

BYSTRONIC GLASS GROUP
REPORT AND COMBINED FINANCIAL STATEMENTS
Year ended 31 December 2018

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Year ended 31 December 2018

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors: Arto Metsänen, Päivi Lindqvist, Sasu Koivumäki

Independent Auditors: KPMG AG
Räffelstrasse 28
8045 Zürich

Registered office: Industristrasse 5
4992 Bützberg
Switzerland

Bankers Commerzbank AG
Friedrichstrasse 22
70174 Stuttgart/Germany

UBS Switzerland AG
Europastrasse 1
8098 Zurich/Switzerland

Registration number: CHE-101.051.756

MANAGEMENT REPORT

The Board of Directors of Bystronic Maschinen AG presents its report and the combined financial statements of Bystronic Glass Group for the year ended 31 December 2018.

Principal activities

The principal activities of Conzetta's Bystronic glass business related activities, which comprises the development, manufacturing and distribution of machinery, systems and services for the processing of architectural and automotive glass.

Review of the development and current position of the Company and description of the major risks and uncertainties

The Group's development to date, financial results and position as presented in the combined financial statements are considered satisfactory.

Results

The Group's results for the year are as follows:

Turnover:	CHF 133'065k
Operating profit:	CHF 7'260k
Profit after tax:	CHF 5'563k

Detailed information for the Group's results for the year are set out on page 4.

Share capital

There were no changes in the share capital of the Company during the year. Detailed information regarding the share capital is included in note 19.

Expected future developments of the Company

The Board of Directors does not expect any major changes in the principal activities of the Group in the foreseeable future. The future activities of the group will however be directed by Glaston Corporation which signed binding agreement with Conzetta AG to acquire Bystronic Glass Group.

Research and Development

Group's workforce work to create the foundations for innovative, customized products and solutions. These are a key prerequisite for all business units in order to prevail in an increasingly global competitive environment.

Use of financial instruments

The Group's financial risk management policies including its hedging policy are disclosed in note 23 to the combined financial statements.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2018.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of the responsibilities and the remuneration of the Board of Directors compared to 2017.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 25 to the financial statements.

Report of the Independent Auditor to the Board of Directors of Bystronic Maschinen AG, Bützberg on the combined financial statements of

Bystronic Glass Group

As independent auditor, we have been engaged to audit the accompanying combined financial statements of Bystronic Glass Group, which comprise the combined statement of profit or loss, combined statement of financial position, combined statement of changes in equity, combined cash flow statement and notes to the combined financial statements for the year ended 31 December 2018.

Board of Directors' Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. 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 whether the combined financial statements are free from material misstatement.

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

Opinion

In our opinion, the combined financial statements for the year ended 31 December 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER.

Emphasis of Matter – Basis of Preparation

We draw attention to Note 1.2 to the combined financial statements, which describes their basis of preparation, including the approach to and the purpose for preparing them. The combined financial statements were prepared for inclusion in the offering circular of Glaston Corporation. Our opinion is not modified in respect of this matter.

KPMG AG



François Rouiller
Licensed Audit Expert



Reto Kaufmann
Licensed Audit Expert

Zurich, 27 May 2019

Enclosure:

Combined Financial statements (combined statement of profit or loss, combined statement of financial position, combined statement of changes in equity, combined cash flow statement and notes to the combined financial statements)

BYSTRONIC GLASS GROUP**Combined statement of profit or loss**

January 1 through December 31 in '000 CHF	Notes	2018	2017
Net revenues	3	133'065	119'036
Changes in inventories of finished goods, work in progress		-4'933	-1'895
Other operating income	4	362	297
Total operating income		128'494	117'438
Cost of material	5.1	-53'446	-47'556
Personal expenses	5.2	-42'029	-38'285
Other operating expenses	5.3	-24'369	-23'959
Depreciation on property plant and equipment	11	-1'277	-1'224
Amortisation on intangible assets	13	-113	-84
Operating profit (EBIT)		7'260	6'329
Financial result	6	-265	-78
Result before taxes		6'995	6'251
Taxes	7	-1'432	-1'389
Group result		5'563	4'862

