12.2020 (31.12.2019: 2211 employees)

–0.34

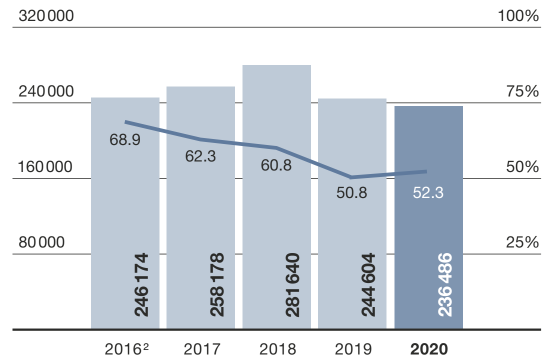
Basic earnings in CHF (2019: 3.44)

–1.2 ppts

Foreign currency impact on the EBIT margin (2019: –0.8 ppts)

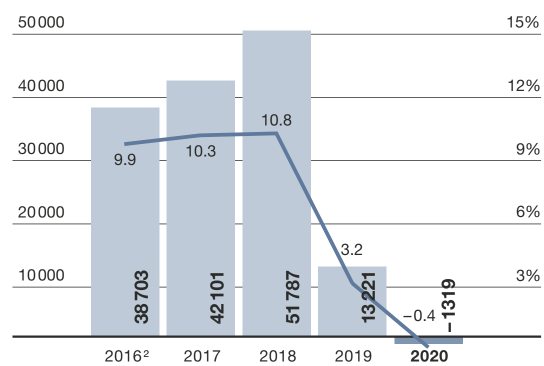
[1] Net working capital: receivables plus inventories less current liabilities.
[2] Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly.

Shareholders' equity
in TCHF



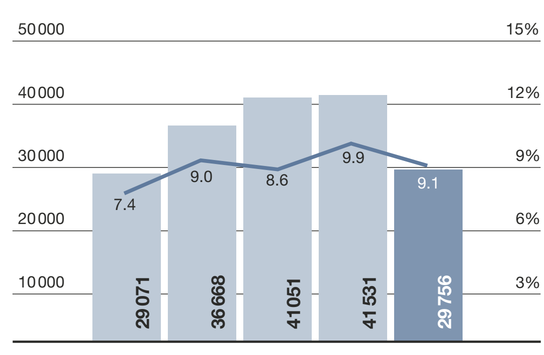
Shareholders' equity — Shareholders' equity in % of total assets

Group earnings after taxes (EAT)
in TCHF



EAT — EAT in % of revenues

R&D expenditure
in TCHF



R&D — R&D in % of revenues

DEAR SHAREHOLDER

The coronavirus pandemic posed a significant challenge for the Komax Group in 2020 and had a substantial impact on the result for the year. The slump in demand in the automotive industry triggered a sizeable decrease in order intake and revenues. Thanks to the swift implementation of comprehensive cost-cutting measures, Komax proved the robustness of its business model, recording EBIT of CHF 11.3 million despite the adverse circumstances.

The automotive industry, in which Komax generates around 80% of its revenues, was drastically affected by the coronavirus pandemic in 2020. Many automotive plants were shut down for a number of weeks, operating at reduced capacity utilization levels over several months. This resulted in only 74 million vehicles being produced worldwide in 2020 according to analyses by IHS Markit, a drop of some 15 million versus 2019. This marked decline in production volumes left many Komax customers facing excess capacities. As a consequence, they significantly scaled back their investments in automation solutions, which correlate directly to the number of vehicles produced.

Its broad product portfolio and customer proximity allowed Komax to keep the decline in demand within limits, however, and it recorded an order intake of CHF 345.3 million. This represents a decrease of 15.5% on the previous year (CHF 408.7 million). Customer demand remained solid in particular for solutions linked to new technologies such as autonomous driving and e-mobility, and/or which play a role in further increasing the level of automation in wire processing. Revenues were down 21.6% to CHF 327.6 million (2019: CHF 417.8 million). This revenue result was attributable to a sizeable organic decline (–20.8%), acquisition-driven growth (+2.6%), and negative foreign currency effects (–3.4%). The market situation improved gradually from mid-2020 on, so much so that both order intake (first half 2020: CHF 143.8 million, second half 2020: CHF 201.5 million) and revenues (first half 2020: CHF 145.2 million, second half 2020: CHF 182.4 million) were significantly higher in the second half of the year than in the first, with the last few months of 2020 in particular contributing to this increase.

Global decline in revenues

The decline in revenues was considerable in all regions and, at –32.8%, was most substantial in North/South America. The impact of the coronavirus pandemic was felt last of all in this market area. Accordingly, the recovery also set in later here than in other regions and was, in fact, still outstanding in South America. Komax registered its lowest drops in sales in Asia (–9.5%) and Africa (–12.2%). Asia witnessed the most rapid improvement in the market situation, which was almost back at the prior-year level towards the end of 2020. In Europe, Komax posted revenues that were down 23.4% on the 2019 figure. At the mid-year point, the decline amounted to 32.4%, the biggest drop of all the regions. In evidence for several years already, the trend among wire manufacturers towards relocating part of their production to North Africa due to a growing shortage of personnel in Eastern Europe continued in 2020.

The coronavirus pandemic also made itself felt in the other market segments in which Komax operates. Aerospace was especially hard hit, recording even bigger falls than the automotive industry. Of all the market segments, industrial fared best in the crisis year of 2020. Industrial customers such as control cabinet manufacturers, for instance, remained focused on increasing the level of automation and thus productivity in wire processing, investing in Komax solutions as a result.

Comprehensive cost-cutting measures

Given the lack of volume business in particular in 2020, a business which makes a disproportionately high contribution to Komax's operating profit (EBIT), EBIT declined by 53.2%

to CHF 11.3 million (2019: CHF 24.0 million). The EBIT margin narrowed from 5.8% to 3.4%, with negative foreign currency effects accounting for a contraction of 1.2 percentage points in the margin compared with the previous year. In the first half of 2020, when the market situation was even worse, EBIT amounted to CHF –4.7 million (second half 2020: CHF 16.0 million).

Since Komax reacted swiftly, putting in place comprehensive cost-saving measures as early as the first quarter of the year, it was able to mitigate the negative financial repercussions. Action taken included structural adjustments, the introduction of short-time working, a reduction in external services (e.g. research and development), and a downsizing of positions around the world. Overall, Komax reduced its workforce by around 10%, although a number of employees at various companies will not leave the Group until the first half of 2021.

As a consequence of the cost-saving measures, research and development expenditure decreased to CHF 29.8 million (2019: CHF 41.5 million) or 9.1% (2019: 9.9%) of revenues, which is roughly in line with the strategic target of 8%–9%. Despite this considerable scaling back of the spend on innovation, which was due primarily to short-time working, Komax launched a number of new products in 2020, thereby underscoring its technology leadership.

Solid financial foundation

Group earnings after taxes (EAT) decreased by 110.0% to CHF –1.3 million (2019: CHF 13.2 million). Both the financial result of CHF –8.9 million (2019: CHF –4.9 million) and the extraordinary tax rate of 156.7% (2019: 31.1%) weighed on the result. The tax rate can be attributed to the fact that Komax does not capitalize tax-loss carry forwards. Over the medium term, Komax is expecting a tax rate in the vicinity of 20%. The financial result comprises above all unrealized foreign exchange losses on loans to subsidiaries in emerging markets as well as higher interest costs.

2020 confirmed that Komax has a solid financial foundation that gives it operating flexibility even in challenging market environments. As at 31 December 2020, shareholders' equity totaled CHF 236.5 million (2019: CHF 244.6 million), while the equity ratio stood at 52.3% (2019: 50.8%).

Reduction in net debt

Despite the many challenges faced, Komax decreased its net debt by 13.0% in 2020 to CHF 92.4 million (2019: CHF 106.2 million), which will also bring down the level of interest charges in the future. Free cash flow likewise witnessed a positive development, amounting to CHF 15.4 million, after the significantly negative figure recorded in 2019 (CHF –36.9 million). A particular contributory factor here was the lower level of investment activity compared with the previous year.

In 2020, Komax invested primarily in the completion of the new production and development building at its headquarters in Switzerland. The move into the building took place in the first half of the year, and April saw the first machines being produced there. The extension building, in which Komax invested over CHF 75 million between 2017 and 2020, is designed as a vertical factory with total floor space of more than 20 000 m^2, spread across a lower ground floor, ground floor and five stories. As the move to the new building allowed Komax to give up a rented site, it now operates just two locations in Switzerland.

Waiver of dividend

In accordance with its strategic goals, every year Komax seeks to distribute 50%–60% of Group earnings after taxes to its shareholders. Since this result was negative in 2020, the Board of Directors is proposing to the Annual General Meeting to be held on 14 April 2021 that the distribution of a dividend be waived.

Outlook

The crisis year of 2020 showed that customers continue to target a significant increase in the level of automation in wire processing going forward. Trends such as autonomous driving and e-mobility will remain drivers of growth for Komax. The current market situation is better than in the year just past, but visibility as regards how business will develop is low. Given the vehicle production volumes forecast, our capacity planning is geared to revenues of around 10% lower than in 2019. Depending on how revenues develop, we have the necessary flexibility to be able to adapt costs. Although the parameters have changed, Komax is sticking with its mid-term targets: by 2023, Komax is seeking to achieve revenues of CHF 450–550 million and EBIT of CHF 50–80 million.

Yours sincerely,

Dr. Beat Kälin
Chairman of the
Board of Directors

Matijas Meyer
CEO

9 March 2021

AROUND THE WORLD

The Komax Group has a presence in all key production regions of its customers. Having had its finger on the pulse of industry for more than 45 years, Komax is able to develop appropriate, high-value, and innovative automation solutions for local requirements in global markets.

20 engineering and production sites

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

- ■ Komax: production, sales, and service
- ● Komax: sales and service
- ○ Sales representative

Headquarters:
Komax Holding AG
Dierikon, Switzerland

60 countries with sales and service support

43 Komax companies worldwide

GLOBAL LOCAL

Customer proximity together with short reaction and supply times are crucial to success. This is why Komax has been applying the motto “global local” for many years now – global production with a unique local sales, engineering, and service network across all continents. Komax produces standardized products and customer-specific systems at 20 locations worldwide. More than 2 000 employees currently work in the 43 companies of the Komax Group.

Komax has production sites spread across five continents: the company’s standardized (off-the-shelf) products for wire processing are manufactured at locations in Switzerland, Belgium, Germany, France, China, Japan, Singapore, and the US. The test systems of the TSK brand (see page 38) are manufactured in Germany, Bulgaria, Turkey, Mexico, Brazil, Morocco, Tunisia, and China. Customer proximity is very important when it comes to ensuring short supply times for testing adapters. Customer-specific systems are produced at sites in Switzerland, Belgium, Germany, France, Hungary, China, and the US. Thanks to its production sites in all the most important market regions of the world, Komax meets the expectations of its global customers, who require their suppliers to have a local presence. What is more, in the age of the coronavirus pandemic, it is a recipe for success if potential supply problems can be reduced thanks to short delivery distances. In 2020, Komax expanded its network with an additional production site for testing systems in Tangier, Morocco. Komax now has a production site both inside and outside the free trade zone in Tangier.

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

Unique selling proposition: distribution and service network

The Komax Group has a unique global presence that enables it to provide efficient and competent support to its locally and globally active customers at all times. It provides sales and service support in more than 60 countries through its subsidiaries and independent agents. Customers can also submit their orders via the e-commerce platform Komax Direct. Around 240 employees work in Komax’s global service organization.

Komax Academy – a comprehensive range of On.Site and On.Line training courses

Part of the service provided by Komax is to help its customers to use and maintain the acquired machines and testing systems properly in order to minimize outages caused by operating or maintenance errors. To achieve this objective, the Komax Academy provides a modular training program at three levels of competence – basic, advanced, and specialist – including certification. The training modules are aligned with the various customer needs, e.g. those of new and experienced operators, service and maintenance personnel, shift managers, quality control staff, etc. Depending on the machine and level of competence, courses last from 1 to 10 days and take place at Komax Group locations worldwide.

Well-trained employees are more productive and achieve a higher and more consistent level of quality thanks to optimally installed, operated, and maintained Komax products. This is why the Komax Academy provides its customers with On.Site and On.Line training courses.

Participants receive certification based on both theoretical and practical learning assessments involving standardized global criteria with identical quality levels. Experience shows that with well-trained employees, machine installation times can be reduced, and unplanned outages avoided. This translates into increased productivity as well as goods of a higher and more consistent quality.

The Komax Academy also offers over 100 training courses online in Chinese, German, English, French, and Spanish. Each course can be booked individually, is available online 24/7, and can be completed in 30 to 45 minutes.

Streamlining structures

In 2020, Komax adapted structures at various companies to be able to react more flexibly and shorten communication and decision-making processes. The structure of the Komax Group with its 40-plus companies was also optimized. Among other things, this included consolidation of Komax's production sites in North America. Komax now produces TSK brand-testing systems for its customers solely at its new site in Ciudad Juárez, Mexico (opened in 2020), rather than in El Paso, USA, and in Irapuato, Mexico, as it did previously.

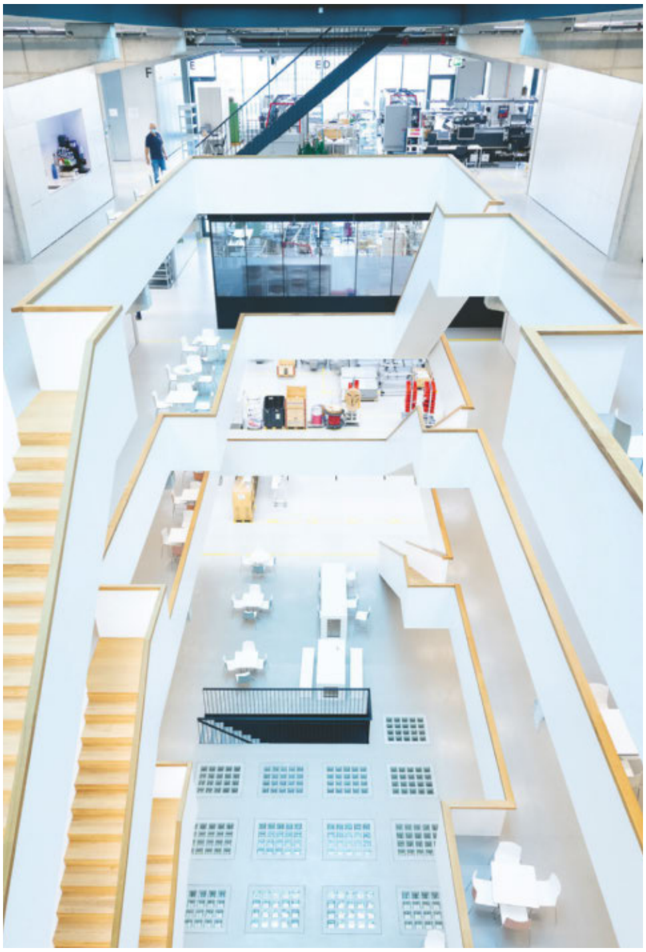
Komax further streamlined its structures effective 1 January 2021: in France, Laselec SA and Komax France Sàrl. were amalgamated to form Komax Laselec SA, headquartered in Toulouse, while in the US, Komax Corporation and the Artos Engineering Company were merged to form Komax Corporation, domiciled in Buffalo Grove. The existing Artos site in Brookfield will continue to operate as usual but is now part of the Komax Corporation organization. This enables processes to be optimized and organized more efficiently and systems to be streamlined, thus ensuring an even better customer focus in North America. Products manufactured in Toulouse and Brookfield will continue to be sold under the brand names of Laselec and Artos.

Innovation center as a vertical factory

At the beginning of 2020, Komax achieved a major milestone at its headquarters in Dierikon: some two-and-a-half years after construction started, staff began moving into the new production and development building – a project in which Komax has invested more than CHF 75 million. The newbuild is connected to the previous building and boasts total floor space of over 20 000 m², spread across the lower ground floor, ground floor, and five stories. The production of machines in the newbuild commenced in April. Since giving up its rented site in Küssnacht am Rigi at the end of 2020, Komax now has just two locations in Switzerland, namely in Dierikon and Rotkreuz.

Vertical factory facts

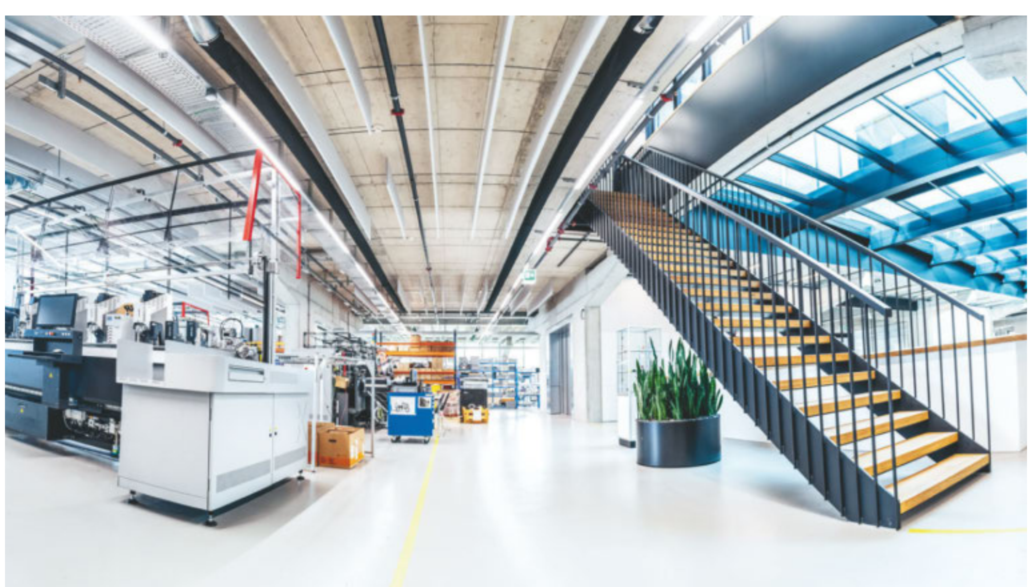
- Construction start: 16 August 2017
- Workload: over 820 000 person-hours or 420 person-years
- Excavated material: 27 500 m³ of earth, rubble, etc.
- Structural statics: 3 000 t of reinforcing steel, 28 km of tensioning rope, and 45 500 t of concrete
- Facade: 290 t of glass
- Climate-friendly low-tech approach, including natural lighting and thermal activation of building components to regulate temperature



To ensure optimum utilization of the available space, the new innovation center was designed as a vertical factory offering maximum flexibility of use. This means that each story can be used for production as well as office activities. Support-free halls with wide window facades offer maximum freedom when it comes to the arrangement of production lines and open-plan offices. If the exchange of knowledge is to work optimally and the innovation process accelerated, paths need to be short. That is why production and R&D are located together on the individual stories. Extending over four stories containing coffee and discussion areas, the light-soaked atrium offers an opportunity for informal exchange and fosters interdisciplinary teamwork. The coronavirus pandemic prevented this from happening in 2020, however, as the majority of office staff were working from home.

The lower ground floor houses the state-of-the-art, automated small-parts storage area with up to 21 000 containers holding a wide range of different articles. If an article is required, the corresponding container is transported on an autonomous robotic carrier via a track system to the ground floor. There the requested articles are picked manually. The robotic carrier then brings the article to the story where it is needed by the assembly worker to install in the machine.

The light-soaked newbuild is a convenient place for production and R&D staff to interact.



IN THE GRIP OF THE PANDEMIC

The coronavirus pandemic has hit the automotive industry hard, leading to a substantial decline in global vehicle production. This left wire manufacturers facing surplus capacity and significantly reduced their need for automation solutions. Solutions for new technologies in connection with trends such as autonomous driving and e-mobility nonetheless remained in demand.

According to IHS Markit analyses, some 74 million cars and light commercial vehicles were manufactured worldwide in 2020. Representing a decrease of 16.7% or 14.9 million vehicles, this is considerably less than in 2019. Compared with 2017, the year with the highest production volume to date, around 22% or 21 million fewer vehicles were manufactured in 2020. The reason for this sharp decline was the coronavirus pandemic, which forced many automotive plants around the world to shut down for weeks in the first half of 2020. As a consequence, only around 30 million vehicles were manufactured in the first six months of the year. In the second half, the production volume increased to approximately 44 million vehicles, reaching the level recorded in 2019, a year in which a total of some 89 million vehicles were manufactured.

All regions witnessed a year-on-year reduction in vehicle production in 2020. The smallest decline was recorded in China. Following a strong slowdown in production in the first few months of the year, China's automotive market recovered faster from the pandemic than was the case in other regions of the world. As a result, despite everything, 23.4 million vehicles were manufactured by the end of the year, representing a decrease of only 1.2 million or 5% against 2019. China thus remains by far the world's biggest automotive producer. In the year under review, over 30% of all cars and light commercial vehicles were manufactured in China. In other regions of Asia as well as in North America (–20%), Europe (–22%), and South America (–31%), production volumes decreased much more substantially than in China. In total, around 55% of all vehicles were produced in Asia, i.e. 3 percentage points more than in 2019.

Substantially higher production volume in 2021

The coronavirus pandemic is not yet over, but IHS Markit is expecting the automotive industry's recovery to continue and global production volumes to grow in 2021. IHS Markit forecasts that around 84 million vehicles will be produced, exceeding the 2020 figure by some 10 million, or almost 14%. For 2022, IHS Markit is projecting an increase to a good 88 million vehicles, which would correspond to the pre-pandemic level of 2019.

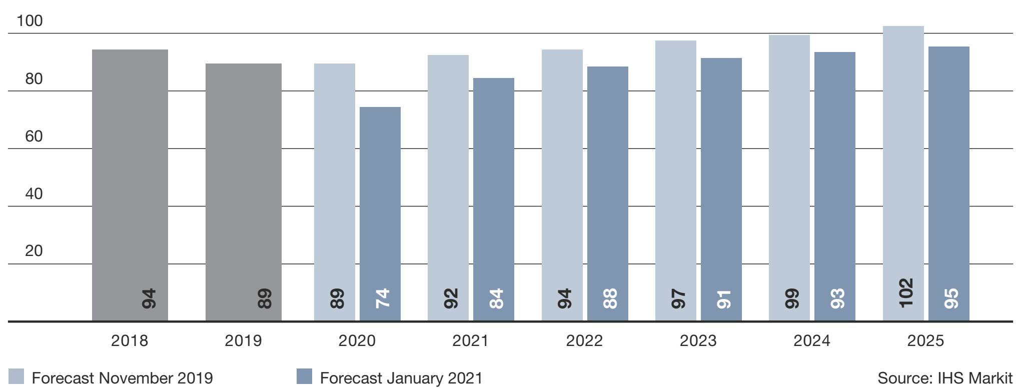
IHS Markit is predicting very strong growth of 24.6%, or 3.2 million vehicles, in North America in 2021. An increase of this magnitude would lift North America's production level back to its 2019 figure of a good 16 million vehicles. The expected 5.6% rise, i.e. 1.3 million vehicles, should also return China to its 2019 production level in 2021. Growth projections in South America are likewise promising: up 35.1%, or 0.8 million vehicles. Europe's recovery is progressing at a slower pace. Although Europe, too, is set to see a sizeable increase in production volumes in 2021 – up 15.1%, or 2.5 million vehicles – the European automotive industry will still fall short of the 2019 level by over 2 million vehicles.

Gradual recovery after coronavirus pandemic

The following chart clearly illustrates the effects of the coronavirus pandemic on the expected development of production volumes in the automotive industry. While the pre-crisis level will probably be reached again in various regions as early as 2021, in November 2019 IHS Markit was forecasting even higher production volumes for the coming years. For instance, 92 million vehicles were projected for 2021; now only 84 million are expected. Given that it is difficult to predict how fast the recovery will be following the outlier year 2020, the figures below must be regarded as just a snapshot in time. Forecasts were revised monthly in the course of 2020, with the low point reached in July, when IHS Markit was predicting a production volume of only 78.6 million vehicles in 2021.

