

SUCCESS THROUGH INNOVATION

Short Report
2017

komax

DEAR SHAREHOLDER

In 2017, the Komax Group further expanded its position as market and technology leader. The financial year was characterized by strong growth in order intake and revenues, numerous successful product launches, two acquisitions, significant investment in research and development as well as digitalization, a number of projects to expand production capacity, and the breakthrough in the aerospace market segment. Komax considers itself to be on track with implementation of its 2017–2021 strategy, and is confident about business development in 2018.

The sharp rise in both order intake and revenues underlines the point: Komax once again grew more strongly than the market in 2017. While revenues increased by 9.6% to CHF 408.5 million (2016: CHF 372.7 million), the order intake rose by as much as 21.5% to CHF 449.7 million (2016: CHF 370.2 million). The growth in revenues comprises internal growth (+6.0%) and acquisition-driven growth (+2.2%), as well as the positive foreign currency influence (+1.4%). In 2017, Komax

changed its accounting standard from IFRS to Swiss GAAP FER, and revised the prior-year figures accordingly. These prior-year figures now exclude both the revenues (CHF 19.1 million) and the order intake (CHF 9.3 million) of the Medtech business unit, which was sold in April 2016.

Europe (+8.0%), Asia (+10.3%), and Africa (+47.1%) all contributed to the strong revenue growth. By contrast, Komax recorded a slight decline in revenues in North/South America (–2.1%). However, following a sharp decline in the first half of the year (–5.8%), North/South America then recovered in the second half, almost reaching the prior-year level. In the US in particular, investment activity picked up as the year progressed, with the result that the decline in revenues in the earlier part of the year was partly reversed. The new Alpha 530/550 machine platform for the core business of Komax (crimp to crimp) penetrated the market in all regions in 2017, making a significant contribution to growth. In addition, our customers responded to the various new solutions we launched in 2017 – which cover the entire value chain – very rapidly and positively.

26% rise in R&D expenditure

In order to further expand its leading position over the next few years, Komax invested CHF 36.7 million in research and development (R&D). This equates to 9.0% of revenues (2016: 7.4%), and an increase of CHF 7.6 million on the previous year. The two acquisitions executed in 2017 (Laselec and Practical Solution) also contributed to this increase. Issues such as electro-mobility and autonomous driving give Komax further opportunities to develop unique selling features. Komax is keen to grasp these opportunities, which is why it intends to channel some 8%–9% of revenues into research and development over the coming years too.

Despite this significant rise in proactive investment to ensure a sustainably successful future, Komax nonetheless generated operating profit (EBIT) of CHF 55.1 million, thereby essentially matching the prior-year figure (CHF 55.4 million). The additional R&D expenditure had the effect of reducing the EBIT margin by 1.8 percentage points. Yet despite this, Komax was still able to report an EBIT margin of 13.5% in 2017 (2016: 14.1%). Another drag on profitability was the strong increase in inventories to CHF 92.0 million (2016: CHF 70.4 million). Around half of this increase relates to machinery that is now either complete or nearly complete, but has yet to be converted into revenues.

Long delivery times of customer-specific systems

This delayed conversion into revenue is one of the reasons for the Group's high book-to-bill ratio of 1.10 (2016: 0.99). Another contributory factor was the large number of customer-specific systems ordered in 2017. Orders of this type tend to have longer delivery times than serial production machines. A good example of this is the large order received by Komax at the end of 2017 from the aerospace industry. The delivery of the corresponding systems to automate wire processing for this customer will extend over the years 2018 to 2020. This large order represents a milestone both for Komax and for the aerospace industry. For Komax, this is the first order worth millions from this market segment, while for the aerospace industry the degree of automation in wire processing that will be achieved through the ordered systems represents a pioneering development.

Financial base remains strong

Group profit after taxes (EAT) rose by 8.8% to CHF 42.1 million (2016: CHF 38.7 million). This result was reduced by the sum of CHF 3.6 million as a result of a value adjustment on a loan to an associated company. By making this value adjustment, Komax has drawn a line under the participation that dates back to the Komax Solar era. Basic earnings per share increased to CHF 11.05 (2016: CHF 10.34). Komax continues to be very robustly financed. As at 31 December 2017, shareholders' equity totaled CHF 258.2 million (2016: CHF 246.2 million) while the equity ratio stood at 62.3% (2016: 68.9%). Free cash flow amounted to CHF -7.6 million (2016: CHF 0.4 million), while net debt stood at CHF 10.5 million (2016: net cash of CHF 17.0 million).