BYSTRONIC GLASS GROUP**Combined statement of financial position**

in '000 CHF	Notes	2018	2017
Cash and cash equivalents		2'942	4'452
Current financial assets		6'041	9'308
Trade receivables	8	19'437	21'411
Prepayments to suppliers		600	1'401
Other current receivables	9	1'116	1'469
Inventories	10	28'214	33'042
Prepaid expenses and accrued income		456	466
Current assets		58'807	71'550
Property, plant and equipment	11	9'072	9'261
Financial assets	12	764	713
Intangible assets	13	346	138
Non-current assets		10'182	10'112
Total assets		68'989	81'663
Current financial liabilities	14	15'512	9'968
Trade payables		7'962	9'836
Advance payment from customers	15	8'725	14'852
Other current liabilities	16	975	829
Current provisions	17	4'077	4'194
Accrued expenses and deferred income	18	13'253	11'962
Current liabilities		50'503	51'641
Non-current financial liabilities	14	12	22
Non-current provisions	17	1'008	824
Non-current liabilities		1'020	846
Total liabilities		51'522	52'487
Share capital	19	100	100
Capital reserves		15'691	15'691
Retained earnings		1'675	13'385
Shareholders equity		17'466	29'176
Total liabilities and shareholders' equity		68'989	81'663

BYSTRONIC GLASS GROUP

Combined statement of changes in equity

in '000 CHF	Retained earnings						Total equity
	Share capital	Capital Reserves	Currency translation effects	Other retained earnings	Value fluctuation financial instruments	Total retained earnings	
	100	15'691	-15'784	30'095	-263	14'048	29'839
as at 31 December 2016							
Group result 2017				4'862		4'862	4'862
Currency translation effects			1'726			1'726	1'726
Change resulting from hedging transactions					430	430	430
Dividend payment to shareholders				-7'681		-7'681	-7'681
as at 31 December 2017	100	15'691	-14'058	27'276	167	13'385	29'176
Group result 2018				5'563		5'563	5'563
Currency translation effects			-411			-411	-411
Change resulting from hedging transactions					-169	-169	-169
Dividend payment to shareholders				-16'692		-16'692	-16'692
as at 31 December 2018	100	15'691	-14'469	16'147	-2	1'675	17'466

BYSTRONIC GLASS GROUP**Combined cash flow statement**

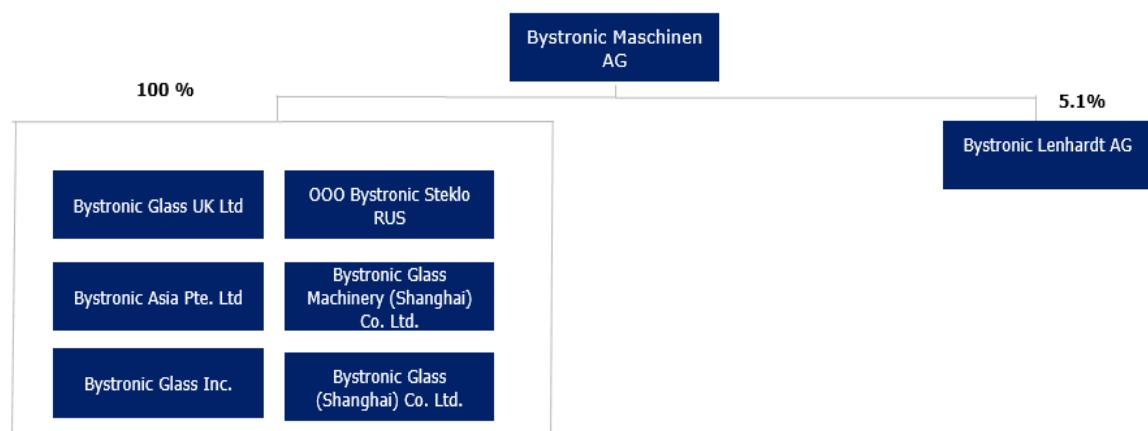
in '000 CHF	Notes	2018	2017
Group result		5'563	4'862
Depreciation of property, plant and equipment and amortization of intangible assets		1'390	1'308
Gain on disposal of fixed assets		-10	-26
Change in provisions		141	-1'534
Other positions not impacting cash		17	779
Cash flow from operating activities before change in working capital		7'101	5'389
Change in trade receivables		1'716	-6'458
Change in prepayments to suppliers		773	-1'033
Change in other receivables, prepaid expenses and accrued income		336	-177
Change in inventories		4'068	2'162
Change in trade payables		-1'628	2'568
Change in advance payments from customers		-5'891	-649
Change in other liabilities, accrued expenses and deferred income		1'738	2'933
Cash flow from operating activities		8'213	4'735
Investment in property, plant and equipment	12	-1256	-1149
Divestment of property, plant and equipment		49	67
Divestment of financial assets		1	15
Investment in intangible assets	14	-332	-113
Cash flow from investing activities		-1'538	-1'180
Cash flow from operating and investing activities		6'675	3'555
Dividends paid to shareholders		-16'692	-7'681
Change in current financial assets and liabilities		8'662	5'103
Cash flows from financing activities		-8'030	-2'578
Effect of currency translation on cash and cash equivalents		-155	81
Change in cash and cash equivalents		-1'510	1'058
Cash and cash equivalents at 1 / 1	8	4'452	3'394
Cash and cash equivalents at 12 / 31	8	2'942	4'452

**Notes to the combined financial statements
for the year ended 31 December 2018**

1. General information

Bystronic Maschinen AG (the Company) is a limited by shares company incorporated on 5 May 1965 in Bern Switzerland. Its parent and ultimate holding company was Conzetta AG, Switzerland until 1 April 2019 when it was acquired by Glaston Corporation. Its main activities are the development, production and distribution of machines. The Bystronic Glass Group consists of eight entities and the group structure is shown below.