Number of passenger cars and light commercial vehicles produced

in million



Source: IHS Markit

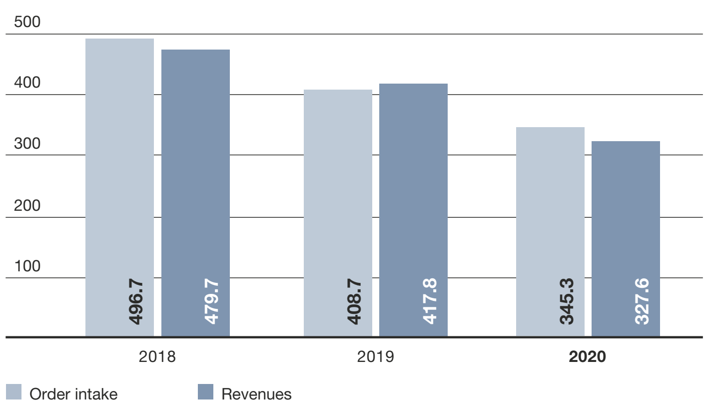
Automotive industry in a state of flux

Independently of the coronavirus pandemic, the automotive industry is in a state of flux. Issues such as e-mobility, digitalization, and autonomous driving play a key role, necessitating very sizeable investments from automotive manufacturers. While it is exciting for motorists to follow this trend, many are left unsure as to the consequences. A great many consumers are presently uncertain about which drive technology to opt for when buying a new vehicle and whether the time is ripe to switch to a newer technology. The selection is large, and automotive groups have announced a lot of new models for the years ahead. In addition to fuel- and diesel-powered vehicles, there are alternatives such as electric, hybrid, plug-in hybrid, natural gas, and fuel cell vehicles. In addition to this uncertainty, the coronavirus pandemic left consumers very reluctant to invest, prompting them to delay or put off purchase decisions.

Slump in volume-based business

Markedly lower production volumes in the automotive industry translated into a sizeable decrease in order intake and revenues at Komax in 2020. Approximately one third of Komax's revenues hinge on the number of vehicles produced. In 2020, this figure plunged drastically, after having already decreased significantly in 2019 owing to a sluggish automotive industry. If production volumes drop as sharply as in 2020, the majority of wire manufacturers have sufficient capacity to handle their orders or even have excess capacity. In such a situation, demand for wire processing machines for volume-based business is minimal. This is also due in no small part to individual customers moving machines between plants to manage capacity. The outcome for Komax was a 15.5% reduction in order intake to CHF 345.3 million and a 21.6% slide in revenues to CHF 327.6 million.

Order intake and revenues
in CHF million



If Komax were dependent entirely on the number of vehicles produced per year, the decrease in revenues in 2020 would have been much more severe. Excess capacity does not cause customers to invest less in machines for volume-based business; it causes them not to invest in these machines at all. Thanks to its broad product portfolio and customer proximity, Komax has been able to limit the collapse in revenues. Demand remained solid above all for solutions that are linked to new technologies, such as autonomous driving and e-mobility, and/or which play a role in further increasing the level of automation in wire processing, and it was quick to return when automotive plants reopened and started producing again. Bearing in mind that rising wage costs, a lack of staff availability, the trend towards wire miniaturization, and the need for traceability in the individual process steps for quality assurance purposes are decisive factors, customers will continue to come under pressure to further increase the degree of automation at their plants (see also "Global megatrends" beginning on page 30).

Robust industrial market segment

In 2020, the coronavirus pandemic reduced demand for automation solutions not only in the automotive industry, but also in the other market segments in which Komax operates. The decline witnessed in the industrial market segment was much less pronounced than in the automotive industry. Industrial customers such as control cabinet manufacturers, for instance, remained focused on increasing the level of automation in wire processing in order to raise productivity. While the decline in revenues in the data/telecom market segment was also moderate, the aerospace segment witnessed a massive slump. The coronavirus pandemic dealt the aviation industry a harsh blow, leaving numerous airline companies fighting for survival and wiping out demand for new aircraft. Suppliers such as Komax were hit hard not only by the slump in the automotive industry, but also by the drop in aircraft production.

Decline in revenues in all regions

As a consequence of the coronavirus pandemic, all regions reported a decrease in revenues in 2020. At –32.8%, the decline was most substantial in North/South America. Komax registered its lowest drops in sales in Asia (–9.5%) and Africa (–12.2%). Since both regions witnessed a continual improvement in the market situation in the second half of the year, the year-on-year decline was less substantial at the end of 2020 than at mid-year. In the first half of 2020, Africa recorded a 28.3% decline in sales and Asia a decline of 19.0%. Europe too began to stage a recovery from mid-year on, albeit at a slower pace than the two aforementioned regions. Heavily hit by the coronavirus pandemic, Europe suffered the largest drop in revenue (–32.4%) in the first half of the year. 2020 saw a continuation of the trend in evidence for several years already among wire manufacturers towards relocating part of their production to North Africa to offset a growing shortage of personnel in Eastern Europe. The impact of the coronavirus pandemic was felt last of all in North/South America. Accordingly, the recovery set in later than in the other regions and had, in fact, not yet begun in South America.

This regional difference in revenue trends also led to a change in the breakdown of revenues by individual currency from 2019 to 2020. While, for instance, the share in revenue in EUR grew from 45.6% to 50.3% and in CNY from 10.3% to 13.1%, the USD figure slipped from 21.4% to 18.9%. The changes in the key currencies and their respective sensitivities are set out on page 112.

Revenues by region	2020	2019	+/– in %
in TCHF			
Switzerland	**4 864**	8 479	–42.6
Europe	**131 894**	169 991	–22.4
Asia/Pacific	**72 156**	79 767	–9.5
North/South America	**69 862**	103 907	–32.8
Africa	**48 847**	55 627	–12.2
Total	**327 623**	417 771	–21.6

A percentage breakdown of revenues by region can be found on page 95.

Market segments

Komax focuses on four market segments. The core business is the automotive market segment, which accounts for around 80% of revenues. Komax is continuously strengthening its presence in the other three segments – aerospace, data/telecom, and industrial – and exploiting the synergy potential with the core business. All segments benefit from the global service network of the Komax Group and from service offerings such as the Komax Academy (see pages 6 and 7).

Automotive
The automotive segment is by far the most important market segment for Komax. There are a number of reasons for this. In no other industry is the volume of wires to be processed so large. With a current annual production output of 70 to 90 million vehicles, each containing on average some 1 500 wires with 2 500 crimp contacts (see page 33), the demand for automation solutions is enormous. This is because the number of wires per vehicle is continually rising owing to an increase in electrical functions. Although the automotive industry has no peer when it comes to the degree of standardization and automation in the production process, there is still plenty of potential for additional automation steps, as wire harnesses are still manufactured by hand to a large extent.

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

Aerospace

Issues such as safety, lightweight construction, and lower emissions have been at the forefront of developments in aerospace for many years. Komax can draw on the experience gained in these areas when it comes to its core business too, as these themes continue to gain in importance in the automotive industry. Thanks to Toulouse-based Laselec (see page 38), the Komax Group boasts a great deal of aerospace know-how. There is very little automation of wire processing in the aerospace industry. However, as the barriers to entry in this market are very high for suppliers, it has taken several years for Komax to record its first major success. The breakthrough was made in late 2017. Following years of negotiations, towards the end of 2017 Komax succeeded in winning new orders from two leading aerospace companies for several large-scale systems, which since 2019 are being delivered in phases. These systems have taken the automation of wire processing to a level previously unreached in the aerospace industry.

Industrial

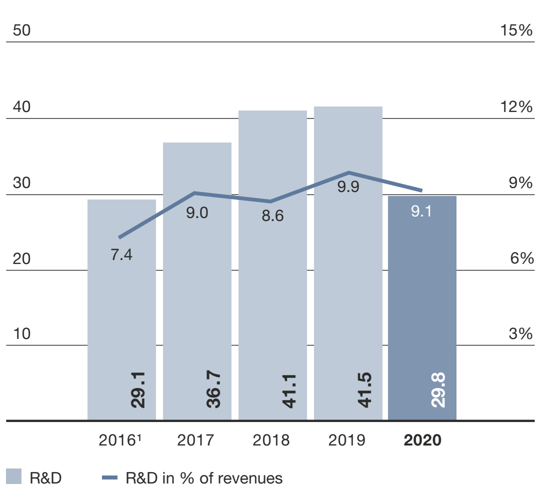
The processing of wires for industrial applications such as control cabinets often involves working with very small batches. To ensure that automation is nevertheless a cost-efficient option for control cabinet manufacturers, Komax has developed specific machines of the Zeta type. These machines manufacture all the various wires that are needed automatically, ensuring that they are in the right sequence and of the right length. This has the effect of reducing manual labor to a minimum. Manual processes such as cutting, stripping, marking, and sleeve insertion are rendered obsolete. Automation of this kind has proven its worth in the area of wire processing in the automotive industry for many years, and is now increasingly finding its way into industrial applications. For the purpose of optimizing the available potential for automating control cabinet construction even more, Komax founded the Smart Cabinet Building Initiative together with technology leaders Weidmüller, Zuken, and Armbruster Engineering in 2020 (see page 21).

OUTSTANDING INNOVATIVE STRENGTH

Innovation is crucial to long-term success. This is why Komax also invests heavily in research and development when times are challenging. Global trends such as e-mobility, autonomous driving, and digitalization allow Komax to develop additional unique selling propositions and consolidate its technology leadership.

Innovation is a key driver of success for Komax. In order to retain market and technology leadership over the long term and stand out with innovative solutions, since 2017 Komax has set itself the goal of spending 8%–9% of Group revenues on research and development (R&D) annually. Prior to that, the target was 7%–8%. The coronavirus pandemic meant that Komax employees in Switzerland, where the company's innovation center is located, were placed on short-time working as of March 2020. As a consequence, R&D expenditure, which largely consists of personnel costs, dropped to CHF 29.8 million (2019: CHF 41.5 million). This amount comprises expenditure on internal development services (CHF 25.1 million) and the development services of third parties (CHF 4.7 million).

R&D expenditure
in CHF million



[1] Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly.

One of the numerous cost-saving measures implemented by Komax was to reduce the external development spend year-on-year by CHF 2.8 million, or over 35%. As revenues decreased less substantially than investments in research and development, the R&D ratio fell from 9.9% to 9.1%.

Since 2016, Komax has spent CHF 178.2 million on R&D, securing a leading position from which to further drive forward the automation of wire processing and actively shape the transition underway in the automotive industry. For Komax this represents a form of decisive investment in an opportunity to leverage additional unique selling propositions and to secure the company's future. Although Komax had to scale down its innovative efforts in 2020 and delay development projects, various innovations could still be driven forward. Over the next few years as well, Komax will thus be presenting its customers with new solutions designed to give them additional competitive advantages.

More than 440 staff employed in R&D and engineering

As at 31 December 2020, the Komax Group employed a total of 264 staff (2019: 241 employees) in the research and development area. The majority of these staff (166 employees) work in Switzerland, which is why the lion's share of R&D expenditure is incurred there. In addition, Komax has development units in Belgium, China, Germany, France, Japan, Singapore, Hungary, and the US. The Group's innovative strength is further bolstered by 178 engineers (2019: 203 engineers), who make an important contribution through the development of customer-specific applications. The personnel costs of these engineering employees are not contained in research and development expenditure if the staff in question have worked directly on customer projects.

Wire harness production of the future

The technological transformation of the automotive industry not only means substantial investments for automotive companies, it also poses a challenge for suppliers, since they need to develop solutions to meet new customer requirements. Issues such as e-mobility, autonomous driving, and digitalization will shape the automotive industry for years to come. Wheels are already being set in motion that will have long-term technological implications. This is why Komax is striving to play an active part in shaping this development. The acquisition of the company Exmore in 2019 strengthened Komax's position in the autonomous driving sector. Exmore focuses on the development of applications relating to the processing of sensor cables. Sensors are essential for making vehicles smarter. When it comes to current trends, Komax also works together with leading companies in the automotive industry.

ARENA2036

One such joint project on which Komax is actively helping shape technological change is underway at the University of Stuttgart's ARENA2036 research campus. ARENA stands for Active Research Environment for the Next Generation of Automobiles, and the year 2036 marks the 150th anniversary of the motor car. ARENA2036 brings science and business together to conduct interdisciplinary research into mobility and automotive production of the future. Collaborating in mixed project groups across company and institute borders facilitates a transfer of expertise. The main focus is on disruptive approaches and springboard innovations. "What does the car of the future look like?" and "How do production processes need to be adapted?" are among the key questions.

An important topic at ARENA2036 is the wire harness, which as one of the most sophisticated, expensive, and complex individual components has assumed increasingly greater significance for the automotive industry – especially in the context of megatrends such as e-mobility and autonomous driving. Komax is therefore strongly committed to the ARENA2036 project "Innovation initiative wire harness" and is heading several subprojects. Under one of these subprojects, guidelines are being drawn up containing rules and recommendations on wire harness design specifications that automotive manufacturers need to meet to achieve efficient and reliable high automation assembly. The number of different components, the complexity of the manufacturing processes, and the actual structure of the wire harness all play a major role. Komax possesses a great deal of experience and know-how in this area and is cooperating under ARENA2036 with leading automotive manufacturers and suppliers such as Aptiv, BMW, Bosch, Daimler, Dräxlmaier, Kromberg & Schubert, Kuka, Nexans, Rosenberger, and Siemens.

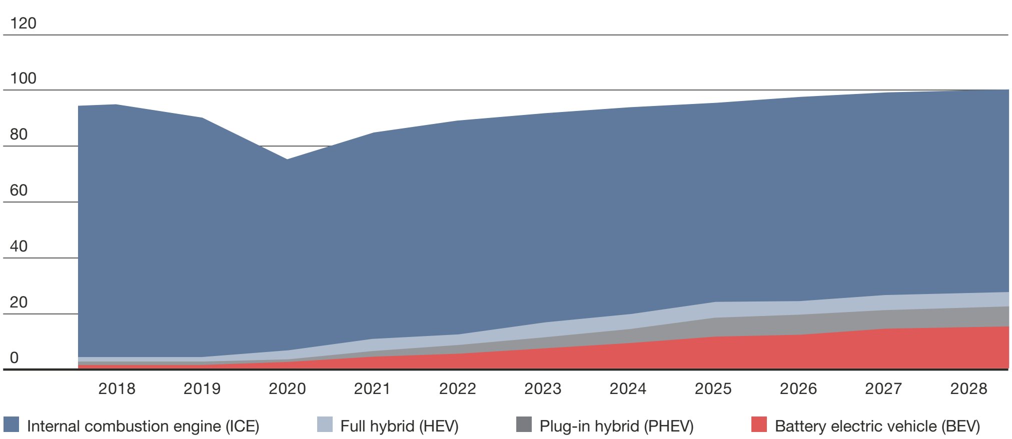
Industry 4.0: interconnectedness thanks to a uniform language

Komax also works with leading companies in the area of digitalization. It is a member of the Open Industry 4.0 Alliance, founded in 2019 by companies in the mechanical engineering, factory automation, and IT industries. The Alliance's goal is to ensure that up to 80% of machines in a smart factory can communicate with each other. This means that all the networked units in a factory's value chain – from the production systems and the intralogistics to the IoT cloud – must speak a uniform language. To this end, the Alliance does not itself develop standards, but draws up a so-called framework which is based on existing norms, standards, and protocols (e.g. OPC UA, IO-Link, RAMI 4.0), thanks to which the units are intercompatible. Komax brings to the network its core technical competencies from the mechanical engineering sector. This Alliance gives Komax an opportunity to actively play a part in shaping Industry 4.0 and so ensure the optimum interconnectedness of newly developed Komax solutions. The Alliance has grown continually since its founding and now numbers some 70 members, including companies such as Beckhoff, Endress+Hauser, Fujitsu, Kuka, Samson, SAP, and TeamViewer.

Accelerated switch to e-mobility

Another area where Komax demonstrates its innovative strength is e-mobility. Of the 74 million vehicles produced in 2020 "only" around two million were electric vehicles, i.e. pure battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs). This is still one million more than in 2019 – despite a significant decline in the number of vehicles produced overall. IHS Markit is projecting that around six million electric vehicles will be produced in 2021. The coronavirus pandemic has accelerated the shift to alternative drives, since in Europe in particular, several countries increased buyers' premiums for electric vehicles during the crisis. This was not yet foreseeable at the end of 2019, when it was predicted that only four million electric vehicles would be produced in 2021.

Number of produced cars and light commercial vehicles by drive technology
in million



Source: IHS Markit und Komax

In 2020, various automotive groups communicated or reinforced their ambitious multibillion plans in the e-mobility sector and announced numerous new electric vehicles for the years ahead. This is in line with national plans to reduce greenhouse gas emissions, a prerequisite for achieving the targets of initiatives such as the Paris Agreement on climate change and the European Green Deal launched by the European Commission. For instance, Denmark, the UK, Israel, the Netherlands, and Sweden declared their intentions to ban the sale of new fuel- and diesel-powered vehicles with effect from 2030. The state of California, the largest auto market in the US, is planning a ban effective 2035. Pressing ahead fastest, however, is Norway, which plans to adopt a ban on sales of new cars with combustion engines in 2025. 54% of all new cars sold in Norway in 2020 were electric vehicles.

The Paris Agreement, the European Green Deal, and various other initiatives are helping to reduce greenhouse gas emissions and to promote alternative drive concepts for vehicles.

Innovative solutions for the processing of high-voltage cables

Komax's e-mobility center of competence in Hungary is clearly feeling a substantial increase in demand for automation solutions for the processing of high-voltage cables in the fast-growing market for electric and hybrid vehicles. In a few years' time, up to 30% of new cars worldwide will be electrically powered. Aggregates such as air conditioning, power-assisted steering, brake boosters, and heating are also being integrated into the high-voltage electrical system. Up until now, most manufacturers have been producing complex high-voltage cables largely by hand. Manual serial production of the required unit quantities is barely feasible any more – and certainly not to the degree of precision demanded and within the specified time frame. In order to be able to ensure efficient and economic processing, it is becoming increasingly crucial to automate processes.

In 2018, Komax already boasted a portfolio of solutions covering the entire value chain from processing high-voltage cables to testing harnesses. Plug manufacturing called for multiple machines from the Lambda 2 series. These are semi-automatic, with every machine needing an operator. Optimum productivity therefore requires a team of several people to process the high-voltage cables in parallel on multiple machines.

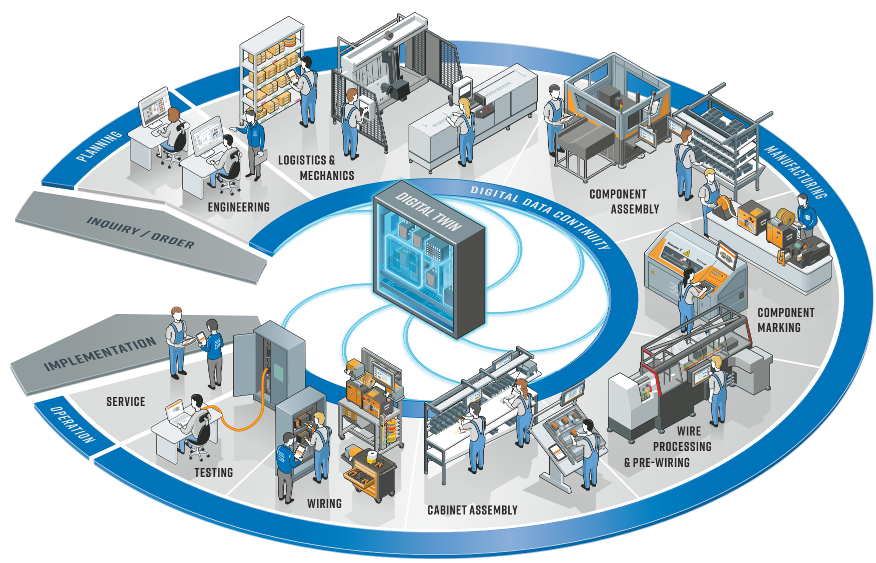
The modular concept allows Komax to provide its customers with different levels of automation, such as the Lambda 440 (left) and the Lambda 240 SP (right).

Komax took the next innovative step forward in 2019 and presented the Lambda 440, the first machine for the automated production of high-voltage cables. The Lambda 440 is a modular platform made up of processing modules from the Lambda 2 series. The various modules can be used as required. Options range up to full automation, where the system manufactures the cable from the preparation stage to housing assembly. Under this process, stations connected in parallel can process different cables simultaneously. When a cable has gone through the first steps and is being prepared for crimping, the first tool is already removing the jacket and foil of the next cable. This saves time and increases productivity. Quality solutions integrated into the system are a guarantee that the stringent quality requirements placed on high-voltage cables are met.

Komax does more than just offer solutions for processing individual high-voltage cables. Its portfolio also contains the Omega 750 MEB, a machine capable of automatically producing complete wire harnesses for electric vehicles. This is a further development of the Omega 750 fully automatic block loader machine. The Omega 750 MEB is used, for example, to manufacture the wire harness for the auxiliary unit for Volkswagen's new modular electric drive matrix (MEB) in an automated process. This wire harness connects the battery with various systems such as air conditioning, battery heat management, or the direct current converter. In addition, the Omega 740 ensures the automated production of heat pump wire harnesses for Tesla’s electric vehicles.

Smart Cabinet Building Initiative – combination of technology and expertise

There is a lot of automation potential available not just in the automotive industry, but for instance in control cabinet construction as well. To be able to lock into this potential to maximum effect, Komax and three leading technology companies – Armbruster Engineering, Weidmüller, and Zuken – launched the Smart Cabinet Building Initiative in 2020. The objective behind smart cabinet building is to combine technology and expertise to provide holistic solutions across all process steps for present and future challenges facing the control cabinet construction sector. The four partners cover everything – from the selection of components through the prefabrication of wire harnesses, operating equipment, and housings to assisted final assembly and pre-commissioning testing.



The areas of expertise of the four partners complement each other ideally. They cover all the process steps in control cabinet construction.

Weidmüller boasts considerable expertise in the automatic assembly and labeling of terminal strips as well as in manual activities. Zuken has unparalleled experience in the field of digital development data as needed for fully automatic wire assembly on Komax machines. And with its many years of know-how in assisted assembly, Armbruster Engineering rounds out the Initiative team.

In order for the individual process steps to be interconnected, a full digital description of the control cabinet and its components is crucial. The so-called digital twin was created for this purpose. It is used to control the various process steps and allows key optimization potential to be fully leveraged. The systematic collaboration that characterizes the Smart Cabinet Building Initiative means the digital twin can be deployed to maximum effect. This in turn will enable Komax and its partners to increase automation and efficiency levels in the control cabinet construction sector going forward.

SMART FACTORY by KOMAX

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

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

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

The challenge: sustained high quality at low costs

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

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

What benefits does SMART FACTORY by KOMAX have to offer?

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

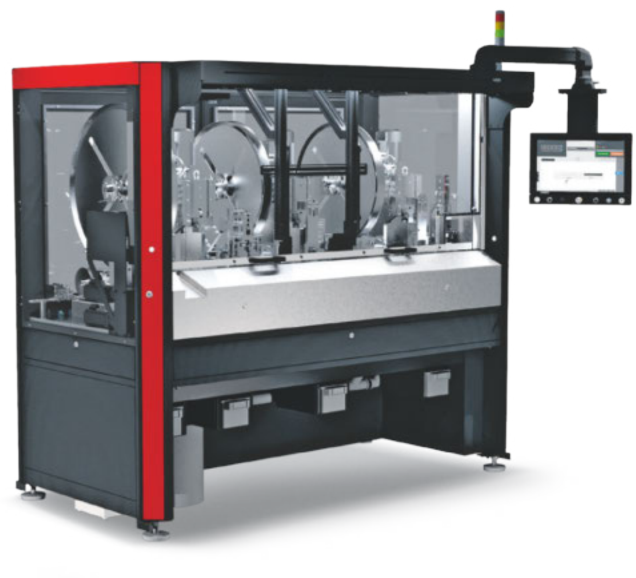
Smart factory solutions are integrated into a network, with all the stages of production being linked to each other. Connectivity standards and the use of cloud technology enable full transparency and make it possible to achieve fact-based increases in productivity and quality. Komax is working towards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

Smart factory solutions

Komax has been developing intelligent products for years, well before the existence of terms such as Industry 4.0, Smart Factory, and Industry 2025. SMART FACTORY by KOMAX is therefore the continuation of a long tradition. It is helping Komax to continue fulfilling its role as a pioneer and technology leader, thereby enabling its customers to benefit from an additional competitive edge. Over the past few years, Komax has already launched numerous smart factory solutions onto the market, among the latest of which is the Q1250 quality tool – the digital eye. With its intelligent image analysis, the Q1250 module monitors crimp quality completely automatically, thereby eliminating the need for laborious visual checks by the machine operator. Other important new elements of the smart factory include the Lambda 416 H-MTD (see next page), the Komax Connect range of products, and the Sigma 688 ST. The Sigma 688 ST features the maximum degree of automation for manufacturing twisted-pair wires.