Investment in capacity expansion

Both the two acquisitions made in 2017 and the investment in capacity expansion had an impact on free cash flow. Thanks to the takeover of the assets of Practical Solution (as per 3 March 2017), Komax has strengthened its position in the growing market in Asia, acquiring a third Asian development site in Singapore to join its existing sites in Shanghai and Tokyo. To strengthen its presence in the aerospace market segment, Komax acquired Laselec SA as per 1 October 2017; this French company develops laser-supported solutions for the stripping and marking of wires and intelligent assembly boards for wire harness production.

In order to deliver the growth it has planned for the coming years, Komax is investing in the expansion of its production capacity in a targeted way. In 2017, work began on a new building at the Group's headquarters in Switzerland, and three further construction projects are planned for 2018 – two in Germany, and one in Hungary. In total, Komax will be investing more than CHF 90 million in new infrastructure between 2017 and 2019. The new building in Switzerland should

be ready for occupation in the second half of 2019, while the three other buildings are expected to be ready towards the end of 2018.

High payout ratio

The Board of Directors is proposing to the Annual General Meeting an unchanged distribution of CHF 6.50 per share. This represents a substantial payout ratio of 59.2%. Due to the strong result and the positive outlook, the proposed distribution is at the upper end of the strategic bandwidth of 50%–60%, and this despite the significant investment in the expansion of capacity. The distribution comprises a dividend of CHF 5.00 and a distribution from capital contribution reserves of CHF 1.50. The latter is tax-free for persons domiciled in Switzerland who hold shares as part of their private assets. The dividend yield (calculated on the basis of the 2017 year-end closing price of the Komax share) amounts to 2.0%.

Outlook

The Komax Group remains very well positioned, and considers itself to be on track with the implementation of its 2017–2021 strategy. For the 2018 financial year, Komax is confident of delivering a result that will support the attainment of its ambitious medium-term targets. Komax expects to grow more strongly than the market and to increase profitability slightly – despite continuing to invest heavily in research and development. Demand for automation solutions in the area of wire processing continues to rise. Thanks to its innovative strength and broad spectrum of solutions, Komax is ideally placed to seize the growth opportunities that present themselves.

Yours sincerely,



Dr. Beat Kälin
Chairman of the
Board of Directors



Matijas Meyer
CEO

8 March 2018

Consolidated financial statements

Consolidated income statement

| in TCHF | 2017 | 2016 ¹ | +/- in % |
|---------------------------------------|---------------|-------------------|------------|
| Revenues | 408 509 | 391 820 | 4.3 |
| Gross profit | 256 476 | 247 943 | 3.4 |
| EBITD | 66 115 | 64 420 | 2.6 |
| Operating profit (EBIT) | 55 069 | 55 424 | -0.6 |
| Financial result | -819 | -2 148 | -61.9 |
| Group profit before taxes (EBT) | 50 550 | 49 390 | 2.3 |
| Income taxes | -8 449 | -10 687 | -20.9 |
| Group profit after taxes (EAT) | 42 101 | 38 703 | 8.8 |

Consolidated balance sheet

| in TCHF | 31.12.2017 | 31.12.2016 ¹ | +/- in % |
|---|----------------|-------------------------|-------------|
| Current assets | 291 102 | 231 879 | 25.5 |
| Non-current assets | 123 356 | 125 181 | -1.5 |
| Total assets | 414 458 | 357 060 | 16.1 |
| Current liabilities | 78 506 | 70 319 | 11.6 |
| Non-current liabilities | 77 774 | 40 567 | 91.7 |
| Equity attributable to equity holders of the parent company | 258 178 | 246 174 | 4.9 |
| Total liabilities and shareholders' equity | 414 458 | 357 060 | 16.1 |

Consolidated cash flow statement

| in TCHF | 2017 | 2016 ¹ | +/- in % |
|--|---------------|-------------------|-----------------|
| Cash flow from operating activities | 26 767 | 36 906 | -27.5 |
| Cash flow from investing activities | -34 349 | -36 465 | -5.8 |
| Free cash flow | -7 582 | 441 | -1 819.3 |
| Distribution out of reserves from capital contributions ² | -5 728 | -5 623 | 1.9 |
| Distribution of dividends ³ | -19 094 | -16 870 | 13.2 |
| Other cash flow from financing activities | 41 182 | 19 613 | 110.0 |
| Increase (+) / decrease (-) in funds⁴ | 10 760 | -2 352 | -557.5 |

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

² The payout from capital contribution reserves of CHF 1.50 (2016: CHF 1.50) per registered share was done in May 2017 (2016: May 2016).