Group structure



1.1 Going concern

The combined financial statements have been prepared on a going concern basis, which entails that the Group will continue its operations in the foreseeable future.

The concept of going concern assumes that the Group has neither the intention, nor the need, to liquidate or curtail materially the scale of its operations. The assessment is required to be performed for each reporting period. If management conclude that the entity has no alternative but to liquidate or curtail materially the scale of its operations, the going concern basis cannot be used and the financial statements must be prepared on a different basis (the liquidation basis).

1.2 Basis of preparation

The formation of the Bystronic Glass Group is a transaction under common control and is currently not covered by any Swiss GAAP FER standard, implying that a suitable accounting principle should be applied in accordance with Swiss GAAP FER Framework. Due to the fact that it was only separate legal entities that were transferred to Glaston Corporation with effective date as of 1 April 2019, the following considerations were taken into account in conjunction with the preparation of the financial statements, together with the principles used to determine which assets, liabilities, revenues, costs and cash flows are to be included in the financial statements.

These financial statements are prepared in accordance with Swiss GAAP FER. The financial statements relate to the fiscal year that ended on December 31, 2018. The Bystronic Glass Group applies the historical cost method for measurement of assets and liabilities except for financial assets and liabilities, including derivative instruments, which are measured at fair value either in profit or loss or in equity. Bystronic Glass Group prepared these financial statements using the predecessor basis of accounting, i.e. using the same accounting policies and valuation methods as those used by the Bystronic Glass Group companies for the preparation of the financial information included in Conzatta AG's consolidated financial statements. These financial statements are thus a combination of the financial information of the businesses included in Bystronic Glass Group and are presented as though the businesses were a group as of 01.01.2017. Where necessary, adjustments are made to the

**Notes to the combined financial statements
for the year ended 31 December 2018**

These combined financial statements incorporate the financial statements of the Parent company Bystronic Maschinen AG and entities controlled by the company (except for Bystronic Lenhardt GmbH) representing Conzetta's Bystronic glass business related activities, which comprises the development, manufacturing and distribution of machinery, systems and services for the processing of architectural and automotive glass. The Group's combined financial statements display the substance of the activities, assets and liabilities attributable to the business rather than its legal form. All activities are included using the full consolidation method. Intra Group transactions have been eliminated. Most of the activities are included in legal entities controlled by the Group. Bystronic Lenhardt GmbH, where Bystronic Group only holds 5.1% and which is controlled by Conzetta Holding Deutschland AG which owns 94.9% of the net assets. For the preparation of these combined financial statements, the activities, assets and liabilities of Bystronic Lenhardt GmbH have been fully included as they are attributable to Bystronic's glass business. To include the non-controlling interest of 94.9% a shareholder contribution of 94.9% of equity in Bystronic Lenhardt GmbH as of 01.01.2017 was made by debiting net assets by CHF 16.04 million and crediting capital reserves by CHF 16.04 million. Bystronic Glass do Brasil Ltd though controlled by Bystronic Maschinen AG does not form a part of the transactions and is thus not included in these combined financial statements. The investment in Bystronic Glass do Brasil Ltd was fully impaired prior to 01.01.2017 and thus did not have an effect on the exclusion of Bystronic Glass do Brasil Ltd in the combined financial statements. The majority of the internal loans from Bystronic Maschinen AG to Bystronic Glass do Brasil Ltd were fully impaired in the accounts of Bystronic Maschinen AG prior to 01.01.2017 and were treated as reduction of equity in the opening balance sheet. A loan of CHF 0.4 million from Bystronic Maschinen AG to Bystronic Glass do Brasil Ltd was impaired in the accounts of Bystronic Maschinen AG in 2017. The loan was considered a net investment in Bystronic Glass Group so for the purpose of these combined financial statements it treated as a reduction of capital reserve.

i) Elimination of transactions in Bystronic Glass Group

Receivables, liabilities, revenue, costs and unrealized gains and losses that arise between entities in the Bystronic Glass Group are eliminated in their entirety. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent there is no impairment requirement. The Bystronic Glass Group had a number of transactions with Conzetta group companies, and pricing follows the transfer pricing policy that applies for the Conzetta Group. Conzetta AG is the current parent of Bystronic Maschinen AG and the ultimate holding company of Conzetta Group. Further information on transactions between the Bystronic Glass Group and the Conzetta business are described in Note 24 Related-party Transactions.