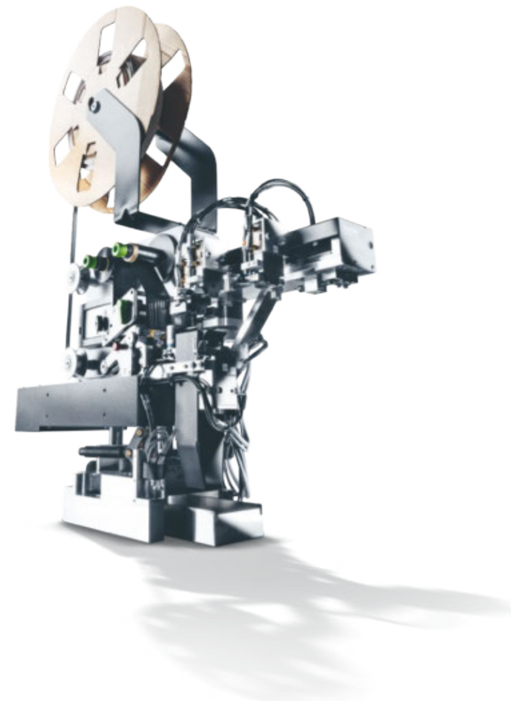
New products

Thanks to its targeted investment in research and development, Komax succeeds in bringing a variety of new products and product enhancements to market every year. Despite the coronavirus pandemic, 2020 was a further year in which Komax was able to showcase its technology leadership to impressive effect and set new standards, with a number of market launches. We provide a selection of these new products below.



Lambda 416 H-MTD
The Lambda 416 H-MTD marks Komax's successful entry into the future-proof business of wire processing in the automotive Ethernet segment – the automobile Internet, so to speak. The shielded twisted pairs (STPs) used permit high data transfer rates and are a key element of the zonal electrical system in vehicles (see page 31). The Lambda 416 H-MTD enables the efficient, semi-automated series production of STPs and has a modular construction in terms of hardware, machine control, and user interface. Reliable, integrated testing systems deliver the high level of processing quality necessary to ensure that the cables can transfer high data volumes. The trend towards more and more in-vehicle infotainment applications and modern driver assistance systems which are required for highly automated and autonomous driving is prompting a continual increase in the number of data lines to be processed.

Alpha 565
The Alpha 565 offers Komax customers a great deal of flexibility when it comes to increasing the degree of automation. Based on the proven Alpha 550 technology, it can be configured according to customer requirements. In addition to its core functions of two-sided crimp and seal insertion, the Alpha 565 also offers space for up to seven process modules. Ferrule, tinning, twisting, double gripper, and optical quality monitoring modules can, for instance, be integrated. Even complex processes such as dual core wire processing, ultrasonic compaction, or welding can be realized. Realtime data exchange of all quality and production data via Komax HMI also ensures a high degree of quality and productivity. The Alpha 565 processes conductor cross sections of 0.13 to 6 mm² – an extension to cross sections of up to 10 mm² is possible.



M1650 Tube Marking Module

The M1650 Tube Marking Module marks wires fully automatically with a wire tube that is pushed on. In this process, a tube is printed on from a roller using the thermal transfer process, cut to the correct length with V-blades and pushed onto the wire using a gripper system. In contrast to many stand-alone solutions on the market, this module is completely integrated into Komax machines in the Zeta series, which permit fully automated wire harnessing. Labelling with Tube Marking allows the marking to be rotated and moved on the wire. This is particularly advantageous in control cabinet construction when wires have to be shortened and markings aligned to the front.

Mira 340 Q

For wires that are a challenge to process and whose stripping, cutting, and twisting has to satisfy the highest quality standards – as required, for example, by the aviation industry – Komax has developed the Mira 340 Q benchtop machine. The Mira 340 Q features a rotary cutting head that is combined with 4X blades. In order to guarantee a constant, high level of quality, Komax has integrated its ACD (Automatic Conductor Detector) into the Mira 340 Q. This is the first multi-patented ACD application worldwide with rotary incision, and it is protected by multiple patents. ACD detects and indicates even the slightest contact between blade and conductor. The Mira 340 Q additionally offers an automatic adjustment function, namely by modifying the blade incision values on the basis of the measured conductor diameter. This has the effect of increasing work process efficiency and hence productivity.

Komax Direct App

The Komax Direct App brings Komax's digital services and products closer to its customers and promotes direct dialog with them. Customers can use the app to get direct access to all product and service information (operating and service manuals, overview of spare and wear parts, etc.) and to the global distribution and service network for technical issues. They also have access to the Komax Academy and its activated On.Line training courses (see page 7). In addition, customers can use the app to send feedback on any topic whenever they want. For Komax, the app represents a key element of the digitalization road ahead, with new features and services being continually added.

2020 financial year and outlook

MEGATRENDS WORKING IN KOMAX’S FAVOR

In 2020, Komax mastered huge challenges, cut costs, made its organization more agile, and achieved progress on innovation projects. It sees itself as well positioned for the future, and is sticking with its mid-term targets.

Matijas Meyer, CEO

Matijas Meyer, what was the greatest challenge for Komax in the crisis year of 2020?
Matijas Meyer: Planning uncertainty. With the automotive industry having already weakened in 2019, making it a difficult year for us, we were expecting 2020 to be challenging too. We had prepared for this eventuality, having already initiated a cost savings program the previous year. But within the space of just a few weeks, the coronavirus pandemic completely altered the investment mindset of our customers, exacerbating our situation to an extent that could not have been predicted. Particularly as no-one was in a position to gauge how long the pandemic would last, and how it would impact capacity utilization at our customers’ factories. This in turn made it difficult to estimate their short- and medium-term need for our automation solutions. With the result that any kind of planning became hugely challenging.

How did you respond?
Matijas Meyer: We immediately put together a comprehensive package of measures that would allow us to bring down costs in all of our companies. Revenues dropped significantly in the spring, as many automotive factories were shut down at this point for several weeks. This made it all more important that we had started to reduce our cost base consistently at an early stage. In Switzerland, for example, our employees had already been on short-time working from March onwards.

Beat Kälin, you have held various functions at Komax since 2006, and have experienced a great deal during this period. How does the 2020 financial year rank compared with these experiences?
Beat Kälin: It was without doubt one of the most intensive and difficult years in our history, and one that placed huge demands on both the Executive Committee and the workforce as a whole. In contrast to 2009, when Komax had to contend with the repercussions of the global financial crisis, 2020 was a challenge from more than just an economic perspective. Due to the coronavirus pandemic, all employees found themselves facing a completely new and trying situation which had a huge impact on their personal lives in particular. So in the knowledge that the headwinds were extreme in many ways during this unprecedented year, I am very happy with the way that Komax mastered the situation.

Beat Kälin, Chairman

“We have reduced costs by more than CHF 50 million.”

Matijas Meyer

The company nonetheless reported negative Group earnings after taxes…
Beat Kälin: It’s the first time that Komax has unveiled a loss since 2009. Obviously, our expectations for 2020 were very different. But no one could have predicted a pandemic in 2020 that would result in 15 million – or 17% – fewer vehicles being produced than in 2019. Given these circumstances, and bearing in mind that we reported Group earnings after taxes of CHF –11.6 million mid-year, it is impressive that the loss was reduced to just CHF –1.3 million by year-end. This also confirms that we have a robust business model capable of reacting to changing parameters within a reasonable period of time.

What does this mean for the dividend?
Beat Kälin: Our strategy is to distribute 50%–60% of Group earnings after taxes to our shareholders. Clearly, we have nothing to distribute for 2020 given the negative result, which is why we are proposing to the Annual General Meeting that payment of a dividend be waived.

What is the total magnitude of cost savings in 2020?
Matijas Meyer: In comparison with the previous year, we have reduced costs by more than CHF 50 million.

How much in terms of these savings will also feed through into 2021?
Matijas Meyer: A significant proportion of the savings relates to short-time working compensation, which we claimed in various countries. In keeping with the improvement in the market situation, we consistently reduced the proportion of short-time working over the course of 2020. Our aim is obviously to have no short-time working at all as soon as possible. After all, this would reflect the return of our business to robust health. A number of cost reductions arose almost automatically in 2020 due to the coronavirus pandemic – such as savings on travel and trade fairs that never took place.

So these costs will return – but what savings are sustainable?
Matijas Meyer: We reduced headcount across the whole of the Komax Group by around 10% in 2020. Unfortunately, this could not be achieved without redundancies in certain companies, which is something I greatly regret. As a result, we lost some highly qualified staff and valuable expertise. Many of these employees will not leave the Group until the first half of 2021, as notice was served in the final quarter of 2020. But it is not only the cost savings associated with headcount reduction that are sustainable – so too are the savings achieved through structural adjustments in various companies. For example, in the first half of 2020 we consolidated our North American production sites for testing systems. Since then, production has been concentrated exclusively at our new site in Juárez, Mexico, and no longer either elsewhere in Mexico or in the United States. Thanks to these numerous other measures, we have sustainably reduced our cost base by more than CHF 10 million.

Has the fundamental situation changed for Komax as a result of the coronavirus pandemic?
Beat Kälin: The megatrends remain exactly the same as they were before the pandemic started. In other words, trends such as e-mobility and autonomous driving are leading to the need for an increasing amount of and new types of wiring in vehicles. And as the degree of automation in wire processing remains very low, Komax has considerable growth potential. Rising wage costs and more rigorous quality requirements, as well as the greater scarcity of personnel resources are factors that are favorable for our business, as they increase the pressure on customers to invest in automation solutions. So our fundamental situation remains very good, and we have made the most of this crisis year to position ourselves even more strongly for the years ahead.

Can you be more specific?
Matijas Meyer: Thanks to structural adjustments in a number of companies, not only did we cut our costs, we also streamlined our organization and made it more agile. With communication paths and decision-making processes now shorter, we are hoping to be able to react even more quickly to the changing needs of our customers. In addition, we have driven forward both internal and external digitalization in order to create competitive advantages for our customers. The appointment of Tobias Rölz to the Executive Committee is also part of this drive to give even more weight to digitalization. He heads up the newly created Market & Digital Services unit, which is enabling us to optimally exploit the potential offered by digitalization across the board, i.e. from product development right through to distribution.

"We have made the most of this crisis year to position ourselves even more strongly for the years ahead."

Beat Kälin

Are there other factors that will have a positive effect going forward?
Matijas Meyer: Yes – there are numerous other areas in which we made decisive progress in 2020. I would like to mention two of these explicitly here – let's start with the integration of Artos and Exmore. We acquired these two companies in 2019, and they have already become an important part of the Komax Group. We integrated Artos and Exmore into the Komax network very smoothly in 2020. With the expertise that they possess, they have not only enriched the Group, but also strengthened our market position. The US company Artos has a strong track record in the development of innovative applications. Thanks to Artos, we now have engineering expertise in North America, and have been able to reinforce our customer proximity in this market as a result. Exmore is also strong in the area of application development. Our Belgian colleagues specialize in applications relating to the processing of sensor cables. These are a hugely important aspect in the megatrend of autonomous driving. And our acquisition of Exmore means that we are superbly positioned in this area.

So what is the second area in which you made decisive advances in 2020?
Matijas Meyer: We achieved breakthroughs in a number of innovation projects. That might sound rather paradoxical, given that numerous development staff have been on short-time working, and we consequently invested almost CHF 12 million less in R&D than we did in the prior year. But a number of our innovation projects were already so far advanced that field tests at selected customers were scheduled for 2020. We were able to conduct these tests and structure them successfully despite the coronavirus pandemic. The progress we have made on these key projects is definitely right up there as one of my highlights of the year. I am convinced that these innovations will lead to additional competitive advantages for our customers, thereby allowing us to further strengthen our technology leadership. I don't want to give too much away, but I will say that we are working furiously to ensure that we can unveil a number of these innovations in November 2021 at Productronica in Munich, our most important trade fair in Europe.

And what was your highlight, Mr. Kälin?
Beat Kälin: I was delighted to see the completion of our new production and development building at our headquarters in Dierikon. This has been the largest investment project in Komax's history. We invested no less than CHF 75 million, and for good measure delivered the project slightly below budget after a construction period of some two-and-a-half years. That is never a given with a large-scale project of this nature, and reflects very well on the project management team. Unfortunately, the coronavirus pandemic meant that we have not yet been able to host an opening celebration, and as the majority of the local workforce have been working from home for months, the building is not yet fully occupied either. Nonetheless, efficiency improvements are already evident in both production and logistics. As production and R&D staff now work together on the individual floors of this

vertical factory, rather than apart, I'm convinced that the innovation process will be accelerated going forward thanks to shorter pathways.

> "Our employees put in outstanding work throughout the year."
>
> **Matijas Meyer**

In addition to all the positive aspects, the newbuild has also contributed to a high level of net debt. How much did this weigh on the Group during this crisis year?
Matijas Meyer: Liquidity planning was hugely important. In the first quarter of 2020, we increased our syndicated loan facility by a further CHF 30 million. In addition, we agreed adjustments to the financial covenants that apply to this syndicated loan for 12 months with effect from mid-2020. This adjustment gave us some breathing space, but it obviously came at a cost. Specifically, it entailed a significantly higher interest burden, as is reflected in our financial result. Reducing the level of net debt therefore had the highest priority, but this is easier said than done in a crisis environment. Thanks to the great dedication of our employees, we nonetheless managed to bring net debt down by CHF 13.8 million to CHF 92.4 million. Our employees put in outstanding work in their specialist areas throughout the year, despite the hostile environment. So on behalf of the Executive Committee, I would like to express my deep gratitude to the entire workforce for its commitment in this extremely challenging year.

You encountered a number of costly problems that affected customer-specific projects in 2019. How did the project business develop in 2020?
Matijas Meyer: The important thing was for us to have learned the right lessons from the errors made in 2019, and to conclude the projects referred to within a reasonable period of time. We did precisely that, strengthening our risk management function as a result and adjusting processes. We are now back on a solid footing, and were therefore able to benefit in 2020 from the strong demand for automation solutions in the processing of special cables, particularly data lines. Based on the trend towards highly-automated or even autonomous vehicles, we are expecting the need for automation in this area to increase further over the next few years.

Are the 2023 targets still realistic – or too ambitious?
Beat Kälin: They are no doubt ambitious, but from today's standpoint we still believe that they are achievable. When the Board of Directors defined the mid-term targets at the beginning of March 2020 – namely CHF 450 to 550 million for revenues and EBIT of between CHF 50 and 80 million – the world was a different place. At that time, we were anticipating some 97 million vehicles being produced in 2023. But the analysts at IHS Market are now expecting production volumes to work at around 6 million lower.

Why are you nonetheless confident about achieving these targets?
Beat Kälin: The production volume currently predicted for 2023 is only 3 million below the level of 2018, when we recorded revenues of CHF 480 million. Moreover – and this is a much more important aspect – it became abundantly clear in 2020 that our customers are determined to increase their levels of automation. This mindset is down to the megatrends evident in the automotive industry, and is not related to an increase in vehicle production. For as we saw in 2020, the latter simply has not occurred. And although our volume business – i.e. crimp-to-crimp machinery – declined significantly against this backdrop, we were able to sell our customers many machines from our broad product portfolio, particularly in the second half of the year. Added to this is the fact that our innovation pipeline is very well stocked, as Matijas Meyer has already mentioned, and I think it's fair to say that my confidence is not misplaced. Nonetheless, these targets remain challenging, particularly if the volume business continues to be depressed, given that it makes a disproportionately high contribution to EBIT.

What can we expect from 2021?
Matijas Meyer: Our capacity planning is based on 2021 being significantly better than the previous year, but nonetheless with revenues around 10% lower than in 2019. The magnitude of the increase in EBIT will ultimately depend on the extent to which the volume business bounces back. And depending on how revenues develop, we have options for responding on the cost side. Essentially, however, I am convinced that we are well positioned and will emerge strengthened from this crisis.

GLOBAL MEGATRENDS

The coronavirus pandemic has changed nothing here: environmental awareness, safety, and networked and affordable vehicles are global megatrends, and will act as key drivers of the steady rise in demand for automation solutions. Each of these trends is resulting in more and new types of wire being installed in vehicles, and automated processing is increasingly required for reasons of quality, efficiency, complexity, cost, miniaturization, and traceability.

Global megatrends will support Komax's business in the long term. These include growing environmental awareness on the part of consumers and the associated goal of emission-free vehicles. A key role will be played in this respect by e-mobility (see page 18). Another megatrend is increasing interconnectedness. Infotainment systems in vehicles are becoming increasingly comprehensive and complex, while integrated information systems are laying the basis for the future: autonomous driving. The need for greater road traffic safety represents a further megatrend. Here the emphasis is now no longer just on protection in the event of an accident, but above all on avoiding accidents. As a consequence, the number of sensors in vehicles will continue to rise. Finally, a global megatrend towards affordable vehicles is emerging. This requires greater cost efficiency in manufacturing, which in turn is increasing the pressure to automate wire processing further.

More wires per vehicle

These megatrends are leading to an increase in the number of electronic functions in vehicles. Accordingly, the number of wires that need to be assembled per vehicle is on the rise. The electrical systems in today's compact passenger cars comprise as many as 1300 wires, 2300 crimp contacts, and 250 plug housings. Full-size vehicles require as many as 1800 wires, 3200 crimp contacts, and 350 plug housings. Innovations in vehicle construction, new functionalities, and an ever-rising fit-out level in all vehicle classes are leading to a further increase in demand for wires and crimp contacts. This trend, which has been perceptible for a number of years now, will strengthen further in the future.

Low degree of automation

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

Simplifying wire harnesses and miniaturization

The individual subsystems and assemblies in vehicles – and wire harnesses in particular – are becoming increasingly complex, which throws up challenges for automatic production. To counter this, various automotive manufacturers are seeking to radically simplify the wire harness (see page 17). The aim is a zonal electrical system with several smaller wire harnesses rather than one big, complex one. This reduces wire length, but not necessarily the number of wires used, and this is the key element for Komax. Simpler wire harnesses with shorter wires will help significantly increase the degree of automation in processing.

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

Global megatrends unchanged by coronavirus pandemic

The automotive industry was extremely hard hit by the coronavirus pandemic in the year under review, as reflected in drastically lower production figures (see page 10). It also meant that Komax customers had either sufficient or excess capacities and, as a result, did not invest in capacity expansion. The aforementioned factors that are driving a higher degree of automation in wire processing – such as rising wage costs, a lack of personnel, the ongoing process of miniaturization, seamless traceability, and higher quality and efficiency demands on the part of automotive manufacturers – nevertheless had an impact. Customers are aware that there is no way of avoiding the trend towards automation. The coronavirus pandemic has underscored this realization, as – for example – being dependent on the availability of personnel can become a problem. Reducing this dependency therefore becomes a goal to aim for.

Faced with the challenges to their business in 2020, Komax customers cut their investment in automation solutions significantly. Discussions about a lasting increase in the degree of automation at automotive plants have continued, however. The coronavirus pandemic has thus not altered the fact that, over the coming years, the global megatrends will help bring about a gradual rise in the level of automation in wire processing. The current projects of various automotive manufacturers and suppliers that aim to simplify wire harness topology are also designed to increase the degree of automation significantly. Komax is involved in some of these projects, and is demonstrating what changes are needed to wire harnesses in order to facilitate a greater degree of automation in the production process. Modern wiring concepts (e.g. for infotainment systems or electric vehicles) also present opportunities for Komax to establish further unique selling propositions and thereby create additional sales potential.

The rapid proliferation of the zero-error tolerance principle means there is an increasing need for the kind of test systems produced by TSK, for example. Test systems of this kind guarantee the 100% functionality of wire harnesses and electronic assemblies installed in vehicles. This is understandable, as defective wire harnesses require considerable time and expense – at the cost of productivity and profitability – to repair or replace once they have been fitted in a vehicle. Moreover, functional defects in the electronic systems of delivered vehicles can result in serious reputational damage.

GLOBAL MEGATRENDS

- Safety
- Environmental awareness
- Affordable vehicles
- Integrated vehicles

GROWTH DRIVERS

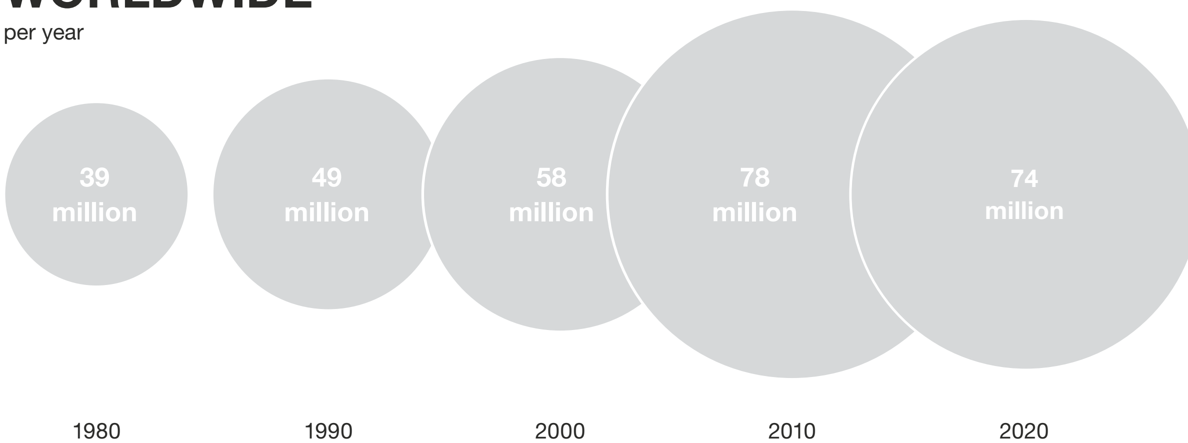
Number of wires	Complexity of electrical systems	Quality and efficiency demands	Miniaturization	New types of wires and new materials

ADVANTAGES OF KOMAX

- Technology leader
- Broadest solution portfolio
- High degree of innovation
- Global sales and service network

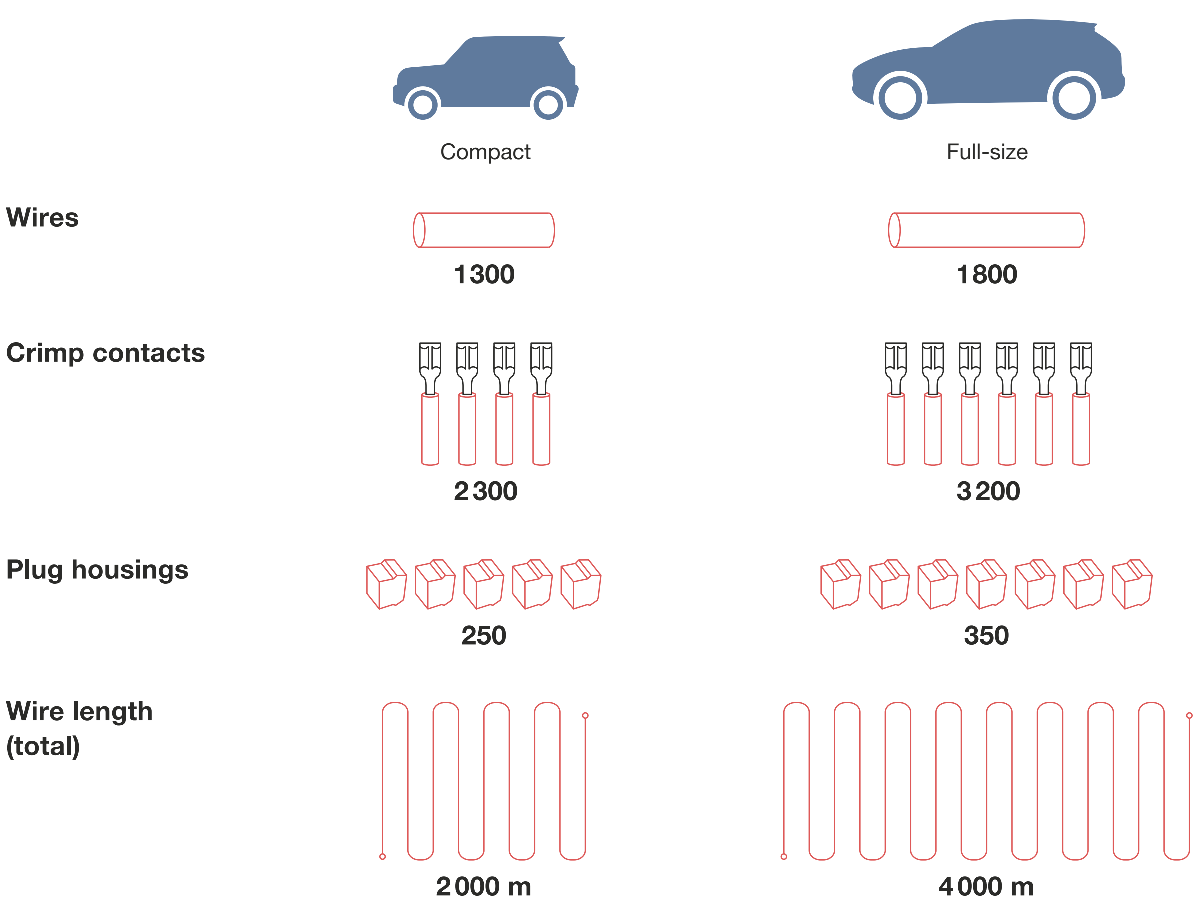
NUMBER OF VEHICLES PRODUCED WORLDWIDE[1]

per year



[1] Passenger cars and light commercial vehicles (source: IHS Markit).