³ The distribution of dividends of CHF 5.00 (2016: CHF 4.50) per registered share was done in May 2017 (2016: May 2016).

⁴ Funds: cash + cash equivalents (including time deposits with a term of up to three months).

The complete Annual Report of the Komax Group can be downloaded from www.komaxgroup.com/annual-report.

Financial statements of Komax Holding AG

Income statement of Komax Holding AG

| in TCHF | 2017 | 2016 | +/- in % |
|--|----------------|----------------|--------------|
| Dividend income | 37 734 | 38 499 | -2.0 |
| Other financial income | 8 759 | 10 612 | -17.5 |
| Other operating income | 637 | 1 031 | -38.2 |
| Total income | 47 130 | 50 142 | -6.0 |
| Financial expenses | -4 392 | -20 242 | -78.3 |
| Personnel expenses | -419 | -4 004 | -89.5 |
| Other operating expenses | -3 262 | -3 775 | -13.6 |
| Value adjustment on financial investment | -2 370 | 0 | n.s. |
| Direct taxes | -250 | -338 | -26.0 |
| Total expenses | -10 693 | -28 359 | -62.3 |
| Profit after taxes | 36 437 | 21 783 | 67.3 |

Balance sheet of Komax Holding AG

| in TCHF | 31.12.2017 | 31.12.2016 | +/- in % |
|---|----------------|----------------|-------------|
| Current assets | 81 174 | 43 810 | 85.3 |
| Non-current assets | 272 174 | 264 783 | 2.8 |
| Total assets | 353 348 | 308 593 | 14.5 |
| Current liabilities | 4 858 | 13 961 | -65.2 |
| Non-current liabilities | 65 109 | 27 630 | 135.6 |
| Shareholders' equity | 283 381 | 267 002 | 6.1 |
| Total liabilities and shareholders' equity | 353 348 | 308 593 | 14.5 |

Proposal for the appropriation of profit

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

| in CHF | 31.12.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| Balance carried forward from previous year | 262 290 | 573 368 |
| Profit after taxes | 36 437 429 | 21 783 182 |
| Transfer from capital contribution reserves | 5 751 723 | 5 661 222 |
| Total available for distribution | 42 451 442 | 28 017 772 |
| Payout from capital contribution reserves of CHF 1.50 per registered share (2016: CHF 1.50) which is not subject to withholding tax ¹ | 5 751 723 | 5 661 222 |
| Dividend of CHF 5.00 gross per registered share (2016: CHF 5.00) ¹ | 19 172 410 | 18 870 740 |
| Allocation to free reserves | 17 000 000 | 3 000 000 |
| Profit carried forward | 527 309 | 485 810 |
| Total | 42 451 442 | 28 017 772 |

¹ The stated amount covers the requirement for the payout from capital reserves for all registered shares outstanding. Registered shares which will be issued after 1 January 2018 upon exercise of options are also entitled to the payout from capital reserves. Therefore, the stated amount may be subject to changes.

BUSINESS MODEL AND STRATEGY

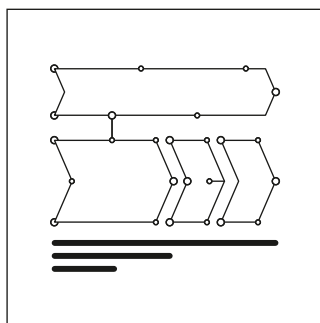
Komax specializes in innovative solutions for all wire processing applications and for the testing of wire harnesses. The emphasis is on processes such as measuring, cutting, stripping, crimping, taping wires, block loading, and testing wire harnesses. Komax offers its customers fully automated and semi-automated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