ii) Financing

Bystronic Glass Group only holds 5.1% of Bystronic Lenhardt GmbH and Conzetta Holding Deutschland AG owns 94.9% of the net assets. To include the non-controlling interest of 94.9% a shareholder contribution of 94.9% of equity was made in Bystronic Lenhardt GmbH as of 01.01.2017. Bystronic Glass do Brasil Ltd is treated as an external party for the purpose of these financial statements as it does not form a part of the transactions. A loan of CHF 0.4 million from Bystronic Maschinen AG to Bystronic Glass do Brasil Ltd was impaired in the accounts of Bystronic Maschinen AG in 2017. The loan was considered a net investment in Bystronic Glass Group and is treated as a reduction of capital reserve.

Debt in Bystronic Glass Group is fully attributable to Conzetta group of companies. All financial expenses charged to the Bystronic Glass Group were based on actual borrowings that the Bystronic Glass Group has with Conzetta AG.

iii) Preparation of opening balance sheet

The opening balance as per 01.01.2017 was prepared considering the eight entities mentioned in the group structure above. Bystronic Glass Group only hold 5.1% in Bystronic Lenhardt GmbH, and Conzetta Holding Deutschland AG owns 94.9% of the net assets. For the preparation of these combined financial statements, 100% of assets and liabilities of Bystronic Lenhardt GmbH have been included as they are attributable to Bystronic's glass business.

iv) Derivatives and hedge accounting

The treasury function was previously part of the Conzetta AG Group. Bystronic Glass Group manages its derivatives and hedging relationships concerning the group's commercial flows through Conzetta AG's group treasury function. The contracts were

entered to hedge against exchange risks in various currencies. These financial statements present the hedging reserve that is attributable to the Bystronic Glass Group in relation to cash flow hedges entered into with Conzetta AG as counterparty.

BYSTRONIC GLASS GROUP

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

v) *Income taxes*

Not all entities included in the Bystronic Glass Group historically have been subject to income taxes in the same manner as if they were an independent Group. In the financial statements, income tax has been recognized on the assumption, that companies of the Bystronic Glass Group were separately taxable entities.

vi) *Significant events after the balance sheet date*

With regard to the potential impact of events after the balance sheet date, the principle has been chosen in the financial statements to only consider events in the most recent period presented, that is, the 2018 fiscal year.

2. Significant accounting policies

2.1 Foreign currency translation

The combined financial statements are presented in Swiss francs CHF. The financial statements of foreign companies are prepared in their respective functional currencies and translated into Swiss francs for the purpose of combined financial statements. Assets and liabilities are translated at the closing rate and income and expenses are translated at average exchange rates. The resulting translation effects are recognized directly in equity. All gains and losses resulting from foreign currency transactions and adjustments to foreign currency balances at the balance sheet date are recognized in the income statement.

The Group applied the following foreign exchange rates:

Swiss francs	CHF (one unit)			average	average
		30.12.2018	31.12.2017	2018	2017
USA	USD	1.0161	1.0204	1.0255	1.0101
Great Britain	GBP	0.7938	0.7575	0.7662	0.7874
Euro area	EURO	0.8874	0.8547	0.8654	0.9009
China	CNY	6.9882	6.7111	6.7696	6.8728

2.2 Revenue recognition

2.2.1 Sale of goods and services

Revenues are recognized when goods or products are delivered or a service is performed, and the benefits and risks as well as the power of disposal are transferred to the buyer. If the installation of the product at the recipient's premises is an essential contract component, the revenue is not recognized until the installation is concluded. The most important source of revenue is the sale and installation of machinery, systems and spare parts, and the provision of maintenance and other services. Separable revenues are recognized and measured individually.

2.2.2 Other operating income

Other operating income includes mainly, among other items, revenues from sales of materials, waste and scrap and from the sale of property, plant and equipment.

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

2.3 Employee benefits-pensions

The pension obligations of Group companies related to retirement, death and disability benefits are based on the rules and regulations in each country. Contribution to the various pension funds are recognised as an expense in the income statement. Private pension plans in Switzerland serve to build up retirement assets for conversion into fixed pensions, with additional risk benefits. Any actual economic impact of the pension funds on the company is calculated at the balance sheet date. An economic benefit is only capitalized when this is to be used for the future contributions of the company. An economic obligation is recognized as a liability when the requirements for the recognition of a provision are met. Freely available employer contribution reserves are shown as assets. The difference between the annually determined economic benefits and obligations and the change in the employer contribution reserves are included in the income statement.