INCREASE IN ELECTRICAL FUNCTIONS



BUSINESS MODEL AND STRATEGY

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

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

Four key strategic priorities

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

Solutions along the value chain

Innovative production concepts

Global customer proximity

Development of non-automotive markets

Solutions along the value chain

Thanks to many decades of experience and its proximity to its customers (see page 6), Komax understands their needs and offers them a comprehensive range of innovative and reliable automation solutions. The offering covers the most capital-intensive and critical processes of customer value chains – from measuring and cutting wires to the taping process and finally the testing of the completed wire harness (see pages 40 and 41). Komax relies not only on its proprietary developments, but also on the expertise of established partners. As a result, customers receive solutions for the key wire processing applications from a single source. This approach is unique in the world. Thanks to a number of acquisitions in recent years, Komax has succeeded in closing the existing gaps in its spectrum of products and solutions, with the result that it can now offer its customers end-to-end solutions. Komax has the broadest portfolio of solutions, which means that it can address a whole range of customer needs in a targeted way. To enable its customers to continue to increase productivity in the future, Komax works with a number of partners in the field of software, among others. Komax strives to network and manage the individual processes in the value chain, such as through Komax MES (Manufacturing Execution System) and Komax Cloud MES, a form of production control software for the wire processing industry 4.0, launched in collaboration with iTAC Software.

Innovative production concepts

For a market leader like Komax, innovations are of maximum strategic importance. Komax has therefore been investing in innovations to optimize its existing product range, as well as in new developments, for many years. Every year, Komax channels some 8%–9% of revenues into research and development (see page 16). The bottom line here is to give customers an additional competitive edge by making their processes safer and more efficient. All activities are systematically geared to customer needs and expectations. That is why Komax typically employs interdisciplinary teams – consisting of marketing experts, product managers, and development engineers – on innovation projects. For example, skillfully combining different processes and technologies reduces interfaces and lead times. At the same time, processing reliability is increased.

R&D expenditure accounts for

8%–9%

of revenues

Global customer proximity

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

To remain competitive, Komax's customers need to be flexible and select the optimal economic locations for their production processes – in other words, set up operations wherever their end customers are. This is also true for Komax. To ensure that it stays close to its customers, including when those customers choose to relocate, Komax likewise has to show flexibility. For this reason, Komax seeks to expand its global reach in a targeted way, be it through acquisitions – as described in the section entitled "Selective acquisitions" – or through the establishment of new sites (see page 6). Komax's strong global presence is also reflected in the percentage breakdown of its revenues by region. The individual regions – Europe (including Africa), Asia/Pacific, and North/South America – each generated between 21% and 55% of Komax's revenues in 2020.

Development of non-automotive markets

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

In addition to the automotive industry, there are countless other markets in which numerous wires are processed. Komax focuses predominantly on three additional market segments (see pages 14 and 15), all of which have synergy potential with the core business: aerospace, data communication and telecommunication (data/telecom), and industrial applications (industrial). As these offer attractive long-term growth opportunities, Komax is seeking to increase its penetration of these markets. If this is to be achieved, targeted investment in marketing and sales are essential.

The megatrends evident in the automotive sector (see pages 30 and 31) are influencing these three market segments in different ways. However, the potential for synergies with the existing core business in the automotive industry is considerable. The three other market segments are already addressing issues such as safety, lightweight construction, multimedia, small-batch production, and integrated production/Industry 4.0, and have been doing so for years. Moreover, Komax uses the experience gained in these areas in the development of automation solutions for the automotive industry. Conversely, the aerospace, data/telecom, and industrial market segments benefit from Komax's great expertise in the core business: in particular, Komax can adapt existing automotive solutions and, where necessary, specifically develop new products for particular segments.

Selective acquisitions

The primary goal of the Komax Group is to grow organically. In addition, potential candidates and opportunities for acquisitions are carefully examined as part of a clearly defined acquisition strategy that revolves around its four key strategic priorities. Komax pursues this strategy as it intends to strengthen its leading market position, also making use of acquisitions and equity stakes. In order to safeguard liquidity and maintain sufficient operational flexibility during the coronavirus pandemic, Komax did not make any acquisitions in 2020.

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

Komax Group brands

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

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

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

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

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

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

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

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

exmore
A KOMAX COMPANY

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

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

KABATEC
A KOMAX COMPANY

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

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

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

laselec
A KOMAX COMPANY

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

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

thonauer
A KOMAX COMPANY

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

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

TSK
A KOMAX GROUP COMPANY

Mid-term targets

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

For the period up to 2023, Komax has set itself ambitious targets for growth and profitability. These are designed to consolidate its leading position and increase the value of the company via profitable growth. Based on IHS Markit's analyses of developments in the automotive market, the Board of Directors set the targets shown below at the beginning of March 2020 – i.e. before the extent and the consequences of the coronavirus pandemic had become apparent:

450 – 550	50 – 80	50 – 60
Revenues 2023 in CHF million	**EBIT 2023 in CHF million**	**Payout ratio in % of EAT**

The coronavirus pandemic prompted IHS Markit's current assessment of 6 million fewer vehicles produced in 2023 than in its forecast of twelve months ago (91 instead of 97 million vehicles). The Board of Directors is nonetheless sticking to the targets for the period to 2023.

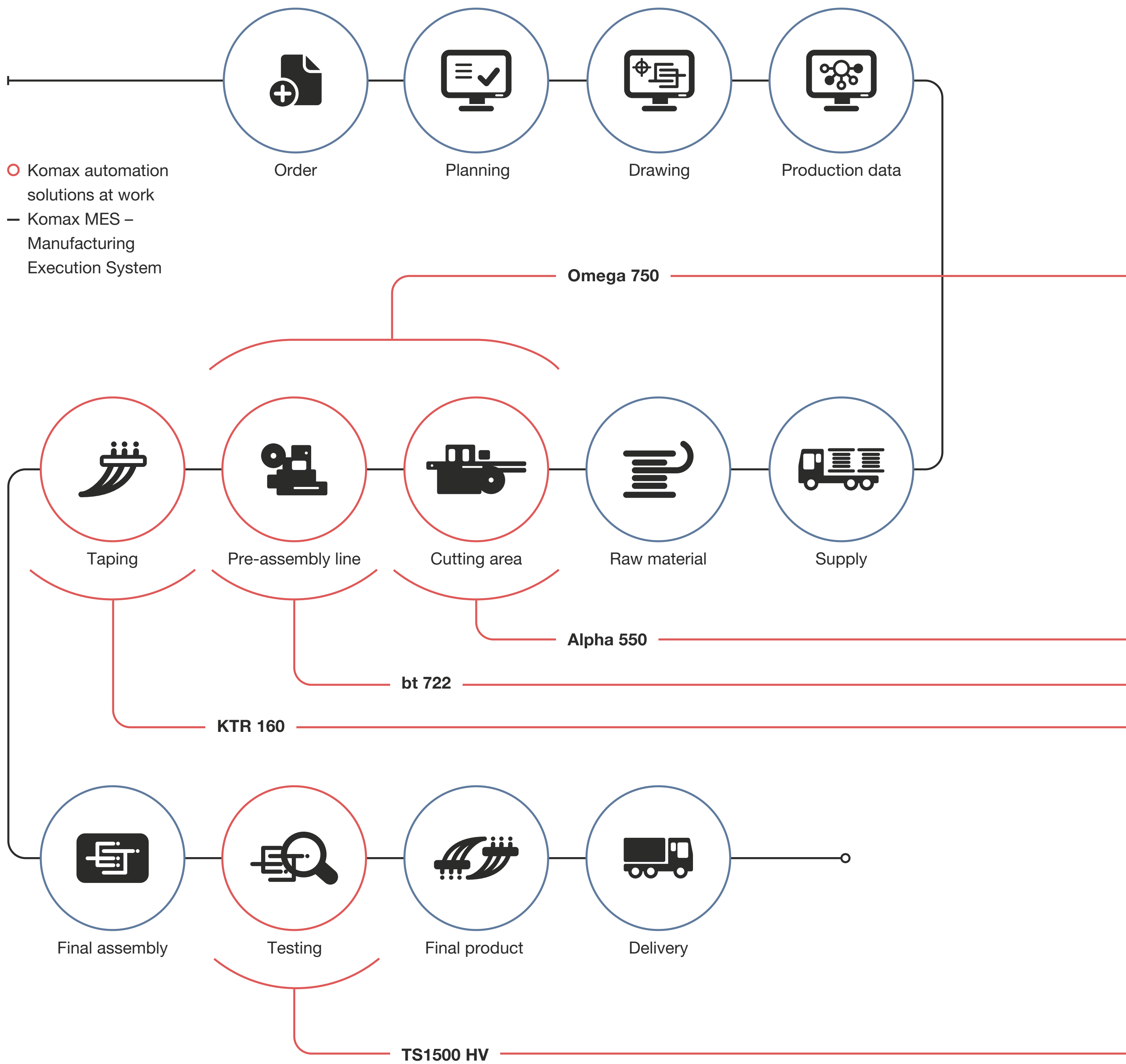
The targeted revenue of CHF 450–550 million by 2023 is to be achieved mainly through organic growth. Komax is estimating that the market will grow on average by at least 9%–11% per year from 2021 to 2023. This growth is based on the annual increase in the number of vehicles produced globally (CAGR: 7%–8%) and the steady rise in the degree of automation in wire processing (CAGR: 2%–3%). Komax is expecting to generate annual organic revenue growth at least in line with the growth of the market.

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

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

	2020	2019
Revenues (in CHF million)	**327.6**	417.8
EBIT (in CHF million)	**11.3**	24.0
Payout ratio (in % of EAT)	**0.0**	0.0

SOLUTIONS ALONG THE VALUE CHAIN



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

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

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

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

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

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

BOARD OF DIRECTORS

Beat Kälin (1957)
Non-executive, independent member and Chairman of the Board of Directors since 2015, elected until 2020, Swiss citizen, resident in Birmensdorf (CH).

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

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

David Dean (1959)
Non-executive, independent member of the Board of Directors since 2014, Vice Chairman since 2019, elected until 2020, Swiss citizen, resident in Penang (MY).

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

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

Andreas Häberli (1968)
Non-executive, independent member of the Board of Directors since 2017, elected until 2020, Swiss citizen, resident in Bubikon (CH).

Member of the Board of Directors of listed company Kardex Holding AG, Zurich, and member of the Board of Directors of 3db Access AG, Thalwil, as well as a member of the Industrial Advisory Board, ETH Zurich, and the Swissmem Research Commission, Zurich.

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

As at 31 December 2020

Kurt Haerri (1962)
Non-executive, independent member of the Board of Directors since 2012, elected until 2020, Swiss citizen, resident in Birrwil (CH).

Member of the Board of Directors of Bertschi Holding AG, Dürrenäsch, as well as member of the Board of the Swiss-Chinese Chamber of Commerce (Head of the MEM Industry Chapter), Zurich, and President of Gemeindienststiftung Emmen.

Kurt Haerri holds a degree in mechanical engineering from Lucerne University of Applied Sciences as well as an Executive MBA HSG from the University of St. Gallen. He has worked for Schindler since 1987. His roles included Global Head of High-Rise Business as well as Marketing & Sales at the Schindler Group. From 1996 to 2003 and from 2017 to 2019, he was based in China for Schindler. Since 2020 he has headed a global growth program in the markets of China, India, Southeast Asia, and the USA. Kurt Haerri was the President of the Swiss-Chinese Chamber of Commerce from 2006 to 2013. He was also responsible for the Asia module of an Executive MBA program at ETH Zurich. In the last three years, Kurt Haerri has not been a member of the Executive Committee or had any material business relationships with the Komax Group.

Mariel Hoch (1973)
Non-executive, independent member of the Board of Directors since 2019, elected until 2020, Swiss and German citizen, resident in Zurich (CH).

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

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

Roland Siegwart (1959)
Non-executive, independent member of the Board of Directors since 2013, elected until 2020, Swiss citizen, resident in Schwyz (CH).

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

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

EXECUTIVE COMMITTEE

Matijas Meyer (1970)
Chief Executive Officer (CEO) since 2015, member of the Executive Committee since 2010, at Komax since 2007, Swiss citizen, resident in Ebikon (CH).

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

Andreas Wolfisberg (1958)
Chief Financial Officer (CFO) since 1996, member of the Executive Committee since 1996, at Komax since 1991, Swiss citizen, resident in Adligenswil (CH).

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

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

Jürgen Hohnhaus (1967)
Executive Vice President, member of the Executive Committee since 2020, at Komax since 2019, German and Swiss citizen, resident in Riedholf (CH).

Jürgen Hohnhaus holds a degree in mechanical engineering and obtained his doctorate from the University of Stuttgart's Institute for Metal Forming Technology. From 2000 to 2008 he held various management positions at Dieffenbacher GmbH + Co. KG in Eppingen (DE). Subsequently and until 2017 he was Chief Technology Officer and a member of the Executive Committee at the Bystronic Group in Niederönz. From 2018 to 2019, he headed the Products division at the Güdel Group in Langenthal. Jürgen Hohnhaus joined the Komax Group in 2019 and has been a member of the Executive Committee since 2020. He heads a unit that addresses automation along the value chain and whose primary focus is on customer-specific solutions for wire processing. And he is responsible for the Group companies Exmore, Kabatec, Komax SLE, Komax Thonauer, and Laselec.

As at 31 December 2020

Tobias Rölz (1977)
Executive Vice President, member of the Executive Committee since 2020, at Komax since 2017, German citizen, resident in Thal (CH).

Tobias Rölz has a University of Applied Sciences (FH) degree in business informatics and a Kellogg-WHU Executive MBA. From 2002 to 2008, he worked for Continental AG, leading group-wide IT projects and managing international teams at various locations in Germany and China. He was then in various IT management positions at Hilti AG in Schaan (LI) and Buchs until 2017, most recently as Head of IT Workplace & Application Services. Tobias Rölz joined the Komax Group in 2017 and headed the Global IT & Digital Business department. In 2020, he took over the new Market & Digital Services department and became a member of the Executive Committee as of 1 July 2020.

Marc Schürmann (1971)
Executive Vice President, member of the Executive Committee since 2019, at Komax since 1995, Swiss citizen, resident in Zug (CH).

Marc Schürmann graduated as a business technician and has an Executive MBA through the Rochester-Bern executive program. He joined the Komax Group in 1995, initially as a service technician and then in various management positions in Switzerland and abroad. Among his various positions, Marc Schürmann worked for Komax France for five years and was Managing Director of Komax China in Shanghai for two years. From 2010 to 2017, he was a member of the Executive Committee of the Wire business unit of the Komax Group, latterly as Head of Marketing, Sales & Service. He has headed a unit focusing on wire processing since 2018 and is Managing Director of Komax AG in Switzerland. Since 2019 he has been a member of the Executive Committee.

Marcus Setterberg (1978)
Executive Vice President, member of the Executive Committee since 2019, at Komax since 2007, Swedish citizen, resident in Bäch (CH).

Marcus Setterberg has a master's degree in science in industrial engineering & management from the KTH Royal Institute of Technology in Stockholm, as well as a master's degree in science in business administration and economics from the University of Stockholm. From 2004 to 2007, he was a project manager and process engineer for SIG Pack/Bosch Packaging in Neuhausen am Rheinfall in post-merger projects and projects aimed at developing the service business. Marcus Setterberg joined the Komax Group in 2007, working first in Switzerland for the global service unit. He then spent around five years in China, including three as Managing Director of Komax China in Shanghai. Since August 2016 he has headed a unit that focuses on testing systems for wire processing, and is responsible for the TSK companies. In both these functions, he was a member of the Executive Committee of the Wire business unit of the Komax Group until the end of 2017. Since 2019 he has been a member of the Executive Committee.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

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

The way Komax is perceived by its customers, business partners, shareholders, and other stakeholders depends to a significant extent on the conduct of its employees. For this reason, Komax has a Code of Conduct that is binding for all employees of the Group and reviewed on a regular basis. It is available in 16 languages.

The Code of Conduct builds on the ethical principles Komax has been applying for many years. It defines general rules of conduct and addresses issues such as equality of opportunity, conflicts of interest, health and safety, and sustainability. In addition, it defines the five core values – innovation, customer focus, success, quality, and responsibility – that constitute a key component of the Komax Group's identity. All employees are given training on the Code of Conduct when they join the company. In order to sensitize staff to the Code of Conduct, various measures are implemented on a regular basis, including web-based training that employees worldwide are required to complete. Violations of this code are not tolerated, and will have corresponding consequences for the employees concerned. Anyone who becomes aware of a violation may report this to their line manager, to the HR department, or to the independent external whistleblowing service.

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

5 CORE VALUES OF THE KOMAX GROUP

INNOVATION

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

CUSTOMER FOCUS

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

SUCCESS

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

QUALITY

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

RESPONSIBILITY

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

Product sustainability

36%

fewer occupational accidents since 2016/2017

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

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

Declining consumption of fuel and materials
The wire processing solutions delivered by Komax do not contain any environmentally harmful components. In the automotive supply industry, these solutions are used to process wiring for new fuel-saving drives for various types of hybrid vehicle as well as for the fully electric car (see page 19). Moreover, the innovative technologies mean that ever smaller wire cross sections and innovative materials such as aluminum can be machine-processed, thereby contributing to a reduction in vehicle weight and, as a result, fuel consumption. In addition, automated taping solutions, for example, help Komax's customers to use less adhesive tape then they would in the case of manual taping.

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

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

5%

reduction in consumption of electricity and drinking water by 2021

Sustainability in procurement

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

Sustainability in production

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

Highly automated, state-of-the-art production systems are used for strategically important components that Komax manufactures in-house. These are based on lean management concepts, the aims of which include the avoidance of errors and minimization of rejects. The careful and efficient use of resources has top priority: wherever possible, waste materials and wastewater are recycled or disposed of appropriately, while the volume of waste is reduced continuously thanks to optimization programs.

Operational excellence

Key factors in Komax's pursuit of operational excellence include safety and the protection of its employees' health. Management attaches high priority to this issue, which is why internal processes are regularly reviewed for safety and health risks. Furthermore, employees are sensitized to possible risks in the workplace at the individual production sites in a targeted way. The low number of occupational accidents over a period of many years is testimony to the success of initiatives in this area. In 2020, the number of occupational accidents across the Komax Group as a whole decreased from 30 to 21. Komax has set itself the target of reducing occupational accidents by 10% (compared with the average for 2016 and 2017, namely 33 work-related accidents) by 2021. Although Komax has more production sites and more than 15% more employees than in 2016/2017, the number of occupational accidents has decreased by 35% in this time frame. The significant decline in occupational accidents in 2020 is attributable only in part to the intensive awareness-raising work carried out. Another significant factor was the challenging market situation, which led to a substantial decrease in hours of production at Komax. That said, Komax had already succeeded in reducing occupational accidents in the preceding years and is keen to see this positive trend persist so as to significantly exceed the target set for 2021 thanks to the implementation of a number of measures.

Operational excellence and lean management play a key role at Komax not only in terms of production, but also with regard to digital transformation. Thanks to very good project planning and a motivated team, Komax implemented the cloud-based ERP system SAP S/4HANA at its company in Japan in the space of just six months. In recognition of the high-quality, lean execution of this implementation project, Komax received the 2020 SAP Quality Award (Gold) in the Fast Delivery category.

SAP
Gold Winner
SAP Quality Awards
Switzerland
2020

Certification status and integrated management system

The key production locations of the Komax Group, namely in Brazil, China, Germany, France, Switzerland, Tunisia, Turkey, Hungary, and the USA, are all ISO 9001-certified. In addition, Komax AG's sites in Dierikon and Rotkreuz, as well as Komax SLE in Grafenau, TSK in Porta Westfalica, and SC Thonauer Automatic in Bucharest, all have ISO 14001 certification. These five sites employ around 940 people. All have integrated management systems that encompass all company processes, the environment, health protection, and workplace safety.

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

Ecologically sustainable

At its various sites, Komax uses renewable energies such as solar or hydroelectric power wherever possible. For example, in Switzerland – the country in which Komax has the highest production volume – the company obtains natural energy from Central Switzerland's RegioMix scheme. Komax also operates its own photovoltaic power plant on the roof of its new building in Dierikon (see pages 8 and 9) and its production building in Rotkreuz. The plant in Dierikon will cover the electricity requirement of the new building for around one month. In order to save on resources, Komax opted for a climate-friendly low-tech approach that entails using technical solutions such as artificial ventilation, illumination, and motorized shading in the new building. The internal courtyard plays a key role here, as it brings plenty of light to the inner zone. In addition, as a vertical flue it dissipates warm air and thereby stimulates natural ventilation via the external facade. Komax uses district heating in Dierikon. Both the newbuild and the existing buildings have been heated in a CO_2-neutral way since 2020.

The move to the new production and development building in Dierikon allowed Komax to reduce its sites in Switzerland from three to two. This significantly cut the number of trips between the individual sites, which in turn not only simplified logistics, but also had a positive effect on the CO_2 footprint.

Resource and energy savings targets

In collaboration with the Energy Agency of the Swiss Private Sector (EnAW), Komax has established resource and energy savings targets for its two Swiss sites. For example, by the end of 2021, per capita electricity consumption is to be reduced by 3% versus the 2018 level (2923 MWh or 4.7 MWh per capita). This follows on from a reduction in per capita electricity consumption of approximately 20% between 2014 and 2018. In 2020 a total of 2787 MWh (2019: 2870 MWh) of electricity was consumed, corresponding to per capita consumption of 4.2 MWh or a reduction of over 10% versus 2018. Use of the new building in Dierikon led to increased electricity consumption in 2020. However, it was lower overall owing to the coronavirus pandemic and the associated marked falloff in production capacity utilization.

Even though it could result in a slight increase in electricity consumption, Komax is promoting e-mobility at its sites in Dierikon and Rotkreuz. Since February 2019, a total of six charging stations at the two locations have been available for use by employees and customers for electric vehicles. Flexible working from home arrangements and the mobility bonus (introduced in 2017) contributed to a reduction in CO_2 emissions. All employees in Switzerland who forego motorized private transport on their journey to and from work receive CHF 100 a month.

Komax has set itself the target of a 5% reduction in both electricity and drinking water consumption by 2021 compared to 2017. The Group's per capita electricity consumption has fallen significantly since 2017 – by 10.3% or 3.9 MWh to 3.5 MWh. Per capita consumption of drinking water at the Swiss locations witnessed an even more substantial drop since 2017, down 43.4%, or from 7.6 m³ to 4.3 m³. This substantial decrease can be mainly explained by the fact that due to the coronavirus pandemic, a lot of short-time working was imposed and the majority of employees were working from home.

Sustainability: key figures	2020	2019
Consumption/accidents[1]		
Electricity in MWh	**6 327**	6 696
Electricity per capita in MWh	**3.5**	3.6
Number of occupational accidents	**21**	30
Number of occupational accidents for every 1 000 employees	**11.4**	16.0
Consumption/waste[2]		
Drinking water in m³	**2 880**	4 233
Drinking water per capita in m³	**4.3**	6.2
Paper in kg	**3 959**	5 655
Paper per capita in kg	**6.0**	8.3
Refuse in kg	**37 900**	32 784
Refuse per capita in kg	**57.0**	48.0

[1] Covering all production sites of the Komax Group.
[2] Covering the production sites in Switzerland.

Over the next few years, Komax will successively expand its reporting on ESG topics. This includes compiling additional key figures and defining new targets in 2021.

Contribution to regional development

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

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

Attractive employer

At the end of 2020, Komax employed 2095 staff worldwide (2019: 2211 staff). In 2020, Komax adapted its structures at various companies and reduced the headcount according to the market situation. At the headquarters in Switzerland – by far the largest company in the Komax Group – it was announced in November that 70 positions were to be downsized, over 40% of which are being reduced through natural fluctuation and early retirement.

The following table contains approximately 80 employees who were either issued with redundancy notices or resigned in the last quarter of 2020 and who will not be leaving the Komax Group until during the first half of 2021.

Personnel expenses in the year under review amounted to CHF 131.0 million, corresponding to an 18.6% decrease versus 2019 (CHF 161.0 million). This significant reduction in costs is connected with the downsizing and, in particular, short-time working introduced at various companies.