Global production with local distribution and service network

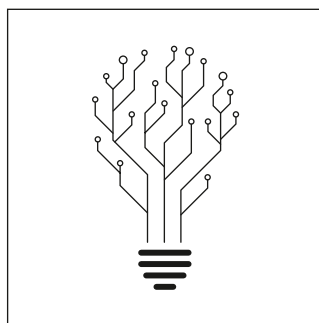
Komax produces at 19 locations – in Europe, Asia, North and South America, and Africa – and provides sales and service support in more than 60 countries through its subsidiaries and independent agents. This gives Komax a unique global presence that enables it to provide efficient and competent support to its customers – both local and global – at all times. Customers can also submit their orders via the e-commerce platform Komax Direct. Customer proximity as well as short reaction and supply times are crucial. More than 1 800 employees currently work in the 38 companies of the Komax Group worldwide.

Four key strategic priorities

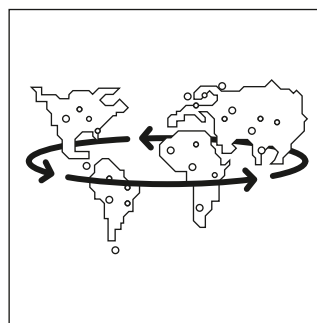
When developing customer solutions in the area of wire processing, Komax can draw on more than 40 years’ experience. The company is both the technology and market leader in its field, with a market share more than twice that of its nearest competitor. In order to further strengthen this global leadership position, Komax pursues a growth strategy that involves four key priorities:



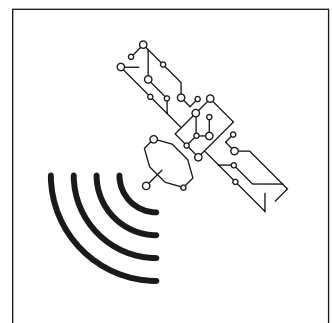
Solutions along the value chain



Innovative production concepts



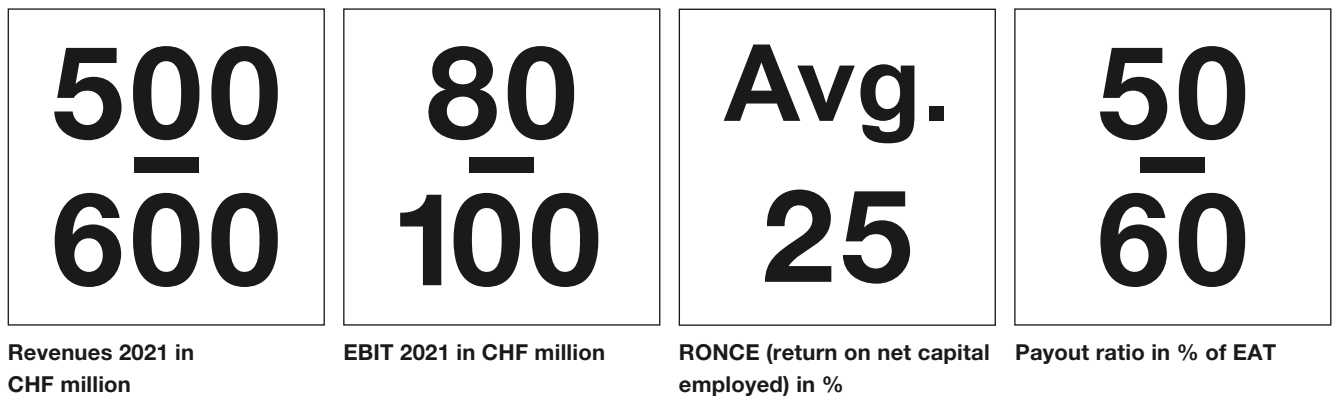
Increase in global reach



Development of non-automotive markets

Ambitious targets for 2017–2021

Komax is characterized by its very strong capital base and high profitability. This solid foundation enables Komax to systematically pursue opportunities to develop the company further. As an additional benefit, it offers security in challenging times. For the strategy period 2017–2021, Komax has set itself ambitious targets for growth, profitability, and return on capital. These are designed to consolidate its leading position and increase the value of the company further via profitable growth.