2.4 Taxation

Income tax expense represents the sum of the tax currently payable and the deemed taxes as explained in chapter 1.2 computed in accordance with the effective income tax law.

2.4.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the combined statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.4.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. A deferred tax asset is recognised for tax loss carryforward if it is considered probable that there will be sufficient future taxable profit against which the loss carryforward can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.4.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised directly in equity, in which case, the current and deferred tax are also recognised in equity respectively.

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

2.5 *Property, plant and equipment*

Property, plant and equipment is recognized at cost less accumulated depreciation and any impairment. Land is not subject to depreciation. Buildings, machinery and equipment are depreciated on a straight-line basis over the useful lives of the assets. If, at accounting year-end, there is an indication that property, plant and equipment has declined in value, impairment testing is carried out.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Assessed useful lives are as follows:

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

2.6 *Intangible assets*

2.6.1 Acquired Intangible assets

Acquired intangible assets are recognised at cost and consist mainly of licences and software. Amortisation is recognised on a straight-line basis over their estimated useful life, which is normally between three and five years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.6.2 Internally-generated intangible assets — research and development expenditure

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

2.7 *Impairment of tangible and intangible assets other than goodwill*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.9 Provisions

Provisions are recognized in the combined balance sheet when there is a legal or constructive obligation arising from events that have occurred and it is probable that payments will be required to settle the obligation. It must also be possible to reliably estimate the amount to be paid. The provision is valued at the present value of the anticipated future expenditure to settle the obligation.

2.10 Related party disclosures

The Group provides services to, and at the same time uses services of, its related parties. Relations between the Group and its related parties are governed by contractual provisions and market terms.

2.11 Financial assets

Non-derivative financial assets are valued at acquisition cost less provisions for value adjustments.

2.12 Derivative financial instruments

Currency hedges are used against some currency risks arising from business operations. All outstanding derivatives are recognized at market value on the balance sheet date and shown at gross values under other receivables or other short-term liabilities. Value changes on derivatives for hedges of recognized underlying transactions are shown like the underlying transaction. Value changes on derivatives for hedges of future cash flows will be shown directly in equity until completion of the underlying transaction. At the time of recognition of the underlying the gain or loss recorded in equity will be transferred to the income statement.

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

3. Revenue

3.1 Breakdown of revenue

The main source of revenue for Bystronic Glass Group is the sale and installation of machinery and spare parts and service contracts. The operational split for the group is as follows:

Operational split of revenue

For the period ending 31 December	2018	2018	2017	2017
	in '000 CHF	%	in '000 CHF	%
Machine business	89'213	67%	76'575	64%
Spare parts & services	43'852	33%	42'461	36%
Total net revenues	133'065	100%	119'036	100%

The geographical information for revenue is as follows:

Geographical split of revenue

For the period ending 31 December	2018	2018	2017	2017
	in '000 CHF	%	in '000 CHF	%
Europe	55'561	42%	56'841	48%
Americas	35'278	27%	23'010	19%
Rest of the world	42'226	32%	39'185	33%
Total net revenues	133'065	100%	119'036	100%

4. Other operating income

4.1 Other operating income

The Group realised other operating income in the amount of CHF 0.4 million (2017: CHF 0.3). Other operating income includes mainly, among other items, revenues from sales of materials, waste and scrap, and from the sale of property, plant and equipment.

5. Operating expenses

5.1 Cost of material

Cost of materials summarizes the overall cost of raw materials, intermediates and supplies, as well as expenses for third-party manufacturing.

In relation to total revenue growth of 12% (2017: 12%), the increase in material expenses was proportionate at 12% (2017: 12%). The ratio of material costs to total revenue (materials ratio) was 40%, which is at the same level as in the previous year. The materials ratio is influenced mainly by changes in inventories of semi-finished products, work in progress and finished products.

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

5.2 Personal expenses

For the period ending 31 December	2018	2017
	in '000 CHF	in '000 CHF
Wages and salary	-35'233	-31'804
Social security benefits	-6'047	-5'811
Other personal expenses	-750	-670
Total personal expenses	-42'029	-38'285

In addition to contributions to state pension plans, social security benefits include the contributions to pension funds. The increase in personnel expenses amounts to 10 % (2017: decrease by 12%), and is with 32% in relation to total revenue in line with previous year. As at the balance sheet date, the number of employees rose by 2 % over the previous year to 439.