2020

	CH[1]	Europe[1]	Americas[1]	Asia[1]	Africa[1]	Total
Production	212	303	70	71	78	**734**
Research and development	166	66	6	26	0	**264**
Engineering	26	107	15	15	15	**178**
Marketing and sales	170	135	56	53	18	**432**
Service	20	76	62	61	17	**236**
Administration[2]	71	99	40	29	12	**251**
Total headcount as at 31 December 2020	**665**	**786**	**249**	**255**	**140**	**2095**

2019

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

[1] The individual companies and their locations are listed on page 116.
[2] Including management and IT.

The companies of the Komax Group ensure that their employees enjoy equal opportunities, equal treatment, and fair employment conditions, receive pay that is in line with the market, and benefits that are in line with national and industry standards. In 2020, Komax conducted a pay comparison analysis in Switzerland and had it reviewed and certified by an independent body. The analysis confirmed that Komax pays women and men an equal wage for equal work. It also corroborated that employees with equal functions are receiving the same pay. Fair pay is crucial to Komax, so it will continue to ensure that its pay system is underpinned by equality.

The proportion of women in the Group's global workforce was 18.7% in 2020 (2019: 20.2%). Komax is not alone within the industry in having a relatively low proportion of women in its workforce. The main reason for this phenomenon is the large number of technical positions within the company, for which the recruitment potential among women is limited.

The Group's staff turnover rate has been gratifyingly low for many years. In 2020, it amounted to 6.1% (2019: 8.3%).

Major investment in tomorrow's workforce

Komax is committed to the training of tomorrow's professional specialists as a way of safeguarding its global market and technology leadership. In 2020, 58 apprentices (2019: 51) were undergoing training in 10 professions at the Group's Swiss sites, and 56 apprentices (2019: 57) were being trained in Germany, France, and Tunisia. Komax has steadily increased the number of apprenticeships on offer since 2016 – from 74 to 114.

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

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

Scope to create change

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

We facilitate development.

Togetherness

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

We maintain an inspiring togetherness.

Responsibility

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

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

Active employee development
Komax has a very good reputation as an attractive employer, which is partly explained by its corporate culture. This is characterized by mutual respect, trust, and awareness of the paramount importance of quality. In addition, the needs of employees themselves are not neglected, despite ambitious targets. As part of an active staff development policy, Komax organizes regular management seminars and training for its employees, as well as providing financial support for individual training activities. Each year, Komax spends around 1% of its personnel budget on training. This figure was not matched in 2020: the coronavirus pandemic meant that a large number of internal and external training programs could not take place. Moreover, Komax also encourages international exchanges to allow its staff to gain new experiences and expand their career perspectives.

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

Young Community@Komax: a platform for young employees

YOUNG COMMUNITY

In order to better understand the needs of our younger employees (those under 30) and thereby provide them with more targeted support, Komax founded the Young Community in Switzerland in 2018. Organized in the same way as an association, the Young Community is a cross-functional, informal network comprising around 60 employees in the under-30s generation. It offers its members a platform on which they can communicate their needs relating to their employer and working environment, and develop any necessary measures and solutions. Once a year, the Young Community's steering committee discusses with the CEO the themes that it has addressed; it is also responsible for maintaining a direct line of communication between younger employees and their employer throughout the year.

A multifaceted program involving workshops, specialist talks, and events to strengthen the Community is spread across the year. A further core component is the promotion of knowledge exchange and an understanding of the different activities pursued at Komax. This is achieved, for example, by two members of the Young Community exchanging roles for half a day. Komax is convinced that the valuable ideas and suggestions coming from the Young Community can help it to develop further as an employer and spark potential new approaches. This is vital, not least in terms of remaining attractive to young, talented employees in an increasingly digitalized work world.

Highly motivated employees

Komax systematically measures employee satisfaction in the course of annual performance review meetings. Staggered over three-year periods, it also carries out employee surveys at its over 30 locations across the globe. Since anonymity and discretion are the top priority with surveys, Komax commissions an independent, neutral firm to conduct them.

The survey was carried out at 16 companies in 2020. Over 1500 employees participated, corresponding to a response rate of more than 80%. A particularly positive takeaway from the findings is the degree of employee motivation. In the past three years, this indicator has continually improved at a high level to reach 73 out of 100 points. This is an encouraging figure, even when compared with other international companies. It is even more significant given the immense strain that Komax and its workforce were under with the coronavirus pandemic, short-time working, staff reductions, etc. during the survey period. Komax employees feel most motivated by the friendly and respectful interaction that they have with one another. Other key factors are the support given by line managers, as well as Komax's stand on behaving responsibly towards the environment and society. It is also very pleasing to note that 59% of employees see themselves as ambassadors for Komax and feel an exceptionally strong tie both with the company and their work.

The per-company results varied. They are to be discussed in workshops, and line managers and employees will work together to draw up measures for improvement to ensure that motivating factors continue to be encouraged and demotivating factors are eliminated. The survey will be carried out at the other companies in the course of the next two years, while it will be the turn of companies polled in 2020 again in three years' time. By then at the latest, it will be possible to see if the jointly defined measures are having an impact and whether employee satisfaction at Komax has witnessed a renewed increase.

Targeted health promotion

fit@work

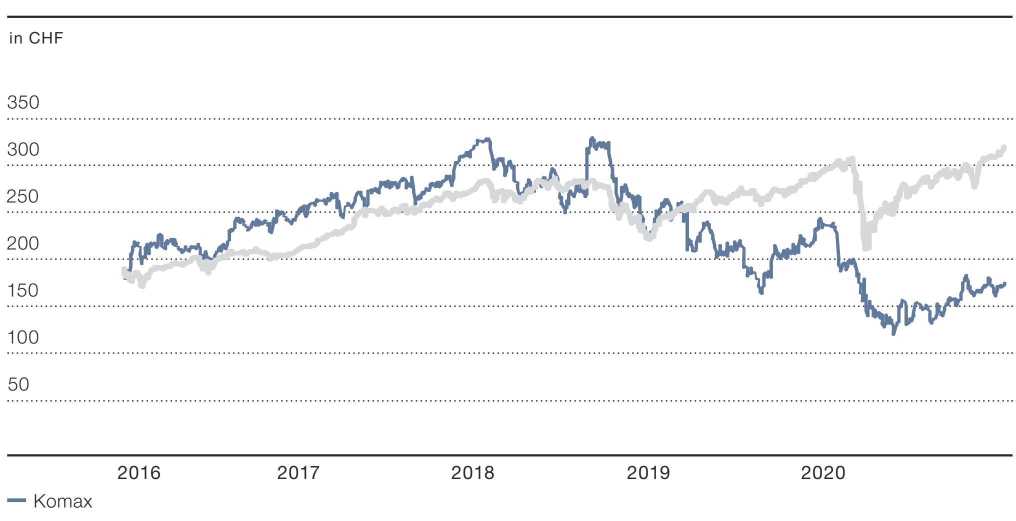
It goes without saying that Komax satisfies all legal requirements with respect to working conditions in the countries in which it operates. Furthermore, it actively promotes the health of its staff at the various locations by means of various measures. In Switzerland, for example, staff benefit from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

INFORMATION FOR INVESTORS

Komax cultivates a policy of open and transparent communication with its investors. The shareholder base has doubled in the last four years. At the end of 2020, 6 281 shareholders were entered in the share register.

Over the course of 2020, the daily closing price of the Komax share ranged between CHF 122.00 and CHF 238.80. The year-end closing price was CHF 176.30. This represents a decrease of 25.4% on the 2019 year-end closing price (CHF 236.40). In contrast to the SPI Extra, which was up by 8.1% in 2020, the Komax share staged only a partial recovery in the year under review following the coronavirus-related drop in price in the first half of the year. In the past five years, the SPI Extra increased by 67.0%, faring significantly better than the Komax share, which lost 7.5% in value in the same period.

Share price development (4 January 2016 – 31 December 2020)



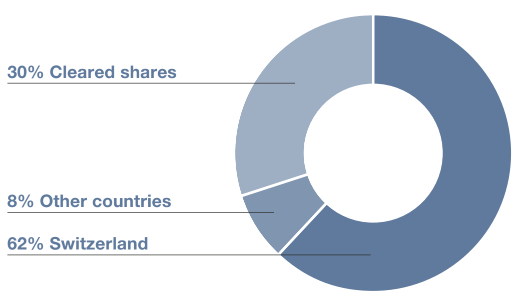
Listing

Komax is listed on SIX Swiss Exchange. The market capitalization of the Komax Group at the end of 2020 was CHF 678.8 million.

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

Geographical distribution of shareholdings

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



Breakdown of shareholders by number of registered shares held

	31.12.2020	31.12.2019
1–100	3 782	4 325
101–1 000	2 212	2 493
1 001–10 000	259	276
10 001–100 000	24	22
> 100 000	4	4
Total shareholders	**6 281**	**7 120**

The shareholder base decreased by 839 to 6 281 in 2020. Since the end of 2016, when 3 150 shareholders were entered in the share register, the shareholder base has therefore doubled.

Free float

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

100%
free float

Disclosure of shareholdings / significant shareholders

Under Art. 120 of the Financial Market Infrastructure Act, FinMIA, anyone who acquires or sells equity securities on their own account and thereby attains, falls below, or exceeds the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50%, or 66⅔% of the voting rights in a company (whether or not such rights may be exercised) is subject to a reporting obligation. Information on these significant shareholders can be found on page 62 of this report. The reporting obligation applies to anyone who directly, indirectly, or in concert with third parties acquires or disposes of shares in a company incorporated in Switzerland whose equity securities are listed in whole or in part in Switzerland. It also applies to anyone who can exercise the voting rights attached to such equity securities at their own discretion. Disclosure must be made to the company and stock exchanges on which the equity securities in question are listed.

Dividend policy

In the strategy, the Board of Directors has defined an attractive dividend policy with a payout ratio of 50%–60% from Group earnings after taxes. In the 2020 financial year, Komax recorded a Group result after taxes that was negative, at CHF –1.3 million. Consequently, the Board of Directors is proposing to the Annual General Meeting to be held on 14 April 2021 that the distribution of a dividend be waived, as in the previous year.

Financial calendar

Annual General Meeting	14 April 2021
Half-year results 2021	17 August 2021
Preliminary information on 2021 financial year	25 January 2022
Annual media and analyst conference on the 2021 financial results	15 March 2022
Annual General Meeting	13 April 2022

Komax registered share: key data

		2020	2019	2018	2017	2016[1]
Share capital as at 31 Dec.	in TCHF	**385**	385	385	383	377
Number of shares as at 31 Dec.	No.	**3 850 000**	3 850 000	3 847 510	3 834 482	3 774 148
Average number of outstanding shares	No.	**3 845 655**	3 843 352	3 830 864	3 810 276	3 741 364
Key data per share						
Par value	CHF	**0.10**	0.10	0.10	0.10	0.10
Basic earnings	CHF	**–0.34**	3.44	13.52	11.05	10.34
EBITDA	CHF	**6.85**	9.58	20.52	17.35	17.22
EBIT	CHF	**2.93**	6.25	17.56	14.45	14.81
Shareholders' equity	CHF	**61.42**	63.53	73.20	67.33	65.23
Distribution	CHF	**0.00**[2]	0.00	7.00	6.50	6.50
Payout ratio	%	**0.0**[2]	0.0	52.0	59.2	63.4
Dividend yield as at 31 Dec.	%	**0.0**[2]	0.0	3.0	2.0	2.6
Share price development						
Highest price	CHF	**238.80**	264.00	329.00	319.50	251.25
Lowest price	CHF	**122.00**	165.10	223.00	243.50	180.10
Closing price as at 31 Dec.	CHF	**176.30**	236.40	230.00	319.50	251.25
Average daily trading volume	No.	**15 809**	16 802	13 342	12 274	8 191
P/E (price-earnings ratio) as at 31 Dec.		**–518.5**	68.7	17.0	28.9	24.3
Total return per share						
Distribution from prior-year profit	CHF	**0.00**	7.00	6.50	6.50	6.00
Change in value	CHF	**–60.10**	6.40	–89.50	68.25	56.35
Total (total return)	CHF	**–60.10**	13.40	–83.00	74.75	62.35
Annual return[3]	%	**–25.42**	5.83	–25.98	29.75	31.99

[1] Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly.
[2] Proposal of the Board of Directors of Komax Holding AG: waiver of distribution.
[3] Change on prior-year-end closing price.

Further information on the Komax registered share can be found on the Internet at www.komaxgroup.com.

CORPORATE GOVERNANCE

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

1 Corporate structure and shareholders

Corporate structure

The Group structure and subsidiaries belonging to the Group are set out on pages 116 and 117 of the Annual Report. With the exception of Komax Holding AG, no companies with listed participation securities form part of the scope of consolidation.

Komax Holding AG, the holding company of the Komax Group, has its headquarters in Dierikon, Switzerland. Details on the place of listing, market capitalization, security, and ISIN numbers are set out on page 58 ("Information for investors").

Major shareholders

Shareholders whose share of the company's share capital exceeds or falls below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50%, and 66⅔% have a reporting obligation under the Financial Market Infrastructure Act (FinMIA). According to the disclosure reports submitted, the company had the following major shareholders holding more than 3% of the votes as at 31 December 2020:

Shareholder / shareholder group	**Number of shares 31.12.2020**	**Share in % 31.12.2020**[1]
Max Koch, Meggen, Switzerland	190 285[2]	4.942
Leo Steiner, Steinhausen, Switzerland	126 954[3]	3.298
Swisscanto Fondsleitung AG, Zurich, Switzerland	121 233[4]	3.149

[1] The calculation is based on the 3 850 000 registered shares listed in the Commercial Register as at 31 December 2020.
[2] Notification of position falling below 5% threshold on 13 March 2018.
[3] Notification of breach of 3% threshold on 19 December 2007.
[4] Notification of breach of 3% threshold on 29 December 2020.

All shareholdings reported to Komax Holding AG and the Disclosure Office of SIX Swiss Exchange during the 2020 financial year as per Art. 120 of the Financial Market Infrastructure Act have been published on SIX Swiss Exchange AG's electronic publication platform, and can be viewed at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Cross-shareholdings

There are no cross-shareholdings.

2 Capital structure

Capital

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

Further details are provided in the sections below.

Authorized and conditional capital in particular

For details on conditional capital, please see page 111 of the consolidated financial statements of Komax Holding AG as well as Art. 3.2 of the Articles of Association.

The Annual General Meeting of 13 May 2009 approved the creation of new conditional capital up to a maximum of CHF 18 000, thereby allowing the share capital of the company at that time to rise by up to CHF 46 248 to cover the exercising of option or subscription rights issued as part of the Executive and Employee Participation Programs of Komax Holding AG. The allocation of options was undertaken in a framework determined by the Remuneration Committee. The option plan of Komax Holding AG was authoritative. The individual allocation of options was at the discretion of the Board of Directors and Executive Committee. The last options were allocated in 2014. Further information on the Komax Group's employee participation programs can be found on pages 80 and 81 and 119 to 121 of the Annual Report.

The last shares were created from the conditional capital in 2019, with the Commercial Register notified of their existence within the period stipulated in Art. 653h of the Swiss Code of Obligations. Komax Holding AG has had no conditional capital since this time. Nor does it have any authorized capital.

Capital changes

Details of capital changes in 2019 and 2020 can be found on page 90 of the financial section of this Annual Report. The corresponding information for 2018 can be found on page 86 of the financial section of the 2019 Annual Report.

Shares, participation certificates, and bonus certificates

As at 31 December 2020, Komax Holding AG had fully paid-up capital of CHF 385 000.00 and distributed over 3 850 000 registered shares with a par value of CHF 0.10 each. Each registered share entitles the holder to vote at the Annual General Meeting as long as the shareholder is listed in the share register as a "voting shareholder" (see also "Restrictions on transferability of shares and nominee registrations" on page 64). Registered shares are fully entitled to receive dividends. Komax Holding AG has not issued any participation certificates or bonus certificates.

Restrictions on transferability of shares and nominee registrations

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

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

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

Convertible bonds and options

Komax Holding AG has no outstanding convertible bonds and there are no longer any option programs for employees (see previous page, section "Authorized and conditional capital in particular", as well as page 119).

Management transactions

The Listing Rules of SIX Swiss Exchange stipulate a disclosure obligation for management transactions. The Board of Directors has issued a set of regulations to comply with these provisions. Members of the Board of Directors and Executive Committee have a disclosure obligation towards the company in this respect. No notifications were submitted in the 2020 financial year (2019: 3 notifications).

At www.six-exchange-regulation.com/en/home/publications/management-transactions.html (website of SIX Swiss Exchange) published notifications can be found.

3 Board of Directors

The Board of Directors comprised six individuals as at 31 December 2020. No member of the Board of Directors was a member of the Executive Committee in the three financial years prior to the reporting period, and no member of the Board of Directors has any material business relationship with any Group companies.

Members of the Board of Directors

	Appointed	Term expires	Committees
Beat Kälin, Chairman	2015	2021	RC (Chairman)
David Dean, Vice Chairman	2014	2021	AC (Chairman)
Andreas Häberli	2017	2021	RC
Kurt Haerri	2012	2021	AC
Mariel Hoch	2019	2021	AC
Roland Siegwart	2013	2021	RC

AC: Audit Committee
RC: Remuneration Committee

There are no cross-involvements among the Board of Directors. Biographies of the individual Board members and details of their other activities and interests are provided on pages 42 and 43 of the Annual Report.

Statutory regulations with respect to the number of permissible activities as per Art. 12 para. 1 point 1 ERCO
According to Section 21 para. 3 of the Articles of Association, the number of permissible mandates of members of the Board of Directors in the highest management or administrative bodies of legal entities that are obliged to have themselves entered in the Commercial Register or in a corresponding foreign register and that are not controlled by the company or do not control the company, shall be

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

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

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

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

The Chairman and all other members of the Board of Directors will be proposed for re-election at the next Annual General Meeting on 14 April 2021.

Internal organization

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

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

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

Five ordinary meetings as well as seven extraordinary meetings of the Board of Directors were held in 2020. All Board members were present at all meetings. On average, these meetings lasted around five hours. However, these average times pertain to the actual duration of the meetings themselves, and do not take into account the preparatory and follow-up work done by the individual members. Within the Board of Directors, there are two committees that are exclusively made up of non-executive Board members.

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

– Remuneration Committee

This Committee amalgamates the tasks of a remuneration and nomination committee. The Remuneration Committee consists of a maximum of three non-executive members. The Committee is elected by the Annual General Meeting. The members' term of office ends with the conclusion of the next Annual General Meeting. Re-election is permissible. The current members are Beat Kälin (Chair), Andreas Häberli, and Roland Siegwart. The Board of Directors is proposing to the Annual General Meeting of 14 April 2021 that the three existing members be re-elected.

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

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

In 2020, the Committee held two ordinary meetings; in each case, all members were present. On average, these meetings lasted a good four hours. These average times do not include the preparatory and follow-up work done by the individual members.

The tasks of the Remuneration Committee include supporting the Board of Directors in the fulfilment of the compensation and staff policy duties assigned to it by current legislation and the Articles of Association. In particular, the Remuneration Committee puts forward proposals on remuneration policy and prepares all relevant decision-making material for the Board of Directors with respect to the appointment and remuneration of members of the Board of Directors and the Executive Committee. The detailed tasks and competencies of the Remuneration Committee are formulated in a set of Regulations for the Remuneration Committee. Further details on the Remuneration Committee can be found in the Compensation Report on pages 73 to 85.

– **Audit Committee**

The members of the Audit Committee are David Dean (Chair), Kurt Haerri, and Mariel Hoch. The Committee meets at least twice a year. Two ordinary meetings took place in 2020, with all members being present on both occasions. On average, these meetings lasted four hours. These average times do not include the preparatory and follow-up work done by the individual members.

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

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

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

Definition of areas of responsibility

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

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

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

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

Information and control instruments in respect of the Executive Committee

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

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

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

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

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

4 Executive Committee

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

	Function exercised since
Matijas Meyer, CEO	2015
Andreas Wolfisberg, CFO	1996
Jürgen Hohnhaus	2020
Tobias Rölz	2020
Marc Schürmann	2019
Marcus Setterberg	2019

Effective 1 January 2020, there was a change in the Executive Committee: Jürgen Hohnhaus replaced Günther Silberbauer. The Executive Committee was expanded from five to six members from 1 July 2020, with Tobias Rölz as a new addition to the Committee. Biographies of the individual members of the Executive Committee are provided on pages 44 and 45.

Other activities and interests
Aside from the mandates listed on pages 44 and 45, the members of the Executive Committee did not exercise any activities on management or supervisory bodies of significant Swiss and foreign corporate entities, institutions, or foundations under private or public law outside the Komax Group as at 31 December 2020.

Statutory regulations with respect to the number of permissible activities as per Art. 12 para. 1 ERCO
According to Section 26 para. 1 of the Articles of Association, the number of permissible mandates of members of the Executive Committee in the highest management or administrative bodies of legal entities which are obliged to have themselves entered in the Commercial Register or in a corresponding foreign register and which are not controlled by the company or do not control the company shall be

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

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

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

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

5 Compensation, shareholdings, and loans

Details of compensation, shareholdings, and loans are set out in the Compensation Report on pages 73 to 85 of this Annual Report.

6 Shareholder participation rights

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

Voting rights and representation restrictions

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

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

Statutory quorums

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

Convocation of the Annual General Meeting of shareholders and agenda

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

Entries in the share register
Any person acquiring shares is listed as a "shareholder with voting rights" up to a maximum of 15% of the total number of shares published in the Commercial Register. Any person owning more than 15% of the published shares will be entered as a "non-voting shareholder" for the portion in excess of 15% (Komax Holding AG Articles of Association, Section 6 para. 4; see also "Restrictions on transferability of shares and nominee registrations" on page 63).

Invitation to the Annual General Meeting of 14 April 2021
In accordance with the Swiss Federal Council's COVID-19 Ordinance 3, the Board of Directors decided that the Annual General Meeting of 14 April 2021 will take place without any shareholders physically present. Shareholders are thus able to exercise their powers in respect of voting and electing solely via the independent proxy. All shareholders registered in the Komax Holding AG share register as at 5:00 p.m. on 7 April 2021 are entitled to vote in respect of the voting shares registered in their name.

Shareholders registered on 10 March 2021 will receive an invitation indicating the proposals of the Board of Directors as well as a proxy form for issuing instructions to the independent proxy. Shareholders who acquire shares later and whose registration application is received by the Komax Holding AG share register no later than 7 April 2021 will receive the invitation and the proxy form at a later date.

7 Changes of control and defense measures

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

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

8 Auditors

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

Audit fee
PricewaterhouseCoopers invoiced the Komax Group CHF 617 278 in the 2020 financial year for services in connection with auditing the annual statements of Komax Holding AG and the Group companies, as well as the consolidated statements of the Komax Group.

Additional fees
During the 2020 financial year, PricewaterhouseCoopers invoiced additional fees amounting to a total of CHF 175 195. This breaks down into fees of CHF 154 967 for tax and legal advice and CHF 20 228 for transaction services and other consultancy fees.

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

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

9 Information policy

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

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

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

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

Contact
Komax Holding AG
Roger Müller
Vice President Investor Relations/Corporate Communications
Industriestrasse 6
6036 Dierikon
Switzerland

Phone +41 41 455 04 55
roger.mueller@komaxgroup.com

COMPENSATION REPORT

This Compensation Report provides an overview of the compensation policy and compensation systems of Komax Holding AG, as well as the principles used to determine the compensation of the Board of Directors and the Executive Committee. In addition, the compensation paid in 2020 is disclosed in detail. The Compensation Report has been drawn up in accordance with the provisions of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), the Directive Corporate Governance (DCG) of SIX Swiss Exchange, and the principles of the "Swiss Code of Best Practice for Corporate Governance" of Economiesuisse.

1 Introduction by the Chairman of the Remuneration Committee

Dear Shareholder,

The coronavirus pandemic hit Komax hard, posing a huge challenge for employees and management in the 2020 financial year. A very swift response by the Executive Committee in the form of comprehensive cost-saving measures meant that, despite everything, EBIT was positive. Under the circumstances, this was far from a foregone conclusion and testifies both to the considerable efforts of the Executive Committee and to the robustness of the Komax business model. 2020 was an intense year for the Board of Directors too, as underscored not least by the five ordinary and seven extraordinary Board meetings held. To avoid causing additional costs, the members of the Board of Directors did not claim attendance fees for the extraordinary meetings. The Board also relinquished 20% of its fixed fee from May to December 2020.

In 2020, the Remuneration Committee addressed personnel issues and adapted specific aspects of the remuneration systems of the Board of Directors and Executive Committee. On behalf of the Remuneration Committee, I would like to provide you with more detail on this in the following paragraphs. During the first half of the year, the Remuneration Committee examined the Komax Group's management structure. Komax's objective is to expedite internal and external digitalization even more rigorously, with a focus on sales and service in order to generate additional competitive advantages for customers. Against this backdrop, Tobias Rölz, previously Vice President Global IT & Digital Business at Komax, was promoted to the Executive Committee effective 1 July 2020 and appointed head of the new Market & Digital Services unit. The number of Executive Committee members thus rose to six as of mid-2020.