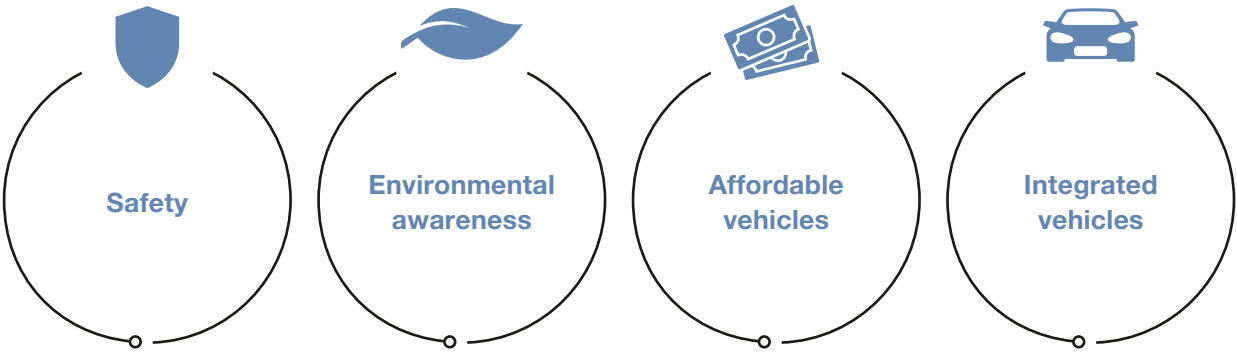
Four market segments

Komax now generates more than 85% 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, all of which have synergy potential with the core business: aerospace, telecommunications and data communication (telecom & datacom), and industrial applications (industrial).

Global megatrends as growth drivers

Global megatrends 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 electro-mobility. Another megatrend is increasing interconnectedness. In-otainment 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.