Employee pension plans

Surplus/deficit 31.12.2018	Economic benefit/obligation 31.12.2018	Economic benefit/obligation 31.12.2017	Currency translation effect	Change to prior year affecting result in the reporting period in '000 CHF	Contributions to be allocated to reporting period in '000 CHF	Current service cost in personal expenses 2018	Current service cost in personal expenses 2017
						in '000 CHF	in '000 CHF
Economic benefit/obligation and current service cost							
Pension institutions without surplus/deficit						782	782
Pension funds without own assets	-	-32	-32	1	1	204	205
Total	0	-32	-32	1	1	986	987
960							

There is no employer contribution reserves in the above pension plan.

5.3 Other operating expense

Other operating expenses include the cost of repairs and maintenance on property, plant and equipment, sales provisions, expenses for guarantees, assembly, transport and energy, as well as sundry expenses for production, development, sales and administration.

6. Financial result

6.1 Financial result

For the period ending 31 December	2018	2017
	in '000 CHF	in '000 CHF
Financial income	162	138
Financial expense	-427	-216
Total	-265	-78

Financial income contains interest income of CHF 0.2 million (2017: CHF 0.1 million). The financial result of the previous year, included currency gains amounting to CHF 0.05 million.

Financial expenses contain interest of CHF 0.2 million (2017: CHF 0.2 million) and currency losses of CHF 0.2 million. Currency losses include currency gains and losses on the valuation of liquid assets, on short-term loans, and on other financial assets

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

7. Taxes.

7.1 Income tax recognised in profit or loss

The following table shows the difference between effective tax expenditure and the average tax expenditure anticipated on the basis of local tax rate:

Income Taxes

Income tax recognized in profit or loss

For the period ending 31 December	2018	2017
	in '000 CHF	in '000 CHF
Current taxes on income	1'264	340
Deferred taxes	168	1'049
Charge for the year/period	1'432	1'389

Current taxes on income include taxes paid and owed on taxable income of the individual companies in accordance with local tax laws. Deferred taxes are calculated individually per taxable entity using the enacted tax rate.

	Tax rate 2018	Income taxes 2018	Tax rate 2017	Income taxes 2017
Applicable tax rate and income taxes as a proportion of profit before tax	22.9%	1'598	24.6%	1541
Effects of change in tax loss carryforwards	-14.0%	-982	0.0%	0
Applicable tax rate and income taxes after tax loss carryforwards	8.8%	616	24.6%	1541
Other influences	11.7%	816	-2.4%	-152
Effective tax rate and income taxes	20.5%	1'432	22.2%	1'389

Deferred taxes are measured using the enacted tax rates for the temporary differences in individual companies. In view of uncertainty about the future scope for offsetting, the tax effects from loss carryforwards amounting to CHF 0.02 million (2017: CHF 1.4 million) were not capitalized. This evaluation is based on the projected income tax rates.

The expected tax rate fell from 24.6 % to 22.9 %, a drop of 1.7 percentage points, which is mainly attributable to the US tax reform. The effective tax rate for the ordinary result before taxes was 20.5 %, compared with 22.2 % in the previous year. The reasons for this decrease are the lower tax rate mentioned above

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

8. Trade receivables

Trade receivables

	2018	2017
	in '000 CHF	in '000 CHF
Trade receivables	21'474	23'496
Provision	-2'037	-2'085
Total	19'437	21'411

For doubtful accounts, individual and overall value adjustments have been deducted. The general provisions made are based on the experience of the respective company.

9. Other receivables

Other receivables largely consist of recoverable value-added tax, other tax credits, receivables from compensation payments and the positive market values of outstanding derivative financial instruments at the balance sheet date

10. Inventories

Inventories

	2018	2017
	in '000 CHF	in '000 CHF
Raw materials and supplies	15'727	15'085
Semi-finished products and work in progress	9'583	15'977
Finished products	2'904	1'980
Total	28'214	33'042

Semi-finished goods and work in progress has decreased by 42% (2017: increased by 8.6%). mainly due to the fewer projects outstanding at the end of 2018 compared to 2017. Overall, the value adjustments on inventories amounted to CHF 8 million (2017: CHF 10.5 million).

Notes to the combined financial statements
for the year ended 31 December 2018 — continued

11. Property, plant and equipment

	Land and buildings* in '000 CHF	Plant & Machinery in '000 CHF	Furnishings & Vehicles in '000 CHF	Asset under construction in '000 CHF	Total
Acquisition cost					
as at 31 December 2016	20'904	6'826	7'315	0	35'045
Additions	95	209	759	87	1'149
Disposals, sales	0	-439	-1686	0	-2'124
Foreign exchange translation	1032	481	325	0	1'837
as at 31 December 2017	22'031	7'077	6'713	87	35'908
Additions	106	288	945	-83	1'256
Disposals, sales	0	-284	-584	0	-868
Foreign exchange translation	-472	-191	-139	-3	-806
as at 31 December 2018	21'665	6'891	6'934	0	35'490
Accumulated depreciation/impairment					
as at 31 December 2016	14'042	6'251	6'048	0	26'340
Depreciation of the period	345	151	648	0	1'144
Disposals, sales	0	-439	-1644	0	-2'083
Foreign exchange translation	550	415	281	0	1'246
as at 31 December 2017	14'936	6'378	5'332	0	26'646
Depreciation of the period	328	178	653	0	1'159
Disposals, sales	0	-284	-566	0	-850
Foreign exchange translation	-255	-175	-108	0	-538
as at 31 December 2018	15'009	6'098	5'312	0	26'418
Net tangible assets					
as at 31 December 2017	7'095	699	1'381	87	9'261
as at 31 December 2018	6'656	793	1'622	0	9'072