The remuneration system of the Board of Directors will be modified slightly as of 2021 in that attendance fees will no longer be paid, regardless of how many ordinary and extraordinary meetings are held. Instead, the fixed fee will be increased to the amount paid out under the previous system for six meetings of the Board of Directors. Membership in a committee will be remunerated with a fixed fee equivalent to the previous attendance fees for two meetings. The long-term incentive component under the Executive Committee remuneration system is to be broader based. With effect from the three-year planning period beginning in 2021, RONCE is to be replaced as performance target by three performance indicators of equal value: revenue growth, EBIT margin, and TSR (total shareholder return) compared with a peer group. The Board of Directors has decided not to factor the 2020 RONCE into the calculation of the target attainment levels for the long-term remuneration plans that are already running, since the Executive Committee cannot be held responsible for the very low figure in the light of the coronavirus pandemic.

You will be able to vote on the present Compensation Report at the Annual General Meeting of Shareholders on 14 April 2021. Your vote on this and on the proposed maximum possible total compensation for the Board of Directors and the Executive Committee for the 2022 financial year is important to us. We have pursued a moderate remuneration policy for many years and I can assure you that nothing is changing in this respect. The Remuneration Committee is very much aware of the considerable responsibility it bears in the execution of its mandate. You can find detailed information on our compensation model and the compensation granted to the Board of Directors and the Executive Committee in 2020 on the following pages.

Yours sincerely,

Dr. Beat Kälin
Chairman of the Remuneration Committee

2 Tasks and competencies of the Remuneration Committee

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

It has the following responsibilities and competencies:

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

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

Delineation of competencies

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

Under the Articles of Association, the Remuneration Committee consists of a maximum of three non-executive members of the Board of Directors. The Committee is elected by the Annual General Meeting. The members' term of office ends with the conclusion of the next Annual General Meeting. Re-election is permissible. The 2020 Annual General Meeting elected Beat Kälin (Chairman), Andreas Häberli, and Roland Siegwart to the Committee.

The Remuneration Committee meets as often as business requires, but at least twice a year, generally in March and December. Compensation issues are discussed at the March meeting. These discussions include the assessment of the individual performance of the CEO and other members of the Executive Committee for the previous year, the determination of the individual compensation payable to members of the Board of Directors and the Executive Committee, and the approval of the Compensation Report. At the December meeting, staffing questions are discussed, along with corporate governance issues. In addition, the performance targets for the CEO and the other members of the Executive Committee are set for the following year. In the reporting year, the Committee held two ordinary meetings; in each case, all members were present. The Chairman of the Committee may invite the CEO and other members of the Executive Committee to meetings in an advisory (non-voting) capacity. However, they do not take part in discussions concerning their own performance and compensation. The Committee Chairman reports to the Board of Directors on the activities of the Committee after every Committee meeting. The minutes of Committee meetings are made available to all members of the Board of Directors.

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

3 Provisions of the Articles of Association on compensation

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

Principles for the compensation of members of the Board of Directors	– Members of the Board of Directors receive fixed compensation in cash as well as in shares under the company's employee participation program. – The calculated value (fair value) of the shares at the time of allocation may not exceed the amount of compensation paid in cash. – The Board of Directors determines the conditions that apply to shares. – The lock-in periods are at least three years.
Principles for the compensation of members of the Executive Committee	– Members of the Executive Committee receive a fixed base salary, variable performance-related compensation, and shares under the company's employee participation program. – The Board of Directors determines the conditions for the performance-related compensation component on an annual basis. These are linked to the attainment of one or more performance criteria, whereby these criteria are either company-related or individual in nature. – The target amount may not exceed 50% of the annual fixed compensation. If targets are not attained, the performance-related compensation may fall to zero. If all targets are significantly exceeded, it may go up to a maximum of 100% of the annual fixed compensation. – The Board of Directors determines the conditions that apply to shares. The calculated value (fair value) of the shares at the time of allocation may not exceed 100% of the annual fixed compensation. – The lock-in periods are at least three years.
Binding vote on the compensation paid to the Board of Directors and Executive Committee	– The Annual General Meeting holds a separate vote each year on the total amount of compensation payable to the Board of Directors and to the Executive Committee. – The vote has binding effect, and applies for the coming financial year to the relevant total maximum amounts that may be paid to members of the Board of Directors and the Executive Committee.
Additional sum for payments to members of the Executive Committee appointed after the binding vote of the AGM	– The additional amount for the compensation of members of the Executive Committee appointed after the Annual General Meeting may not exceed 30% of the approved total amount of compensation payable to the Executive Committee.
Pension benefits	– The pension benefits of members of the Executive Committee are only paid within occupational domestic and foreign pension plans provided by the company or its Group companies. – The benefits and the employer contributions are solely drawn from the above-mentioned occupational plans. – Retirement benefits are provided solely within the context of the company's ordinary pension plans.

The Articles of Association of Komax Holding AG can be found at www.komaxgroup.com/articles-of-association.

4 Principles of compensation policy

Board of Directors

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

Executive Committee

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

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

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

Practice of competitors	Compensation paid by other international Swiss industrial companies listed on the SIX Swiss Exchange and included in the SPI Extra. These are companies of comparable complexity, size, and geographic reach to Komax from the sectors of systems and mechanical engineering, automation, chemicals, electrical engineering, logistics, and supply engineering. The sources used for the benchmark comparison are publicly accessible data such as compensation reports and the Ethos study on remuneration in Swiss companies. As a number of benchmark studies had been conducted in 2019 to review the compensation of Executive Committee members, no benchmark studies were conducted in 2020. The results of the studies indicate that individual target compensation amounts need to be increased. This has been addressed in several stages since 2019.
Performance	The financial performance of the company and its relevant business areas, and the attainment of individual targets agreed as part of the annual performance management process.
Available financial resources of the company and market situation	Budget-related considerations, inflation, and wage trends in the local market.

5 Structure of the compensation system

5.1 Board of Directors

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

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

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

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

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

With effect from 2021, attendance fees will no longer be paid for attending Board of Directors and Committee meetings. Instead, the fixed fee for the individual functions will be increased (Chair, Vice Chair, and member of the Board of Directors) and the Chair and members of a Committee will now receive a fixed fee for their additional function.

Additional compensation may be paid for exceptional efforts that cannot be considered part of the ordinary Board of Directors activity. No such additional compensation was paid in 2020.

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

5.2 Executive Committee

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

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

a) Fixed compensation

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

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

b) Cash bonus

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

CEO and CFO

The cash bonus payable to the CEO and CFO is calculated as follows: 75% on the basis of the financial performance of the Komax Group and 25% on the basis of individual performance. The reference values relevant to the 2020 financial year were Group revenues and Group EBIT. The Board of Directors determines the performance achievement level and the amount of the cash bonus payable to the CEO annually on the recommendation of the Remuneration Committee. This also forms the basis for determining the performance achievement level and cash bonus of the CFO, which is likewise determined by the Remuneration Committee. If performance objectives are not attained, the cash bonus may fall to zero. If all objectives are significantly exceeded, the cash bonus may amount to a maximum of 175% of the target bonus, but no more than 100% of annual fixed compensation.

Other members of the Executive Committee

The cash bonus payable to the other members of the Executive Committee is calculated as follows: 25% on the basis of the financial performance of the Komax Group and 75% on the basis of individual performance. The reference value relevant to the 2020 financial year was Group EBIT. The performance achievement level and corresponding bonuses are determined by the Remuneration Committee on the recommendation of the CEO. If performance objectives are not attained, the cash bonus may fall to zero. If all objectives are significantly exceeded, the cash bonus may amount to a maximum of 175% of the target bonus, but no more than 100% of annual fixed compensation.

Target attainment

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

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

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

[1] Attainment of individual quantitative targets can fall anywhere within a bandwidth of 0% to 200%.

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

c) Long-term incentive system

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

Calculation of PSU allocation

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

Shares are definitively issued according to the following vesting rule:
- RONCE figure below threshold value: 0% of PSUs are converted into shares (forfeiture rate of 100%)
- RONCE figure achieved: 100% of PSUs are converted into shares
- RONCE figure at maximum performance level: 150% of PSUs are converted into shares (cap)

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

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

Duration of plan

	Plan period (2020–2022)	
2020 plan year	2021 plan year	2022 plan year
	Average RONCE figure[1]	

1 January 2020
allocation of PSUs

31 December 2022
end of the vesting period
(payout factor between 0% and 150%)

[1] 2020 was an exceptional financial year because of the coronavirus pandemic. For this reason, in the plan period 2020 to 2022, only data for 2021 and 2022 will be factored into the calculation of the average RONCE figure.

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

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

d) Occupational benefits

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

e) Other provisions in employment contracts

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

6 Compensation and shareholdings of the Board of Directors in 2020

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

6.1 Compensation

In 2020, six members of the Board of Directors received total compensation of CHF 831 589 (2019: CHF 933 589), of which CHF 591 751 was paid out in cash (2019: CHF 687 500), CHF 190 000 in the form of restricted shares (2019: CHF 192 500), and CHF 50 108 as social benefit contributions (2019: CHF 53 589). Contributions to pension plans amounted to CHF 0 (2019: CHF 0).

In light of the negative effects of the coronavirus pandemic on the result for 2020, the members of the Board of Directors opted to forgo 20% of their fixed fee in cash from May to December 2020.

in CHF		**Basic annual fee[1]**	**Allocation restricted shares[2]**	**Social benefits[3]**	**Total compensation 2020**	Total compensation 2019
Beat Kälin	Chairman	191 001	60 000	10 962	**261 963**	293 146
David Dean	Member	83 750	30 000	8 426	**122 176**	135 397
Andreas Häberli	Member	79 250	25 000	7 680	**111 930**	125 973
Kurt Haerri	Member	79 250	25 000	7 680	**111 930**	125 973
Daniel Hirschi[4]	Member	n.a.	n.a.	n.a.	**n.a.**	42 696
Mariel Hoch[5]	Member	79 250	25 000	7 680	**111 930**	84 431
Roland Siegwart	Member	79 250	25 000	7 680	**111 930**	125 973
Total Board of Directors		**591 751**	**190 000**	**50 108**	**831 859**	**933 589**

[1] Basic annual fee in cash (incl. expense allowance) and attendance fees.
[2] Fixed amount in CHF: is divided by the share price as per allocation date (average closing price over the last 40 trading days prior to allocation) and rounded up to the nearest number of full shares. The share price applied in 2020 was CHF 174.52.
[3] Includes mandatory employer contributions to social insurance.
[4] Member of the Board until 16 April 2019.
[5] Member of the Board since 16 April 2019.

No compensation was paid to former members of the Board of Directors for the 2019 and 2020 financial years. Komax Group companies had not granted any guarantees, loans, advances, or credits to members of the Board of Directors or parties closely linked to such persons as at 31 December 2020. No members of the Board of Directors or persons closely linked to them are or were involved in Komax Group transactions outside their normal duties.

6.2 Holdings of shares as at 31 December 2020

As at the end of 2019 and 2020, members of the Board of Directors had the following holdings of shares in the company:

Assets in units		**31.12.2020**	31.12.2019
		Shares	Shares
Beat Kälin	Chairman	10 316	9 972
David Dean	Member	1 300	1 128
Andreas Häberli	Member	331	188
Kurt Haerri	Member	3 130	2 987
Mariel Hoch	Member	143	0
Roland Siegwart	Member	2 271	2 128
Total Board of Directors		**17 491**	**16 403**

7 Compensation and shareholdings of the Executive Committee in 2020

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

7.1 Compensation at grant value

In 2020, six members of the Executive Committee received total compensation of CHF 2 790 230 (2019 with five members in the Executive Committee: CHF 2 491 180). Of this amount, CHF 1 643 454 was paid as fixed compensation (2019: CHF 1 509 274) and CHF 262 500 as cash bonuses (2019: CHF 186 830), CHF 565 000 was granted as Performance Share Units (2019: CHF 510 000), and CHF 319 275 comprised social security and pension fund contributions (2019: CHF 285 076).

in CHF		Fixed compensation[1]	Cash bonus[2]	PSU allocation (plan period 2020–2022)[3]	Social benefits[4]	Total compensation 2020	Total compensation 2019
Matijas Meyer[5]	CEO	458 395	62 500	220 000	81 937	**822 832**	791 941
Total other members of the Executive Committee[6]		1 185 059	200 000	345 000	237 338	**1 967 397**	1 699 239
Total Executive Committee		**1 643 454**	**262 500**	**565 000**	**319 275**	**2 790 230**	**2 491 180**

[1] Expense allowances are not included in the fixed compensation as these are not considered compensation.
[2] Bonus for 2020, to be paid in April 2021.
[3] Fixed amount in CHF: is divided by the share price as per allocation date (average closing price over the last 60 trading days prior to allocation) and rounded up to the nearest number of full shares. The share price applied in 2020 was CHF 219.65.
[4] Includes mandatory employer contributions to social insurance of CHF 88 216 as well as contributions to occupational benefits (BVG). This amount entitles members of the Executive Committee to draw the maximum state-insured pension benefits in the future.
[5] Highest compensated member of the Executive Committee in 2020.
[6] An additional member was appointed to the Executive Committee as at 1 July 2020.

Notes on the compensation overview

In 2020, the CEO's cash bonus amounted to 14% of fixed compensation (2019: 11%). This payout level is due to the development of revenues and EBIT and the attainment of individual objectives. For the other members of the Executive Committee, the cash bonus amounted to 17% of fixed compensation (2019: 13%).

The PSUs granted to the CEO in the year under review corresponded to 48% of the annual fixed compensation (2019: 44%) and 29% for the other members of the Executive Committee (2019: 29%).

The overall variable compensation of the CEO in 2020 therefore amounted to 62% of the annual fixed compensation (2019: 55%) and that of the other members of the Executive Committee to 46% (2019: 42%). This is in line with the provisions of the company's Articles of Association, which allows for a maximum level of 100% of the annual fixed base salary for each element of variable compensation. Further details on the participation plans can be found in the notes to the consolidated financial statements, on pages 119 to 121 of the Financial Report 2020.

No compensation was paid to former members of the Executive Committee for the 2019 and 2020 financial years. Komax Group companies had not granted any guarantees, loans, advances, or credits to members of the Executive Committee or parties closely linked to such persons as at 31 December 2020. No members of the Executive Committee or persons closely linked to them are or were involved in Komax Group transactions outside their normal duties.

7.2 Realized compensation

The annually allocated Performance Share Units are paid out to the members of the Executive Committee in the form of shares after a three-year vesting period. In 2020, this payout took place for the period 2017–2019. The members of the Executive Committee received shares with a total value of CHF 132 027 (allocation amount on 1 January 2017: CHF 326 000, relevant share price: CHF 241.98). In 2019, when the Executive Committee had one member fewer, shares with a total value of CHF 503 544 were remunerated.

The total compensation figure for 2020 of CHF 2 357 257 (2019: CHF 2 484 724) is significantly below the maximum amount of CHF 4 230 000 (2019: CHF 4 230 000) approved by the 2019 Annual General Meeting.

in CHF		Fixed compensation[1]	Cash bonus[2]	Compensation amount PSU plan period (2017–2019)	Social benefits[3]	Total compensation 2020	Total compensation 2019
Matijas Meyer[4]	CEO	458 395	62 500	64 870	81 937	**667 702**	816 011
Total other members of the Executive Committee[5]		1 185 059	200 000	67 157	237 338	**1 689 555**	1 668 713
Total Executive Committee		**1 643 454**	**262 500**	**132 027**	**319 275**	**2 357 257**	**2 484 724**

[1] Expense allowances are not included in the fixed compensation as these are not considered as compensation.
[2] Bonus for 2020, to be paid in April 2021.
[3] Includes mandatory employer contributions to social insurance of CHF 88 216 as well as contributions to occupational benefits (BVG). This amount entitles members of the Executive Committee to draw the maximum state-insured pension benefits in the future.
[4] Highest compensated member of Executive Committee in 2020.
[5] An additional member was appointed to the Executive Committee as at 1 July 2020.

7.3 Holdings of shares as at 31 December 2020

As at the end of 2019 and 2020, members of the Executive Committee had the following holdings of shares in the company:

Assets in units		31.12.2020	31.12.2019
		Shares	Shares
Matijas Meyer	CEO	4 397	4 000
Andreas Wolfisberg	CFO	673	500
Jürgen Hohnhaus[1]	Executive Vice President	0	n.a.
Tobias Rölz[2]	Executive Vice President	0	n.a.
Marc Schürmann	Executive Vice President	319	200
Marcus Setterberg	Executive Vice President	256	137
Günther Silberbauer[3]	Executive Vice President	n.a.	0
Total Executive Committee		**5 645**	**4 837**

[1] Member of the Executive Committee since 1 January 2020.
[2] Member of the Executive Committee since 1 July 2020.
[3] Member of the Executive Committee until 31 December 2019.

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

Report on the audit of the compensation report

We have audited the accompanying compensation report (Art. 6 and 7) of Komax Holding AG for the year ended 31 December 2020.

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

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.
An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans, and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the compensation report of Komax Holding AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Brüderlin Audit expert Auditor in charge	Sebastian Gutmann Audit expert

Basel, 15 March 2021

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CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF KOMAX HOLDING AG

Consolidated income statement

in TCHF	Notes	2020	%	2019	%
Net sales		321 741		414 968	
Other operating income	1.2	5 882		2 803	
Revenues	1.2	**327 623**	**100.0**	**417 771**	**100.0**
Change in inventory of unfinished and finished goods		–6 509		–2 434	
Cost of materials		–121 254		–156 407	
Gross profit		**199 860**	**61.0**	**258 930**	**62.0**
Personnel expenses	1.3	–131 023		–160 957	
Depreciation on property, plant, and equipment	2.3	–11 122		–8 981	
Depreciation on intangible assets	2.4	–3 964		–3 821	
Other operating expenses	1.3	–42 497		–61 136	
Operating profit (EBIT)		**11 254**	**3.4**	**24 035**	**5.8**
Financial result	1.4	–8 927		–4 851	
Group earnings before taxes (EBT)		**2 327**	**0.7**	**19 184**	**4.6**
Income taxes	1.6	–3 646		–5 963	
Group earnings after taxes (EAT)		**–1 319**	**–0.4**	**13 221**	**3.2**
Of which attributable to:					
– Shareholders of Komax Holding AG		–1 319		13 221	
– Non-controlling interest		0		0	
Basic earnings per share (in CHF)	1.7	–0.34		3.44	
Diluted earnings per share (in CHF)	1.7	–0.34		3.43	

Consolidated balance sheet

in TCHF	Notes	31.12.2020	%	31.12.2019	%
Assets					
Cash and cash equivalents		51 836		47 454	
Securities		13		13	
Trade receivables	2.1	86 314		102 786	
Other receivables	2.1	19 836		22 911	
Inventories	2.2	89 284		110 831	
Accrued income and prepaid expenses		5 936		4 872	
Total current assets		**253 219**	**56.0**	**288 867**	**60.0**
Property, plant, and equipment	2.3	172 980		163 758	
Intangible assets	2.4	14 936		16 721	
Deferred tax assets	1.6	10 109		11 221	
Other non-current receivables	2.5	845		669	
Total non-current assets		**198 870**	**44.0**	**192 369**	**40.0**
Total assets		**452 089**	**100.0**	**481 236**	**100.0**
Liabilities					
Current financial liabilities	3.1	7 106		17 188	
Trade payables		14 410		20 720	
Other payables	2.6	31 890		31 964	
Current provisions	2.6	2 705		3 263	
Accrued expenses and deferred income		16 638		19 993	
Total current liabilities		**72 749**	**16.1**	**93 128**	**19.4**
Non-current financial liabilities	3.1	137 169		136 504	
Other non-current liabilities		1 106		2 185	
Deferred tax liabilities	1.6	4 579		4 815	
Total non-current liabilities		**142 854**	**31.6**	**143 504**	**29.8**
Total liabilities		**215 603**	**47.7**	**236 632**	**49.2**
Share capital	3.2	385		385	
Capital surplus		22 113		22 113	
Treasury shares	3.2	–1 106		–1 656	
Retained earnings		215 094		223 762	
Equity attributable to shareholders of Komax Holding AG		**236 486**	**52.3**	**244 604**	**50.8**
Total liabilities and shareholders' equity		**452 089**	**100.0**	**481 236**	**100.0**

Consolidated statement of shareholders' equity

in TCHF	Notes	**Share capital**	**Premium**	**Treasury shares**	Goodwill offset	Currency differences	Other retained earnings	**Total retained earnings**	**Shareholders' equity of Komax Holding AG**
Balance as at 1 January 2019		**385**	**24 569**	**–2 311**	–72 267	–4 402	335 666	**258 997**	**281 640**
Group earnings after taxes							13 221	13 221	13 221
Capital increase from exercise of options	3.2	0	620					0	620
Distribution out of reserves from capital contributions			–3 076					0	–3 076
Dividend paid							–23 838	–23 838	–23 838
Purchase of treasury shares	3.2			–1 010				0	–1 010
Share-based payments				1 665			–882	–882	783
Goodwill offset with shareholders' equity	2.4				–18 352			–18 352	–18 352
Currency translation differences recorded in the reporting period						–5 384		–5 384	–5 384
Balance as at 31 December 2019		**385**	**22 113**	**–1 656**	–90 619	–9 786	324 167	**223 762**	**244 604**
Balance as at 1 January 2020		**385**	**22 113**	**–1 656**	–90 619	–9 786	324 167	**223 762**	**244 604**
Group earnings after taxes							–1 319	–1 319	–1 319
Purchase of treasury shares	3.2			–540				0	–540
Share-based payments				1 090			–99	–99	991
Currency translation differences recorded in the reporting period						–7 250		–7 250	–7 250
Balance as at 31 December 2020		**385**	**22 113**	**–1 106**	–90 619	–17 036	322 749	**215 094**	**236 486**

Consolidated cash flow statement

in TCHF	Notes	2020	2019
Cash flow from operating activities			
Group earnings after taxes		–1 319	13 221
Adjustment for non-cash items			
– Taxes	1.6	3 646	5 963
– Depreciation and impairment of property, plant, and equipment	2.3	11 122	8 981
– Depreciation and impairment of intangible assets	2.4	3 964	3 821
– Profit (–) / loss (+) from sale of non-current assets		–176	–186
– Expense for share-based payments		991	783
– Net financial result	1.4	8 927	4 851
– Other non-cash items		0	2
Interest received and other financial income		421	264
Interest paid and other financial expenses		–6 550	–3 333
Taxes paid		–3 041	–7 878
Increase (+) / decrease (–) in provisions		–503	–11
Increase (–) / decrease (+) in trade receivables		13 403	24 137
Increase (–) / decrease (+) in inventories		17 566	–2 295
Increase (+) / decrease (–) in trade payables		–5 837	–8 426
Increase (–) / decrease (+) in other net current assets		–848	1 393
Total cash flow from operating activities		**41 766**	**41 287**
Cash flow from investing activities			
Investments in property, plant, and equipment	2.3	–23 427	–49 210
Sale of property, plant, and equipment		461	927
Investments in intangible assets	2.4	–2 384	–5 238
Sale of intangible assets		9	0
Investments in Group companies and participations[1]		–990	–22 410
Increase in granted loans		0	–2 242
Total cash flow from investing activities		**–26 331**	**–78 173**
Free cash flow[2]		15 435	–36 886
Cash flow from financing activities			
Decrease in current financial liabilities		–11 367	–1 687
Decrease in non-current financial liabilities		–28 660	–765
Increase in current financial liabilities		1 350	17 174
Increase in non-current financial liabilities		30 000	47 216
Capital increase (share-based payments)		0	620
Distribution out of reserves from capital contributions		0	–3 076
Dividend paid		0	–23 838
Purchase of treasury shares	3.2	–540	–1 010
Total cash flow from financing activities		**–9 217**	**34 634**
Effect of currency translations on cash and cash equivalents		–1 836	–1 259
Increase (+) / decrease (–) in funds		**4 382**	**–3 511**
Cash and cash equivalents at 1 January		47 454	50 965
Cash and cash equivalents at 31 December		51 836	47 454

[1] Less cash and cash equivalents acquired.
[2] No Swiss GAAP FER defined key figure, see note 5.5.

Notes to the consolidated financial statements

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

The present consolidated financial statements were adopted by the Board of Directors of Komax Holding AG on 9 March 2021 and released for publication. Their approval by the Annual General Meeting, scheduled for 14 April 2021, is pending.