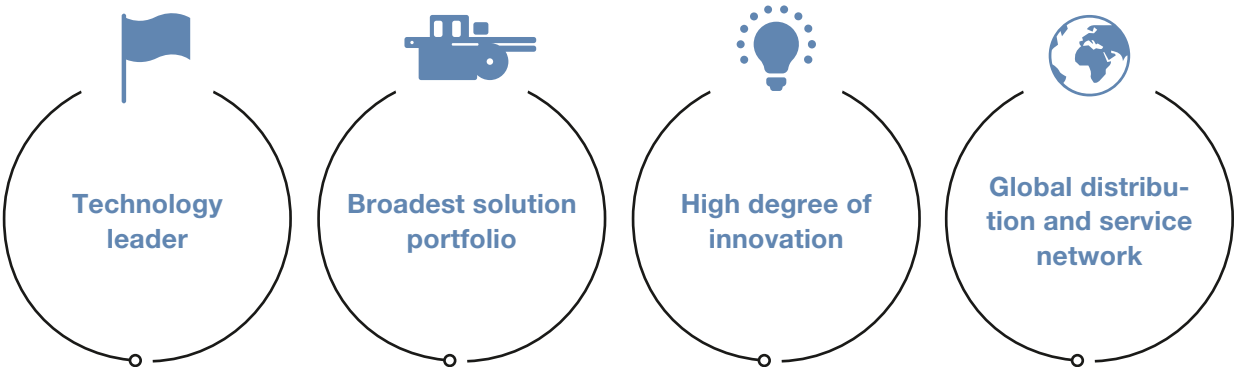
GLOBAL MEGATRENDS



GROWTH DRIVERS

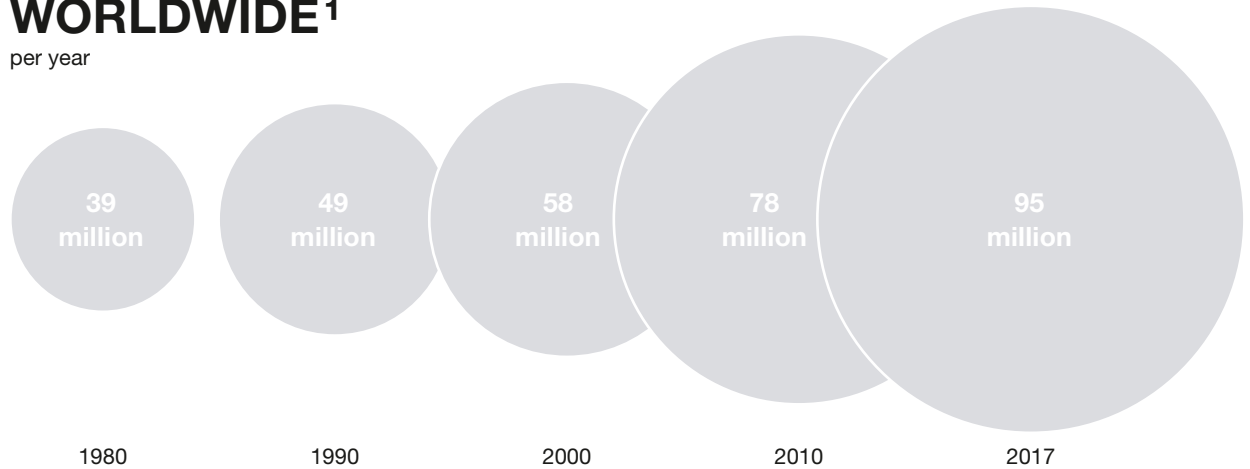


ADVANTAGES OF KOMAX



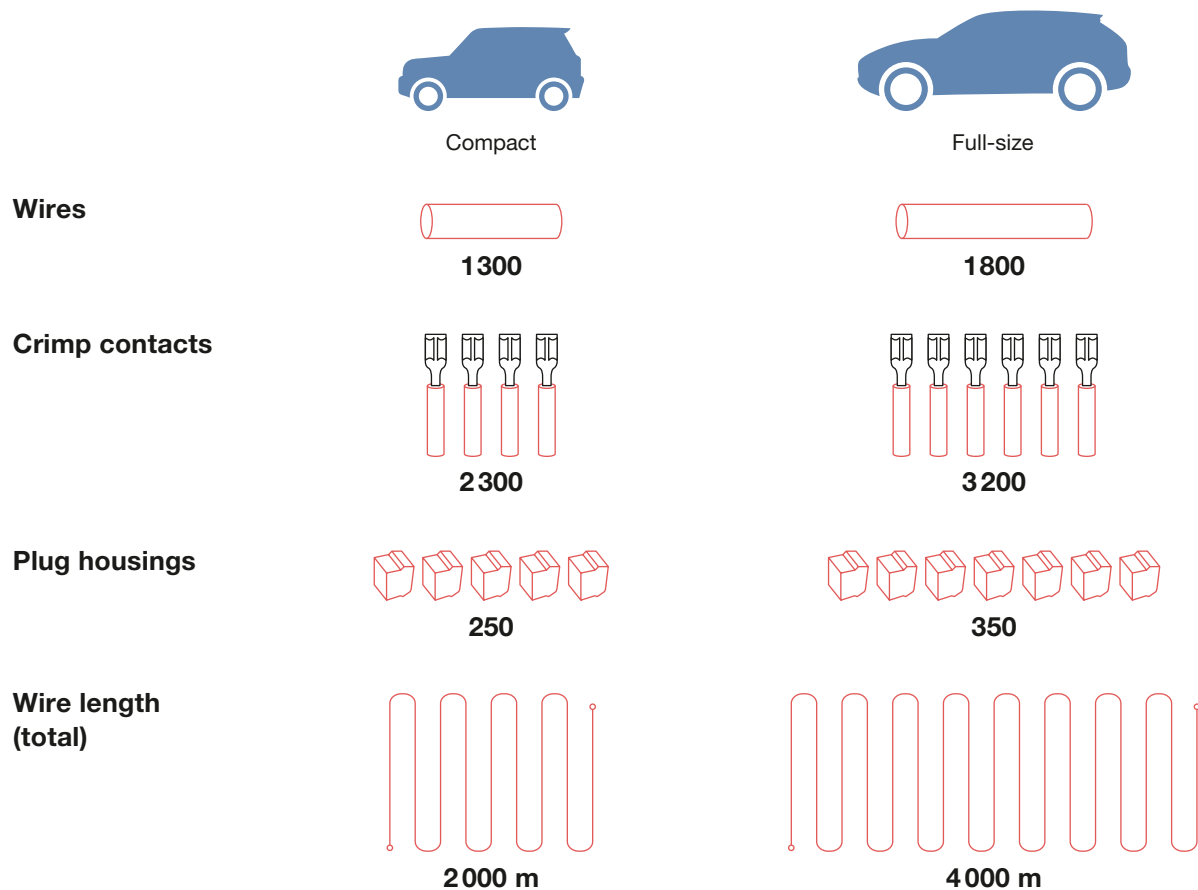
NUMBER OF VEHICLES PRODUCED WORLDWIDE¹

per year



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

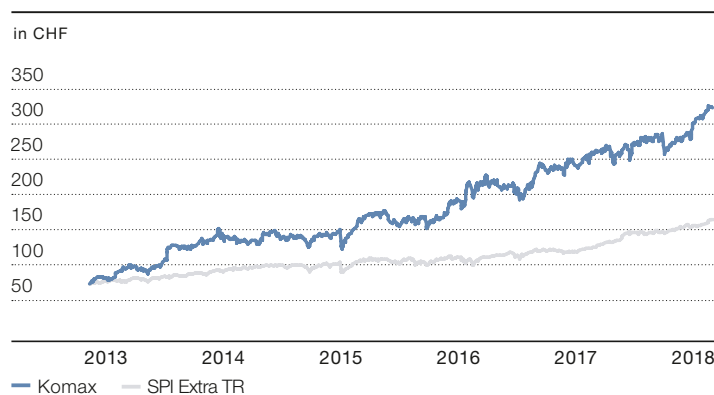
INCREASING ELECTRIFICATION



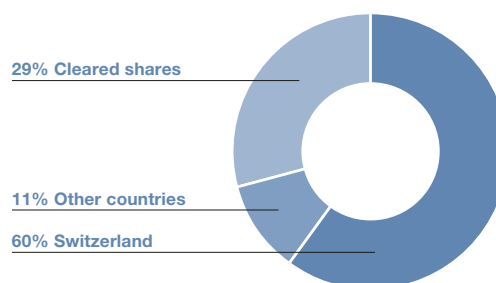
POSITIVE PRICE DEVELOPMENT, GROWING SHAREHOLDER BASE

Over the course of 2017, the daily closing price of the Komax share ranged between CHF 243.50 and CHF 319.50. The year-end closing price was CHF 319.50. This represents an increase of 27.2% on the closing price of the previous year. The value of the Komax share has risen by a multiple of roughly 4.5 over the last five years. The SPI Extra slightly more than doubled its points tally over the same timeframe. The market capitalization of the Komax Group at the end of 2017 was CHF 1.225 billion.

Share price development



Geographical distribution of shareholdings



The shareholder base widened significantly in 2017. At the end of 2017, 5 048 shareholders were entered in the share register. This represents an increase of 1 898 shareholders compared to the end of 2016. The majority of shares not held in Switzerland are held in the United Kingdom, Germany, Luxembourg, and the United States. The free float as defined by SIX Swiss Exchange stands at 95%.