*Thereof land amounted to CHF 0.9 million (2017: CHF 0.9 million).

12. Financial assets

For the period ending 31 December	2018 in '000 CHF	2017 in '000 CHF
Long-term receivable	18	19
Deferred tax assets	746	694
Total Financial assets	764	713

The long-term receivables comprise of long-term credit terms with customers. The statement of the change in deferred tax assets is discussed in note 8, Taxes.

Notes to the combined financial statements
for the year ended 31 December 2018 — continued

13. Intangible assets

Software	2018	2017
	in '000 CHF	in '000 CHF
Acquisition cost		
as at 1 January	6'149	6'078
Additions	332	113
Disposals, sales	0	-141
Foreign exchange translation	-50	97
as at 31 December	6'431	6'148
Accumulated depreciation / impairment		
as at 1 January	6'011	5'980
Depreciation of the period	113	84
Disposals, sales	0	-141
Foreign exchange translation	-39	86
as at 31 December	6'085	6'010
Net intangible assets		
as at 1 January	138	98
as at 31 December	346	138

The intangible assets mainly comprise software and licenses. Additions include larger software investments to digitalize the business processes.

14. Financial liabilities

Financial liabilities

For the period ending 31 December	Book value	Maturity
	in '000 CHF	
Loans from Conzetta AG	9'129	short-term
Loans from Conzetta Holding Deutschland AG	840	short-term
Other financial liabilities	21	long-term
as at 31 December 2017	9'989	
of which short term	9'968	
Loans from Conzetta AG	14'265	short-term
Loans from Conzetta Holding Deutschland AG	1247	short-term
Other financial liabilities	12	long-term
as at 31 December 2018	15'524	
of which short term	15'512	

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

15. Advance payments from customers

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

16. Other short-term liabilities

Other short-term liabilities includes taxes owed, social security contributions outstanding at the balance sheet date.

17. Provisions

Provisions

	Deferred taxes in '000 CHF	Guarantees in '000 CHF	Restructuring in '000 CHF	Other provisions in '000 CHF	Total
as at 31 December 2016	1	2'827	3'517	319	6'665
Additions	642	3'131	0	315	4'088
Amounts used	-1	-2009	-2590	-19	-4'619
Amounts reversed	0	-560	-1041	0	-1'601
Foreign exchange translation	0	151	319	15	485
as at 31 December 2017	642	3'539	205	631	5'018
Additions	228	3273	0	9	3'510
Amounts used	0	-2194	-175	-348	-2'716
Amounts reversed	-15	-449	-23	-110	-597
Foreign exchange translation	-24	-92	-8	-7	-130
as at 31 December 2018	832	4'077	0	176	5'085
of which short-term 2017	0	3'539	205	450	4'194
of which short-term 2018	0	4'077	0	0	4'077

Guarantee provisions relate to product sales and are based on past-experience. Experience shows the corresponding outflow of funds is evenly spread over the warranty period of one to five years.

The use and reversal of restructuring provisions concern restructuring measures communicated in the previous year for the Glass Processing segment in Germany.

Other liabilities includes provisions for onerous contracts on purchase commitments from framework purchasing contracts, provisions for seniority and anniversary premiums, and provisions for old age that do not qualify as pension obligations.

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

18. Accrued expenses and deferred income

**Accrued expenses and deferred
income**

For the period ending 31 December	2018	2017
	in '000 CHF	in '000 CHF
Accruals and deferrals for current taxes	310	133
Accruals and deferrals for personnel expenses	5114	4'281
Other accruals and deferrals	7829	7'548
Total accrued expenses	13'253	11'962

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

19. Share capital

Share capital

	2018	2017
	in '000 CHF	in '000 CHF
Authorised		
Ordinary shares of CHF 1000 each	100	100
Issued and fully paid		
Issue of ordinary shares	100	100

19.1 Authorised capital

The share capital of CHF 100 000 is divided into 100 registered shares with a nominal value of CHF 1000 each.