Accounting policies
The consolidated financial statements of the Komax Group are based on the individual financial statements of the Group companies, compiled in accordance with uniform standards, as at 31 December 2020. The consolidated financial statements have been drawn up in accordance with the entire existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations). Furthermore, the provisions of Swiss company law have been complied with. The consolidated financial statements are based on the principle of historic acquisition cost (with the exception of securities and derivative financial instruments, which are recorded at their fair values), and have been drawn up under the "going concern" assumption.

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

Key recognition and measurement assumptions

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

	Page
Recognition of revenue according to the POC method	95
Current and deferred income taxes	100
Impairment of property, plant, and equipment	103
Impairment of intangible assets and goodwill	107
Contingent consideration	108
Provisions	108

Key events of the reporting period

As mentioned on pages 2 and 3 of the Shareholders' letter, 2020 was significantly impacted by the coronavirus pandemic and its consequences. Order intake and revenues decreased considerably and were well below 2019 levels. The shortfall in revenues could be countered with a number of cost-cutting measures. In addition, in the current reporting period, the Komax Group received government grants in the amount of CHF 24.6 million (2019: CHF 0.0 million), including in the form of short-time working compensation.

As a result of structural changes implemented at various Komax Group companies, restructuring costs of around CHF 1.6 million were incurred in 2020 and impacted the operating result by this amount.

Group earnings after taxes was substantially impacted by the negative financial result of CHF –8.9 million (2019: CHF –4.9 million). The financial result consists largely of higher interest costs as well as currency losses. Likewise, the tax rate of 156.7% (2019: 31.1%) impacted group earnings after taxes. The high tax rate can mainly be explained by the fact that some of the Komax Group companies reported a profit in 2020 and have formed tax provisions accordingly. Since Komax elects to not capitalize tax-loss carry forwards that can be offset with profits in the subsequent accounting periods, the Komax Group is accordingly reporting a very high tax rate.

To ensure long-term financing, the syndicated loan facility was increased by CHF 30.0 million in February 2020. Financial covenants with the banks for the syndicated loan facility were adjusted in line with the changed market environment. From 30 June 2020 to 30 June 2021, EBITDA will be regarded as the binding financial indicator instead of the debt factor, which was the basis applied before 30 June 2020 and which will apply again after 30 June 2021. The new conditions connected with this adjustment have additionally impacted the financial result.

Despite the challenging market environment and the increase in the syndicated loan facility, net debt could be reduced year-on-year thanks to various measures. Net debt decreased from CHF 106.2 million as at 31 December 2019 to CHF 92.4 million as at 31 December 2020.

Events after the balance sheet date

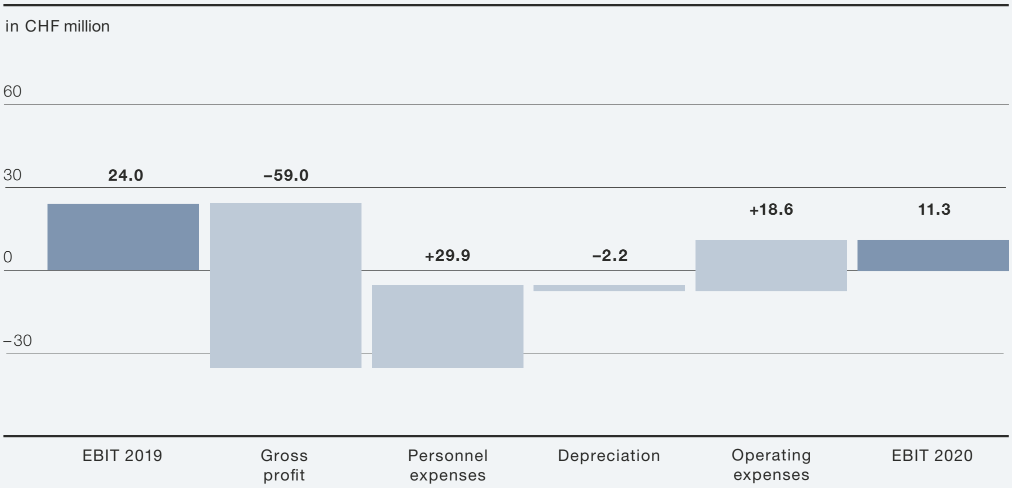
In order to streamline structures, mergers were completed in France and the United States effective 1 January 2021. In France, Komax France Sàrl and Laselec SA were merged to form the new company Komax Laselec SA. The two US subsidiaries Komax Corporation and Artos Engineering Company were merged into the Komax Corporation by means of an absorption merger.

No other significant events occurred between the balance sheet date and the approval of the consolidated financial statements by the Board of Directors on 9 March 2021 which might adversely affect the information content of the 2020 consolidated financial statements or which would require disclosure.

1 Performance

In this section, we provide details of the 2020 result of the Komax Group. In addition to earnings per share, we also provide details on revenues, expenses, the financial result, and taxes.

The operating profit (EBIT) of the Komax Group decreased from CHF 24.0 million in 2019 to CHF 11.3 million in 2020. The chart below illustrates the year-on-year change between the current reporting period and the prior year.



1.1 Segment information

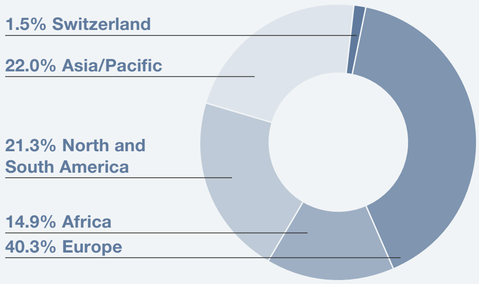
The Komax Group is a global technology company that focuses on markets in the automation sector. As a manufacturer of innovative and high-quality solutions for the wire processing industry, Komax helps its customers to implement economical and safe manufacturing processes, especially in the automotive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

1.2 Revenues

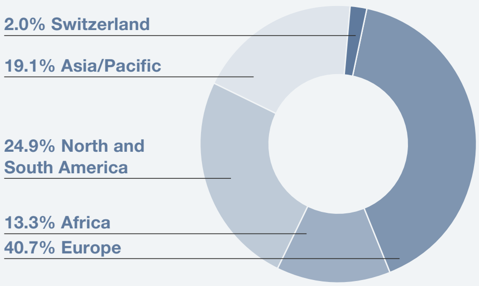
a) Revenues by region

The percentage breakdown of revenues by region is as follows:

2020



2019



b) Construction contracts

In the current reporting period, revenues of CHF 9.6 million (2019: CHF 1.5 million) were recorded from long-term construction contracts on the basis of the POC method.

c) Other operating income

in TCHF	**2020**	2019
Own work capitalized	1 524	1 791
Government grants	1 223	576
Gains from the disposal of non-current assets	232	379
Other income	2 903	57
Total other operating income	**5 882**	**2 803**

Key recognition and measurement assumptions

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

Recognition and measurement

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

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

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

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

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

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

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

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

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

1.3 Expenses

a) Personnel expenses

in TCHF	**2020**	2019
Wages and salaries	–103 353	–129 505
Share-based payments settled with equity instruments	–944	–738
Share-based payments settled in cash	–147	–224
Social security and pension contributions	–22 618	–25 480
Other personnel costs (in particular training and development)	–3 961	–5 010
Total personnel expenses	**–131 023**	**–160 957**

Personnel expenses include compensation from short-time working of CHF 24.0 million (2019: CHF 0.0 million). Likewise recognized under personnel expenses are restructuring costs of CHF 1.5 million (2019: CHF 0.0 million).

b) Other operating expenses

in TCHF	**2020**	2019
Expenditure on operating equipment and energy	–2 745	–2 587
Rental expenses	–3 403	–3 727
Repair and maintenance expenses	–12 465	–15 448
Third-party services for development expenses	–4 720	–7 507
Representation and marketing expenses	–4 419	–13 784
Legal and consultancy expenses	–4 442	–5 127
Shipping and packaging expenses	–5 293	–7 148
Expenditure on administration and sales	–2 684	–3 306
Other expenditure	–2 326	–2 502
Total other operating expenses	**–42 497**	**–61 136**

Other operating expenses contain restructuring costs of CHF 0.1 million (2019: CHF 0.0 million).

1.4 Financial result

in TCHF	**2020**	2019
Interest result (net)	–4 637	–1 776
Exchange rate translation differences (net)	–4 290	–3 075
Total financial result	**–8 927**	**–4 851**

Recognition and measurement

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

1.5 Non-operating and extraordinary result

No non-operating expense/income and no extraordinary expense/income were incurred or generated in either the current reporting period or during the previous reporting period.

Recognition and measurement

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

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

1.6 Taxes
a) Income taxes

in TCHF	**2020**	2019
Current income taxes	–2 595	–5 269
Deferred tax income (+) / tax expenses (–)	–1 051	–694
Total income taxes	**–3 646**	**–5 963**

Analysis of the tax rate

in TCHF	**2020**	%	2019	%
Group earnings before taxes (EBT)	2 327		19 184	
Expected tax expenses	**–1 576**	**67.7**	**–4 042**	**21.1**
Impact of non-capitalized tax-loss carry forwards	–2 058	88.5	–1 723	9.0
Utilization of non-capitalized tax-loss carry forwards	518	–22.3	823	–4.3
Effect of changes in tax rate	17	–0.8	163	–0.9
Tax credits / charges from prior years	–268	11.5	–641	3.3
Effect of non-deductible expenses	–287	12.4	–338	1.8
Effect of non-taxable income	385	–16.5	133	–0.7
Non-reclaimable withholding taxes	–278	11.9	–343	1.8
Others	–99	4.3	5	–0.0
Effective tax expenses	**–3 646**	**156.7**	**–5 963**	**31.1**

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

The expected tax rate based on the ordinary result was at 67.7% (2019: 21.1%).

b) Deferred tax assets and liabilities

in TCHF	**31.12.2020**	31.12.2019
Property, plant, and equipment / intangible assets	7 118	7 850
Trade receivables and inventories[1]	2 609	3 735
Provisions	1 391	1 530
Other items	1 314	1 081
Total deferred tax assets (gross)	**12 432**	**14 196**
Offset against deferred tax liabilities	–2 323	–2 975
Balance sheet deferred tax assets	**10 109**	**11 221**
Property, plant, and equipment / intangible assets	3 480	3 226
Trade receivables and inventories	2 234	2 992
Provisions	713	826
Other items	475	746
Total deferred tax liabilities (gross)	**6 902**	**7 790**
Offset against deferred tax assets	–2 323	–2 975
Balance sheet deferred tax liabilities	**4 579**	**4 815**
Net deferred tax assets (+) / tax liabilities (–)	**5 530**	**6 406**

[1] Including unrealized intragroup profit.

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

in TCHF	Within 5 years	After more than 5 years	**Total**
Expiry of unutilized tax-loss carry forwards			
31 December 2020	8 982	65 383	**74 365**
31 December 2019	4 513	68 095	**72 608**

This results in a deferred tax claim (not recognized in the balance sheet) for as yet unutilized tax-loss carry forwards of CHF 18.9 million (31 December 2019: CHF 19.5 million) as well as CHF 3.3 million (31 December 2019: CHF 3.6 million) in non-recognized tax credits.

Key recognition and measurement assumptions

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

Recognition and measurement

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

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

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

1.7 Earnings per share (EPS)

in CHF	**2020**	2019
Group earnings (attributable to shareholders of Komax Holding AG)	**–1 319 334**	**13 220 766**
Weighted average number of outstanding shares	3 845 655	3 843 352
Basic earnings per share	**–0.34**	**3.44**
Group earnings (attributable to shareholders of Komax Holding AG)	**–1 319 334**	**13 220 766**
Weighted average number of outstanding shares	3 845 655	3 843 352
Adjustment for dilution effect of share-based compensation plans	0	5 765
Weighted average number of outstanding shares for calculating diluted earnings per share	3 845 655	3 849 117
Diluted earnings per share	**–0.34**	**3.43**

Recognition and measurement

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

2 Operating assets and liabilities

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

2.1 Current receivables

a) Trade receivables

in TCHF	**31.12.2020**	31.12.2019
Trade receivables	82 312	98 452
less provision for impairment	–152	–244
Accruals for construction contracts	12 580	10 887
less prepayments for construction contracts	–8 426	–6 309
Receivables arising from POC	**4 154**	**4 578**
Total	**86 314**	**102 786**

Overdue trade receivables that had not been written down amounted to CHF 22.7 million on 31 December 2020 (31 December 2019: CHF 29.3 million). Their maturity structure is set out in the following table:

in TCHF	Number of days					
	1–30	31–60	61–90	91–120	>120	**Total**
As at 31 December 2020	12 968	3 858	1 763	1 084	3 057	**22 730**
As at 31 December 2019	15 062	6 119	2 411	1 166	4 513	**29 271**

b) Other receivables

In addition to prepayments to suppliers of CHF 0.6 million (31 December 2019: CHF 0.8 million), other receivables mainly comprise credits due from government organizations (tax authorities) and bills receivable.

Recognition and measurement

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

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

2.2 Inventories

in TCHF	31.12.2020	31.12.2019
Manufacturing components and spare parts	59 211	73 291
Semi-finished goods / work in process	13 619	16 091
Finished goods	29 841	33 964
Gross value inventories	**102 671**	**123 346**
less impairment	–13 387	–12 515
Inventories	**89 284**	**110 831**

Recognition and measurement

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

2.3 Property, plant, and equipment

in TCHF	Undeveloped property	Land	Buildings	Machines and equipment	Other tangible fixed assets	Assets under construction	**Total property, plant, and equipment**
Costs							
As at 31 December 2018	**1 141**	**16 021**	**80 788**	**42 196**	**11 338**	**43 207**	**194 691**
Additions	0	0	12 619	5 097	2 468	29 026	49 210
Disposals	0	0	–5	–1 434	–498	0	–1 937
Change in scope of consolidation	300	1 008	4 611	1 280	1 034	0	8 233
Reclassifications	0	0	12 451	1 118	–25	–13 544	0
Currency differences	3	–129	–1 308	–546	–301	–184	–2 465
As at 31 December 2019	**1 444**	**16 900**	**109 156**	**47 711**	**14 016**	**58 505**	**247 732**
Additions	0	0	18 039	4 365	607	416	23 427
Disposals	0	0	0	–652	–323	0	–975
Reclassifications	0	0	51 119	6 800	4	–57 923	0
Currency differences	0	–302	–2 069	–1 398	–458	–14	–4 241
As at 31 December 2020	**1 444**	**16 598**	**176 245**	**56 826**	**13 846**	**984**	**265 943**
Depreciation							
As at 31 December 2018	**0**	**0**	**–43 787**	**–23 882**	**–6 793**	**0**	**–74 462**
Additions	0	0	–2 967	–4 048	–1 966	0	–8 981
Disposals	0	0	3	874	317	0	1 194
Change in scope of consolidation	0	0	–814	–791	–667	0	–2 272
Currency differences	0	0	117	212	218	0	547
As at 31 December 2019	**0**	**0**	**–47 448**	**–27 635**	**–8 891**	**0**	**–83 974**
Additions	0	0	–4 666	–4 593	–1 863	0	–11 122
Disposals	0	0	0	413	303	0	716
Currency differences	0	0	360	751	306	0	1 417
As at 31 December 2020	**0**	**0**	**–51 754**	**–31 064**	**–10 145**	**0**	**–92 963**
Book values							
As at 31 December 2018	**1 141**	**16 021**	**37 001**	**18 314**	**4 545**	**43 207**	**120 229**
As at 31 December 2019	**1 444**	**16 900**	**61 708**	**20 076**	**5 125**	**58 505**	**163 758**
As at 31 December 2020	**1 444**	**16 598**	**124 491**	**25 762**	**3 701**	**984**	**172 980**

Key recognition and measurement assumptions

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

Recognition and measurement

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

Depreciation period

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

2.4 Intangible assets

a) Movements in the intangible assets

in TCHF	Software	Patents and customer base	Software in implementation	**Total intangible assets**
Costs				
As at 31 December 2018	**29 455**	**5 289**	**414**	**35 158**
Additions	3 132	0	2 106	5 238
Disposals	–52	0	0	–52
Change in scope of consolidation	641	41	0	682
Reclassifications	80	0	–80	0
Currency differences	–229	–14	–25	–268
As at 31 December 2019	**33 027**	**5 316**	**2 415**	**40 758**
Additions	944	0	1 440	2 384
Disposals	–83	0	0	–83
Reclassifications	1 005	0	–1 005	0
Currency differences	–280	–116	–15	–411
As at 31 December 2020	**34 613**	**5 200**	**2 835**	**42 648**
Depreciation				
As at 31 December 2018	**–15 728**	**–4 051**	**0**	**–19 779**
Additions	–3 568	–253	0	–3 821
Disposals	52	0	0	52
Change in scope of consolidation	–637	–18	0	–655
Currency differences	160	6	0	166
As at 31 December 2019	**–19 721**	**–4 316**	**0**	**–24 037**
Additions	–3 721	–243	0	–3 964
Disposals	48	0	0	48
Currency differences	199	42	0	241
As at 31 December 2020	**–23 195**	**–4 517**	**0**	**–27 712**
Book values				
As at 31 December 2018	**13 727**	**1 238**	**414**	**15 379**
As at 31 December 2019	**13 306**	**1 000**	**2 415**	**16 721**
As at 31 December 2020	**11 418**	**683**	**2 835**	**14 936**

b) Goodwill

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

in TCHF	2020	2019
Historical costs as at 1 January	**90 423**	**72 238**
Additions	0	18 352
Currency differences	–1 356	–167
Historical costs as at 31 December	**89 067**	**90 423**
Theoretical accumulated depreciation as at 1 January	**–40 157**	**–31 856**
Theoretical depreciation	–9 284	–8 357
Currency differences	562	56
Theoretical accumulated depreciation as at 31 December	**–48 879**	**–40 157**
Theoretical net book value as at 31 December	**40 188**	**50 266**

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

in TCHF	31.12.2020	31.12.2019
Shareholders' equity according to balance sheet	236 486	244 604
Theoretical capitalization of net book value of goodwill	40 188	50 266
Theoretical tax impacts	754	780
Theoretical shareholders' equity	**277 428**	**295 650**

in TCHF	2020	2019
Group earnings after taxes (EAT) according to income statement	–1 319	13 221
Theoretical goodwill depreciation	–9 284	–8 357
Theoretical tax impacts	48	50
Theoretical Group earnings after taxes (EAT)	**–10 555**	**4 914**

Key recognition and measurement assumptions

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

Recognition and measurement

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

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

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

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

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

2.5 Other non-current receivables

As at 31 December 2020, other non-current receivables include mainly paid rent deposits and capitalized financing costs. In the corresponding period of the previous year, the other non-current receivables include almost exclusively paid rent deposits.

2.6 Other liabilities

a) Other payables

in TCHF	31.12.2020	31.12.2019
Prepayments by customers	15 332	14 952
Contingent consideration	890	853
Current income tax liabilities	2 681	3 420
Prepayments for construction contracts	6 200	7 197
less accruals for construction contracts	–6 091	–6 167
Liabilities arising from POC	**109**	**1 030**
Other positions	12 878	11 709
Total other payables	**31 890**	**31 964**

Key recognition and measurement assumptions

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

b) Current provisions

in TCHF	2020	2019
Total as at 1 January	**3 263**	**2 975**
Additional provisions	1 930	2 618
Change in scope of consolidation	0	340
Amounts utilized during the year	–1 323	–1 966
Unused amounts reversed	–1 102	–662
Currency differences	–63	–42
Total as at 31 December	**2 705**	**3 263**

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

Key recognition and measurement assumptions

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

Recognition and measurement

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

3 Capital and financial risk management

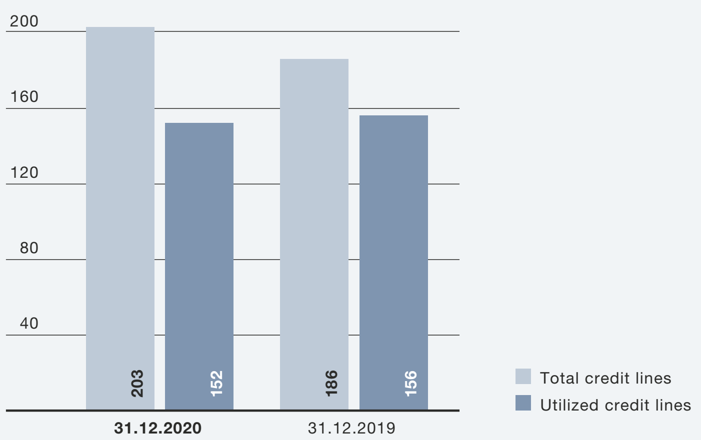
In addition to details on shareholders' equity, details are also provided on financial risk management at the Komax Group.

3.1 Financial liabilities

in TCHF	Currency	**31.12.2020**	31.12.2019
Bank liabilities	CHF	116 500	121 000
Bank liabilities	EUR	23 325	27 792
Bank liabilities	USD	4 450	4 900
Total financial liabilities		**144 275**	**153 692**

Komax Holding AG finalized an agreement with a bank syndicate for a credit line amounting to CHF 190.0 million (31 December 2019: CHF 160.0 million), of which CHF 1.5 million has been amortized by the end of 2020 (2019: CHF 0.0 million). Additionally, there are further local credit lines for subsidiaries available amounting to CHF 14.7 million (31 December 2019: CHF 26.3 million). The maximum available local credit line is CHF 30.0 million (31 December 2019: CHF 30.0 million). As at 31 December 2020 the Group has drawn on this credit limit to the amount of CHF 151.8 million (31 December 2019: CHF 156.0 million).

Credit lines Komax Group
in CHF million



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

in TCHF	less than 1 year	1–5 years	over 5 years	Total
As at 31 December 2020	8 012	135 477	786	**144 275**
As at 31 December 2019	18 103	133 881	1 708	**153 692**

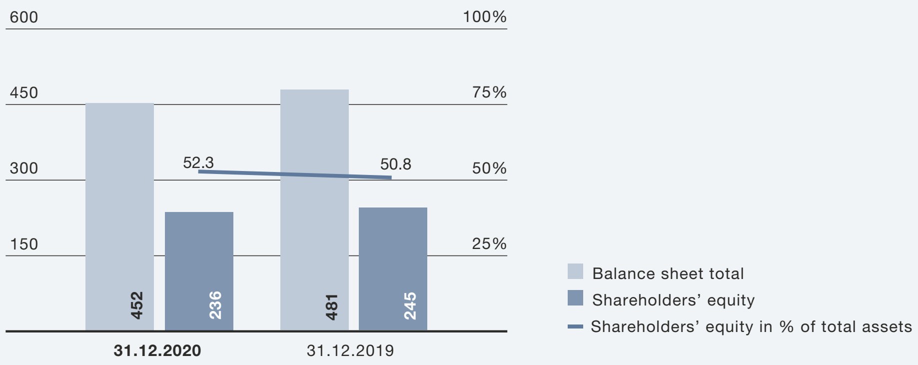
Recognition and measurement

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

3.2 Shareholders' equity

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

Shareholders' equity
in CHF million



a) Share capital

Balance sheet date	Number of shares	Par value in CHF	Par value in CHF
31 December 2020	**3 850 000**	**0.10**	**385 000**
31 December 2019	3 850 000	0.10	385 000
31 December 2018	3 847 510	0.10	384 751

All registered shares are fully paid up.

b) Treasury shares

			2020			2019
	Number	**Average price in CHF**	**Purchase costs (avg.) in TCHF**	Number	Average price in CHF	Purchase costs (avg.) in TCHF
Total as at 1 January	**7 121**	**232.55**	**1 656**	**9 303**	**248.44**	**2 311**
Purchases	3 500	154.44	540	4 490	224.88	1 010
Transfer (share-based compensation)	–4 688	232.55	–1 090	–6 672	249.54	–1 665
Total as at 31 December	**5 933**	**186.47**	**1 106**	**7 121**	**232.55**	**1 656**

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

c) Conditional capital

	2020			2019		
	Number	**Par value in CHF**	**Conditional share capital in CHF**	Number	Par value in CHF	Conditional share capital in CHF
Total as at 1 January	**0**	**0.10**	**0**	**2 490**	**0.10**	**249**
Exercise of options	0	0.10	0	–2 490	0.10	–249
Total as at 31 December	**0**	**0.10**	**0**	**0**	**0.10**	**0**

There was no increase in conditional capital either in 2019 or in 2020. Conditional capital was created for management and employee share ownership schemes.

d) Reserves

The non-distributable reserves amounted to CHF 5.0 million as at 31 December 2020 (31 December 2019: CHF 5.2 million).