Key data Komax registered share

| | | 2017 | 2016 ¹ | 2015 ¹ | 2014 ¹ | 2013 ¹ |
|--|---------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Share capital as at 31 Dec. | in TCHF | 383 | 377 | 369 | 361 | 352 |
| Number of shares as at 31 Dec. | No. | 3 834 482 | 3 774 148 | 3 691 651 | 3 605 101 | 3 523 780 |
| Basic earnings per share | CHF | 11.05 | 10.34 | 8.00 | 7.64 | 7.33 |
| EBITD per share | CHF | 17.35 | 17.22 | 16.19 | 15.99 | 14.92 |
| EBIT per share | CHF | 14.45 | 14.81 | 13.67 | 13.34 | 12.29 |
| Shareholders' equity per share | CHF | 67.33 | 65.23 | 76.70 | 78.82 | 74.92 |
| Distribution per share | CHF | 6.50 ² | 6.50 | 6.00 | 5.00 | 4.50 |
| Highest price | CHF | 319.50 | 251.25 | 194.90 | 152.40 | 138.00 |
| Lowest price | CHF | 243.50 | 180.10 | 122.90 | 124.60 | 72.35 |
| Closing price as at 31 Dec. | CHF | 319.50 | 251.25 | 194.90 | 144.50 | 135.30 |
| Average daily trading volume | No. | 12 274 | 8 191 | 7 881 | 8 613 | 9 999 |
| P/E (price-earnings ratio) as at 31 Dec. | | 28.9 | 24.3 | 24.4 | 18.9 | 18.5 |
| Dividend yield as at 31 Dec. | % | 2.0 ² | 2.6 | 3.1 | 3.5 | 3.3 |

¹ Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The prior-year figures have been revised accordingly. The years 2013–2015 are reported according to IFRS.