19.2 Issued capital

Upon incorporation, Bystronic Maschinen AG issued to the subscribers of 100 shares of CHF 1000 each at par.

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

20. Share based compensation

For the Bystronic Glass Group CEO (being part of the Executive Committee of Conzetta), there is a deferred share-based performance component (LTI). Of the variable performance-related target compensation, the LTI represents 15%. Of this, the only performance parameter is the earnings per share (EPS) of Conzetta AG. Depending on the actual value, the monetary value of the share allocation can vary between 0% and 150% (cap) according to EPS target achievement. The number of Conzetta AG shares allocated is the product of the LTI monetary value divided by the average share price from November 1 in the current year to January 31 in the following period, with a reduction of 10% allowed. To qualify for the share allocation, the recipient must be in employment on the date of the allocation, with no period of notice served by either side. The shares allocated for the LTI remain restricted for four years. In the event of invalidity, death or termination of the employment relationship following a change of control this vesting period is canceled.

Selected members of business unit management are eligible to participate in a share-based LTI scheme representing 10% annual base salary. The first allocation of restricted stock units (RSUs) for Conzetta AG shares was made at the end of March 2018. The value of the LTI allocation for the aforementioned level of management depends on earnings per share (EPS) and may vary between 100% and 150% of the target amount. The number of allocated restricted stock units is determined by dividing the monetary value of the LTI (EPS rate of target achievement x LTI target amount) by the average share price from November 1 of the current period to January 31 of the following period. The restricted stock units are subject to a three-year vesting period and will thereafter be converted into Conzetta AG shares based on a ratio of 1:1. This is conditional upon the employees concerned being in employment at the time of the conversion and allocation of shares, with no period of notice served by either side. Employees who terminate their employment forfeit their restricted stock units. As a transitional arrangement, eligible employees who were employed at the company prior to July 1, 2017, may convert up to one third of the RSUs allocated in 2018 each year starting in 2019.

The value of the share-based, performance-related component and the corresponding number of shares (LTI) are determined by the Board of Directors of Conzetta AG in the year following completion of the respective financial statement. Share based payment are measured at cost and booked to personal expenses in the period service is rendered.

21. Contingent liabilities

In connection with customer financing, repurchase obligations against leasing companies for machinery amount to CHF 0.4 million (2017: CHF 0.7 million).

22. Operational leasing

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

Operational leasing

For the period ending 31 December	2018	2017
	in '000 CHF	in '000 CHF
Under 1 year	1'153	1'085
1 to 5 years	1'467	1'688
Over 5 years	39	4
Total	2'658	2'776

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

23. Derivative financial instruments

Derivative financial instruments

For the period ending 31 December

	2018	2017
	in '000 CHF	in '000 CHF
Contract or nominal values (gross)	0	11'920
Replacement value, positive	0	181
Replacement value, negative	0	0

Derivative financial instruments solely consist foreign currency financial instruments. The contracts were entered into as a hedge against exchange risks in various currencies arising from business operations. The change in value of derivative instruments for hedging underlying transactions still outstanding as per the balance sheet date is recognized like the underlying transaction, and value changes on hedge transactions relating to future cash flows are recognized directly in equity, resulting in neither profit nor loss.

24. Related party transaction

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company (Bystronic group), have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and Conzzeta Group of companies and Bystronic Glass do Brasil Ltda. are disclosed below.

For the period ending 31 December	2018	2017
	in '000 CHF	in '000 CHF
Trade receivables	3	91
Trade payables	51	112
 Sales of goods / services	 277	 239
Purchases of goods/services	-1'947	-1'440
Financial income	123	75
Financial expense	-205	-181

25. Events after balance sheet date

On January 25, 2019, Conzzeta reported signing a binding agreement to sell its Glass Processing segment to Finnish company Glaston Corporation, based in Helsinki. The transaction was concluded on April 1 2019.

**Notes to the combined financial statements
for the year ended 31 December 2018 — continued**

List of combined companies

Company, domicile	Country		Company Capital	Investments in % direct
Bystronic Lenhardt GmbH, Neuhausen*	DE	EUR	2'050'000	5.1%
Bystronic Glass Machinery (Shanghai) Co Ltd, Shanghai	CN	EUR	4'300'000	100%
Bystronic Glass (Shanghai) Co. Ltd, Shanghai	CN	USD	1'900'000	100%
Bystronic Glass UK Ltd, Telford	GB	GBP	700'000	100%
OOO Bystronic Steklo RUS, Perm	RU	RUB	1'000'000	100%
Bystronic Asia Pte. Ltd, Singapore	SG	SGD	1'000'000	100%
Bystronic Glass Inc, Aurora	US	USD	250'000	100%

*Assumed 100% direct investment for the purpose of combined financial statements. See basis for combination above.