Recognition and measurement

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

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

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

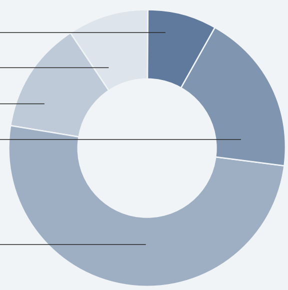
3.3 Financial risk management

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

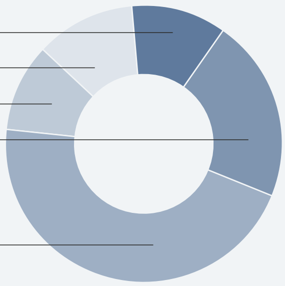
a) Currency risk

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

2020



2019



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

Currency	**Year-end rate 31.12.2020**	**Average rate 2020**	Year-end rate 31.12.2019	Average rate 2019
USD	0.890	0.960	0.980	1.000
EUR	1.090	1.080	1.100	1.130
CNY	0.136	0.138	0.140	0.146

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

	Change EBIT margin 2020	Change EBIT margin 2019
EUR/CHF average rate +/– 10%	+/– 1.1%-pt.	+/– 0.8%-pt.
USD/CHF average rate +/– 10%	+/– 0.8%-pt.	+/– 0.9%-pt.
CNY/CHF average rate +/– 10%	+/– 0.6%-pt.	+/– 0.5%-pt.

b) Credit risk

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

c) Capital risk

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

d) Liquidity risk

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

e) Interest rate risk

Neither at 31 December 2020 nor at the prior year's balance sheet date did the Komax Group possess any assets that were subject to any material rate of interest. The Group's financial risk policy is to finance long-term investments with long-term liabilities, which gives rise to an interest rate risk. If there is a significant interest rate risk, the related cash flow risks are hedged through interest rate swaps.

4 Group structure

This section contains details on the scope of consolidation, including any changes (acquisitions, business areas to be discontinued). The list of investments additionally contains all directly and indirectly held investments as at 31 December 2020.

4.1 Scope of consolidation

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

The second half of 2020 saw the foundation of a further subsidiary, Testing Solutions Maroc Sàrl., which commenced operations in the fourth quarter. There were no acquisitions in the period under review. In the prior-year period, Artos Engineering and Exmore were acquired and a further subsidiary founded in the form of Komax Distribution (Thailand) Co., Ltd.

Recognition and measurement

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

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

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

4.2 Business combinations

a) Acquisitions 2020

There were no acquisitions in the reporting period.

b) Acquisitions 2019

in TCHF	Exmore	Artos Engineering	Total
Acquired net assets at fair value			
Cash and cash equivalents	3 235	286	**3 521**
Trade receivables	2 127	1 710	**3 837**
Other receivables	248	35	**283**
Inventories	3 360	4 029	**7 389**
Accrued income and prepaid expenses	178	83	**261**
Property, plant, and equipment	3 392	2 569	**5 961**
Intangible assets	1	26	**27**
Deferred tax assets	83	673	**756**
Other non-current receivables	0	7	**7**
Total assets	**12 624**	**9 418**	**22 042**
Current financial liabilities	–37	–1 652	**–1 689**
Trade payables	–2 593	–1 566	**–4 159**
Other payables	–2 364	–523	**–2 887**
Current provisions	–325	–15	**–340**
Accrued expenses and deferred income	–1 527	–602	**–2 129**
Non-current financial liabilities	–31	–2 242	**–2 273**
Deferred tax liabilities	–437	–88	**–525**
Total liabilities	**–7 314**	**–6 688**	**–14 002**
Acquired net assets	**5 310**	**2 730**	**8 040**
Acquisition costs	**156**	**145**	**301**
Goodwill	**10 835**	**7 216**	**18 051**
Total consideration	**16 301**	**10 091**	**26 392**
Contingent consideration	0	1 889	**1 889**
Transferred consideration	16 301	8 202	**24 503**
less acquired cash and cash equivalents	–3 235	–286	**–3 521**
Net cash out 2019	**13 066**	**7 916**	**20 982**

Exmore

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

Artos Engineering

Komax acquired a 100% stake in Artos Engineering Company, USA, and its subsidiary Artos Engineering France S.à.r.l., France, as per 1 April 2019. The acquired company generated revenues of CHF 9.4 million from 1 April to 31 December 2019. The repercussions of this acquisition for Group earnings after taxes are negligible.

4.3 Investments in associates

As at 31 December 2020 and 31 December 2019, Komax held no investments in associate companies.

Recognition and measurement

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

4.4 Equity holdings

Direct and indirect equity participation of Komax Holding AG as at 31 December 2020

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

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

5 Other information

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

5.1 Employee benefits

in TCHF	2020	2020	2019
	Surplus cover as per FER 26	**Economic share within the Group**	Economic share within the Group
Pension plans with surplus cover	753	0	0
Total	**753**	**0**	**0**

in TCHF	2020	2020	2020	2019
	Change compared to prior year / expense of reporting period	Contributions accrued for the period	**Employee benefits expenditure in personnel expenses**	Employee benefits expenditure in personnel expenses
Pension plans with surplus cover	0	5016	5016	4881
Total	**0**	**5016**	**5016**	**4881**

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

The pension plans with surplus cover are related to the staff pension scheme of Komax AG in Switzerland. The coverage rate amounted to 113.4% as at 31 December 2020 (31 December 2019: 115.8%). The actuarial calculations are based on a technical interest rate of 1.75% (31 December 2019: 2.0%) as well as the technical basis of BVG 2015 (31 December 2019: BVG 2015).

There were no material employer contribution reserves as at 31 December 2020 or as at 31 December 2019.

Recognition and measurement

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

5.2 Share-based compensation

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

a) Komax Performance Share Unit Plan (PSU)

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

Terms of outstanding rights as at 31 December 2020

		2018–2020	2019–2021	2020–2022
Number of outstanding rights		1 337	0	2 762
Vesting period		3 years	3 years	3 years
Allocation		2021	2022	2023
Fair value on the day of granting	CHF	295.00	265.51	219.65
Total fair value at allocation	**TCHF**	**394**	**0**	**607**

b) Komax Long-term Share Incentive Plan

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

Number of rights	2020	2019
Total as at 1 January	**6 090**	**7 245**
Granted on 1 January	2 460	1 935
Forfeited	–104	0
Transferred to participants	–2 495	–3 090
Total as at 31 December	**5 951**	**6 090**

The fair value on the day of granting amounted to CHF 219.65 (2019: CHF 265.51).

c) Komax Long-term Cash Incentive Plan

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

Number of rights	2020	2019
Total as at 1 January	**3 602**	**3 694**
Granted on 1 January	1 777	1 432
Forfeited	–108	–181
Transferred to participants	–1 099	–1 343
Total as at 31 December	**4 172**	**3 602**

The fair value on the day of granting amounted to CHF 219.65 (2019: CHF 265.51).

d) Komax Restricted Share Plan

Restricted shares are allocated to Board members at the end of their period of office shortly before the Annual General Meeting (equity-settled plan); the lock-in period is three years. In the event of resignation from office as a result of retirement, death, or disability, the entitlement to restricted shares is calculated on a pro rata temporis basis. In such cases, lock-in periods may be either continued or rescinded at the discretion of the Board of Directors. In the 2020 financial year, 1 088 shares (2019: 791 shares) with a fair value of CHF 141.60 (2019: CHF 210.00) on the date of granting were allocated to the Board of Directors.

Recognition and measurement

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

5.3 Related party transactions

Transactions with associated companies

in TCHF	**2020**	2019
Sale of goods and services	0	0
Interest income	61	0
Other receivables (current and non-current) as at 31 December	0	0

Related party transactions include members of the Board of Directors, members of the Executive Committee, pension funds, and key shareholders, as well as companies controlled by the same. In the year under review, no transactions were entered into with closely linked persons in connection with the sale and purchase of goods and services (2019: none). With the exception of the regular employer contributions to the pension fund, no transactions were effected with related parties (2019: none).

5.4 Off-balance-sheet transactions

a) Contingent liabilities

As of the end of 2020, there is a contingent liability of CHF 0.6 million. Komax considers the risk of a payment due to this contingent liability to be low.

Aside from a service performance guarantee of CHF 0.1 million (31 December 2019: CHF 0.3 million), there were other guarantees of CHF 6.6 million (31 December 2019: CHF 2.4 million) granted; these almost exclusively comprise guarantees granted to customers for advance payments.

b) Ownership restrictions for own liabilities

in TCHF	**31.12.2020**	31.12.2019
Book value real estate	77 835	18 867
Lien on real estate	37 344	7 280
Utilization	33 770	6 283

The pledged assets will be used to secure own liabilities.

c) Contractual obligations

As at 31 December 2020, no contractual obligations existed with respect to the acquisition of property, plant, and equipment (31 December 2019: CHF 15.6 million). Future liabilities arising from operating lease agreements amount to CHF 1.8 million due in 2021 and CHF 2.1 million due in 2022–2025 (31 December 2019: CHF 2.7 million due in 2020 and CHF 3.0 million due in 2021–2024).

5.5 Other key accounting principles

a) Key figures not defined under Swiss GAAP FER

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

b) Currency conversion

Recognition and measurement

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

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

Group companies: The earnings and balance sheet figures of foreign business units with a functional currency other than the Swiss franc are translated to Swiss francs as follows:
a) Assets and liabilities are translated at the exchange rate on the balance sheet date for each such date.
b) Revenues and expenses are translated at the weighted average exchange rate for each income statement.
c) All exchange rate gains and losses are recognized in shareholders' equity and reported on a separate line within retained earnings.
Exchange rate differences arising from the translation of net investments in foreign business units are recognized under comprehensive income. When a foreign company is sold, these exchange rate differences are reported in income as part of the gain or loss from the sale.

c) Other important accounting policies

Recognition and measurement

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

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

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

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

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

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

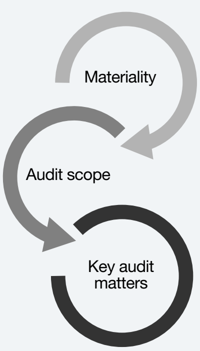
Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Komax Holding AG and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated balance sheet as at 31 December 2020, the consolidated statement of shareholders' equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
In our opinion, the consolidated financial statements on pages 88 to 123 give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.
We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 1 900 000

We concluded full scope audit work at eight reporting units in six countries. Our audit scope addressed 60% of the Group's net sales. In addition, an audit of account balances was performed at one other Group company, which addressed a further 12% of net sales of the Group. We obtained additional assurance through the audits of the statutory financial statements of a further eight companies (five different countries). These addressed a further 12% of net sales of the Group.

As key audit matter, the following area of focus was identified:
– Revenue recognition in the appropriate period

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

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

Overall Group materiality	CHF 1 900 000
How we determined it	0.6% of net sales, rounded
Rationale for the materiality benchmark applied	We chose net sales as the benchmark for determining materiality. This benchmark takes into account the volatility of the business environment and is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 180 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.
The consolidated financial statements include within their scope 43 entities. We identified eight Group companies for which, in our opinion, an audit of the complete financial information was necessary on the grounds of their size or risk characteristics. For one other Group company, an audit of account balances was performed to address significant items adequately. We obtained additional assurance from the timely performance of audits of the statutory financial statements of eight Group companies.
All of the Group companies in the described audit scope were audited by local national PwC firms. None of the Group companies excluded from our audit of the consolidated financial statements accounted individually for more than 3% of Group net sales.
To provide appropriate guidance to and monitor the work of the auditors of the Group companies, the Group audit team performed selected reviews of the audit working papers and held telephone conferences with the auditors of the Group companies.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition in the appropriate period

Key audit matter	How our audit addressed the key audit matter
We consider revenue recognition in the appropriate period to be a key audit matter because of the scope for judgement involved in determining, as required, exactly when the risks and rewards associated with goods delivered and services rendered are transferred in accordance with the Swiss GAAP FER accounting requirements. On the basis of the agreed delivery terms (Incoterms), the expected average delivery times until the effective transfer of the risks and rewards of ownership to the customer and taking into account special cases (e.g. delivery delays), Komax realises revenue from sales of goods in the period in which it transfers the risks and rewards of ownership. Please refer to page 96 of the notes to the consolidated financial statements.	We checked on a sample basis that revenue was recognised in the correct period for the months of December 2020 and January 2021. For the selected samples, we assessed the underlying Incoterms and in selected cases checked the average delivery times. In some cases, we interviewed the persons responsible, including those from other departments. We concluded that the criteria for revenue recognition in the appropriate period in accordance with the Swiss GAAP FER requirements were complied with in the consolidated financial statements for the year ended 31 December 2020.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.
We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Brüderlin Audit expert Auditor in charge	Sebastian Gutmann Audit expert

Basel, 15 March 2021

Balance sheet of Komax Holding AG

in TCHF	31.12.2020	%	31.12.2019	%
Assets				
Cash and cash equivalents	1 019		216	
Other current receivables third parties	723		168	
Other current receivables Group	3 106		4 460	
Financial loans Group	92 653		131 262	
Accrued income / prepaid expenses	92		79	
Total current assets	**97 593**	**22.1**	**136 185**	**29.5**
Financial investments Group	108 399		93 674	
Investments in subsidiaries	235 851		231 612	
Total non-current assets	**344 250**	**77.9**	**325 286**	**70.5**
Total assets	**441 843**	**100.0**	**461 471**	**100.0**
Liabilities and shareholders' equity				
Trade payables	239		249	
Current interest-bearing liabilities Group	1 635		0	
Current interest-bearing liabilities third parties	7 085		17 150	
Other current liabilities third parties	0		1	
Other current liabilities Group	1		1	
Accrued expenses / deferred income	449		297	
Provisions	564		350	
Total current liabilities	**9 973**	**2.3**	**18 048**	**3.9**
Non-current interest-bearing liabilities third parties	103 350		130 200	
Total non-current liabilities	**103 350**	**23.4**	**130 200**	**28.2**
Total liabilities	**113 323**	**25.7**	**148 248**	**32.1**
Share capital	385		385	
Capital contribution reserves	814		814	
Other statutory capital reserves	2 000		2 000	
Statutory profit reserves	100		100	
Profit reserves determined by resolution	311 403		271 403	
Retained earnings	177		693	
Earnings after taxes	14 747		39 484	
Treasury shares	–1 106		–1 656	
Total shareholders' equity	**328 520**	**74.3**	**313 223**	**67.9**
Total liabilities and shareholders' equity	**441 843**	**100.0**	**461 471**	**100.0**

Income statement of Komax Holding AG

in TCHF	2020	2019
Dividend income	23 760	40 355
Other financial income	6 849	8 955
Other operating income	500	645
Total income	**31 109**	**49 955**
Financial expenses	–11 645	–6 960
Compensation	–754	–860
Other operating expenses	–2 538	–2 494
Value adjustment on investments	–1 429	0
Direct taxes	4	–157
Total expenses	**–16 362**	**–10 471**
Earnings after taxes	**14 747**	**39 484**

Notes to the 2020 financial statements of Komax Holding AG

1 Principles

1.1 General

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

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

1.2 Financial investments

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

1.3 Investments

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

1.4 Treasury shares

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

1.5 Share-based compensation

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

2 Information on balance sheet and income statement positions

2.1 Assets

Other current receivables from Group companies decreased by a total of CHF 1.4 million. This balance sheet item contains open interest receivables in respect of subsidiary companies.

The Group's current financial loans decreased by a total of CHF 38.6 million. This balance sheet item likewise encompasses the current account loan of Komax Holding AG to Komax AG, Switzerland.

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

2.2 Liabilities

The "Current interest-bearing liabilities third parties" and "Current interest-bearing liabilities Group" items comprise current financial loans reported by subsidiary companies and banks.

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

Komax Holding AG and a syndicate of banks led by Credit Suisse have a valid credit agreement for a credit limit of CHF 160.0 million. The credit agreement is valid until 31 January 2023. The credit line provides the Group with the necessary entrepreneurial flexibility, guarantees the financing of commercial operations, and ensures the continued implementation of corporate strategy. As at 31 December 2020, the Group had drawn on this credit limit to the amount of CHF 88.0 million, USD 5.0 million, and EUR 10.0 million (total drawing: CHF 103.4 million).

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

2.3 Income

Dividend income amounted to CHF 23.8 million in the year under review (2019: CHF 40.4 million).

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

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

2.4 Expenses

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

Compensation comprises compensation paid to the Board of Directors.

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

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

3 Company and legal form, registered office

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

4 Full-time employees

Komax Holding AG does not have any employees.

5 Participations

The direct and indirect participations of Komax Holding AG are set out in the consolidated financial statements on pages 116 and 117.

6 Treasury shares

Details of the treasury shares of Komax Holding AG are provided in the consolidated financial statements on page 110.

7 Contingent liabilities

in TCHF	**31.12.2020**	31.12.2019
Joint liability for Group taxation value-added tax	p.m.	p.m.
Guarantees		
in EUR	5 707	1 288
in USD	75	291
Total	**5 782**	**1 579**

From the total contingent liabilities of CHF 5.8 million (31 December 2019: CHF 1.6 million), CHF 5.7 million (31 December 2019: CHF 1.3 million) are contingent liabilities in favor of subsidiaries.

8 Major shareholders

As at 31 December 2020 and 31 December 2019, the company had no major shareholders holding more than 5% of the votes.

9 Externally regulated capital requirements (covenants)

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

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

This parameter was adjusted owing to the development of business. Measurement of the debt factor is being suspended from 30 June 2020 to 30 June 2021. In place of the debt factor, a defined minimum EBITDA must be achieved during this period.

The Komax Group complied with those requirements as at 31 December 2020. Within the scope of the syndicated loan agreement, Komax Holding AG guarantees the liabilities of any member of the Komax Group.

10 Holdings of shares

Assets in units		31.12.2020	31.12.2019
		Shares	Shares
Board of Directors			
Beat Kälin	Chairman	10 316	9 972
David Dean	Member	1 300	1 128
Andreas Häberli	Member	331	188
Kurt Haerri	Member	3 130	2 987
Mariel Hoch	Member	143	0
Roland Siegwart	Member	2 271	2 128
Total Board of Directors		**17 491**	**16 403**
Executive Committee			
Matijas Meyer	CEO	4 397	4 000
Andreas Wolfisberg	CFO	673	500
Jürgen Hohnhaus[1]	Executive Vice President	0	n.a.
Tobias Rölz[2]	Executive Vice President	0	n.a.
Marc Schürmann	Executive Vice President	319	200
Marcus Setterberg	Executive Vice President	256	137
Günther Silberbauer[3]	Executive Vice President	n.a.	0
Total Executive Committee		**5 645**	**4 837**

[1] Member of the Executive Committee since 1 January 2020.
[2] Member of the Executive Committee since 1 July 2020.
[3] Member of the Executive Committee until 31 December 2019.

11 Net release of hidden reserves

The total amount of the net released hidden reserves amounted to CHF 0.0 million (2019: CHF 0.0 million).

Proposal for the appropriation of profit

The Board of Directors proposes the following appropriation of profit:

in CHF	31.12.2020	31.12.2019
Balance carried forward from previous year	176 830	692 879
Profit after taxes	14 747 274	39 483 951
Total available for distribution	**14 924 104**	**40 176 830**
Allocation to free reserves	14 800 000	40 000 000
Profit carried forward	124 104	176 830
Total	**14 924 104**	**40 176 830**

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

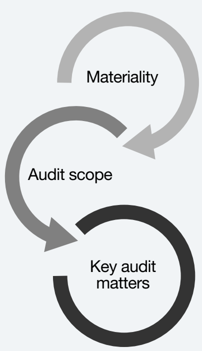
Report on the audit of the financial statements

Opinion
We have audited the financial statements of Komax Holding AG, which comprise the balance sheet as at 31 December 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.
In our opinion, the financial statements as at 31 December 2020 on pages 128 to 135 comply with Swiss law and the company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.
We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 1 600 000

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

As key audit matter the following area of focus has been identified:
– Valuation of investments in subsidiaries

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

Overall materiality	CHF 1 600 000
How we determined it	0.5% of net assets, rounded
Rationale for the materiality benchmark applied	We chose net assets as the benchmark for materiality considerations because the Company primarily holds investments and grants loans to Group companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 160 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
The shares of the capital of subsidiaries held by the Komax Holding AG are recognised in the financial statements under “Investments in subsidiaries” (CHF 235.9 million). Investments in subsidiaries are valued individually and stated at acquisition cost less necessary impairment charges. The company tests these investments for impairment by comparing the book value of the investment with the shareholders’ equity according to Swiss GAAP FER. If the book value exceeds the shareholder’s equity, the value in use of the subsidiary is considered. To determine the value in use, an indepth valuation analysis is performed using cash flow forecasts based on the business plans approved by Management and the Board of Directors. This valuation analysis is based on Management’s assumptions, which involve significant scope for judgement. For this reason, we deemed the impairment testing of investments in subsidiaries to be a key audit matter. Please refer to note 1.3 (Investments).	Where a book value was higher than the recorded shareholders’ equity, we performed a detailed analysis of the valuation analysis performed by Management. This included: – Discussion with Management of the results and future prospects of specific subsidiaries. – Assessment of the correctness and mathematical accuracy of the applied valuation methods. – Plausibility check of the assumptions applied by Management concerning the discount rate, long-term growth rates and margins. – We compared the results of the year under review with the forecasts made in the prior year and assessed the appropriateness of the prior year’s assumptions. – Conducting sensitivity analyses. We consider the valuation process and the assumptions applied by Management to be adequate and a sufficient basis for assessing the valuation of investments in subsidiaries.

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Brüderlin Audit expert Auditor in charge	Sebastian Gutmann Audit expert

Basel, 15 March 2021

FIVE YEAR OVERVIEW

in TCHF		**2020**	2019	2018	2017	2016[1]
Income statement						
Revenues		327 623	417 771	479 698	408 509	391 820
Gross profit		199 860	258 930	297 903	256 476	247 943
in % of revenues		61.0	62.0	62.1	62.8	63.3
EBITDA		26 340	36 837	78 614	66 115	64 420
in % of revenues		8.0	8.8	16.4	16.2	16.4
Operating profit (EBIT)		11 254	24 035	67 254	55 069	55 424
in % of revenues		3.4	5.8	14.0	13.5	14.1
Group earnings after taxes (EAT)		–1 319	13 221	51 787	42 101	38 703
in % of revenues		–0.4	3.2	10.8	10.3	9.9
Depreciation		15 086	12 802	11 360	11 046	8 996
Research and development		29 756	41 531	41 051	36 668	29 071
in % of revenues		9.1	9.9	8.6	9.0	7.4
Balance sheet						
Non-current assets		198 870	192 369	149 299	123 356	125 181
Current assets		253 219	288 867	313 605	291 102	231 879
Shareholders' equity[2]		236 486	244 604	281 640	258 178	246 174
in % of total assets		52.3	50.8	60.8	62.3	68.9
Share capital		385	385	385	383	377
Total liabilities		215 603	236 632	181 264	156 280	110 886
in % of total assets		47.7	49.2	39.2	37.7	31.1
Non-current financial liabilities		137 169	136 504	90 338	69 856	31 445
Current financial liabilities		7 106	17 188	0	0	78
Net cash (+) / net indebtedness (–)		–92 426	–106 224	–39 358	–10 544	17 008
Total assets		452 089	481 236	462 904	414 458	357 060
Cash flow statement						
Cash flow from operating activities		41 766	41 287	29 629	26 767	36 906
Investments in non-current assets		25 811	54 448	41 340	22 201	22 827
Free cash flow		15 435	–36 886	–4 340	–7 582	441
Employees						
Headcount as at 31 December	No.	2 095	2 211	2 006	1 841	1 633
Revenues per employee[3]		177	197	248	238	255
Gross value added per employee[3]		83	92	120	118	122
Net value added per employee[3]		75	86	114	112	116
Share details						
Shares[4]	No. 1 000	3 850	3 850	3 848	3 834	3 774
Par value	CHF	0.10	0.10	0.10	0.10	0.10
Highest price	CHF	238.80	264.00	329.00	319.50	251.25
Lowest price	CHF	122.00	165.10	223.00	243.50	180.10
Closing price as at 31 December	CHF	176.30	236.40	230.00	319.50	251.25

[1] Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The 2016 figures have been revised accordingly.
[2] Equity attributable to equity holders of the parent company.
[3] Calculated on the basis of the average headcount.
[4] Changes resulting from the exercising of option rights.

Komax Holding AG
Investor Relations/Corporate Communications
Roger Müller
Industriestrasse 6
6036 Dierikon
Switzerland

Phone +41 41 455 04 55
komaxgroup.com

Financial calendar

Annual General Meeting	14 April 2021
Half-year results 2021	17 August 2021
Preliminary information on 2021 financial year	25 January 2022
Annual media and analyst conference on the 2021 financial results	15 March 2022
Annual General Meeting	13 April 2022

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

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

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Komax Holding AG
Industriestrasse 6
6036 Dierikon
Switzerland

Phone +41 41 455 04 55
komaxgroup.com