² Proposal of the Board of Directors of Komax Holding AG: distribution of CHF 6.50 per registered share.

Five year overview

| in TCHF | 2017 | 2016 ¹ | 2015 ¹ | 2014 ¹ | 2013 ¹ |
|---|-----------|-------------------|-------------------|-------------------|-------------------|
| Income statement | | | | | |
| Revenues | 408 509 | 391 820 | 315 093 | 363 338 | 323 959 |
| Gross profit | 256 476 | 247 943 | 205 941 | 220 188 | 196 634 |
| in % of revenues | 62.8 | 63.3 | 65.4 | 60.6 | 60.7 |
| EBITD | 66 115 | 64 420 | 59 123 | 57 663 | 52 577 |
| in % of revenues | 16.2 | 16.4 | 18.8 | 15.9 | 16.2 |
| Operating profit (EBIT) | 55 069 | 55 424 | 49 938 | 48 102 | 43 297 |
| in % of revenues | 13.5 | 14.1 | 15.8 | 13.2 | 13.4 |
| Group profit after taxes (EAT) | 42 101 | 38 703 | 29 215 | 27 743 | 25 129 |
| in % of revenues | 10.3 | 9.9 | 9.3 | 7.6 | 7.8 |
| Depreciation | 11 046 | 8 996 | 9 185 | 9 561 | 9 280 |
| Research and development | 36 668 | 29 071 | 25 315 | 25 776 | 24 908 |
| in % of revenues | 9.0 | 7.4 | 8.0 | 7.1 | 7.7 |
| Balance sheet | | | | | |
| Non-current assets | 123 356 | 125 181 | 160 940 | 145 562 | 136 616 |
| Current assets | 291 102 | 231 879 | 238 027 | 242 490 | 220 975 |
| Shareholders' equity ² | 258 178 | 246 174 | 283 134 | 284 168 | 263 985 |
| in % of total assets | 62.3 | 68.9 | 71.0 | 73.2 | 73.8 |
| Share capital | 383 | 377 | 369 | 361 | 352 |
| Total liabilities | 156 280 | 110 886 | 115 833 | 101 882 | 92 940 |
| in % of total assets | 37.7 | 31.1 | 29.0 | 26.3 | 26.0 |
| Non-current financial liabilities | 69 856 | 31 445 | 16 518 | 23 670 | 25 543 |
| Current financial liabilities | 0 | 78 | 0 | 0 | 4 044 |
| Net cash (+) / net indebtedness (-) | -10 544 | 17 008 | 34 365 | 29 211 | 22 616 |
| Total assets | 414 458 | 357 060 | 398 967 | 388 052 | 357 591 |
| Cash flow statement | | | | | |
| Cash flow from operating activities | 26 767 | 36 906 | 49 612 | 30 295 | 31 734 |
| Investments in non-current assets | 22 201 | 22 827 | 18 850 | 15 566 | 8 032 |
| Free cash flow | -7 582 | 441 | 24 519 | 14 412 | 24 545 |
| Employees | | | | | |
| Headcount as at 31 December | No. 1 841 | 1 633 | 1 347 | 1 498 | 1 282 |
| Revenues per employee ³ | 238 | 255 | 248 | 261 | 262 |
| Gross value added per employee ³ | 118 | 122 | 128 | 126 | 125 |
| Net value added per employee ³ | 112 | 116 | 121 | 119 | 117 |

¹ Since the start of 2017, the consolidated financial statements have been drawn up in accordance with Swiss GAAP FER. The prior-year figures have been revised accordingly. The years 2013–2015 are reported according to IFRS.

² Equity attributable to equity holders of the parent company.

³ Calculated on the basis of average headcount.

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Financial calendar

| | |
|--|-----------------|
| Annual General Meeting | 19 April 2018 |
| Dividend payment | 25 April 2018 |
| Half-year results 2018 | 21 August 2018 |
| Investors Day | 26 October 2018 |
| Preliminary information on 2018 financial year | 22 January 2019 |
| Annual media and analyst conference on the 2018 financial results | 14 March 2019 |
| Annual General Meeting | 16 April 2019 |

Forward-looking statements

The Short 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 Short Report and the Annual Report are available in English and German. The original German version is binding.

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