



## Annual Report 2017



50.1 Mio

Operating profit (EBIT)

+3,4%

EBIT growth

7,7%

Annual sales growth

1'172 Mio.

Net sales (CHF)

0,60

Dividends (CHF)

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# mobilezone achieves Record Results in Sales and Operating Profit



Urs T. Fischer



Markus Bernhard

## Dear Shareholders

mobilezone did very well in fiscal year 2017 in a challenging market environment and has exceeded the goals it had set for 2017. For the sixth consecutive time the company has increased its operating profit (EBIT).

### **mobilezone increases operating profit to CHF 50.1 million.**

In fiscal year 2017 mobilezone achieved record sales in the amount of CHF 1,172 million, an increase of 7.7 percent over the previous year's figure.

This very positive development is reflected in the operating profit (EBIT) total of CHF 50.1 million (2016: CHF 48.5 million). Financial expenses rose by CHF 0.7 million to CHF 2.5 million. The company's tax expense amounted to CHF 12.6 million (2016: CHF 10.7 million). Consolidated profit decreased by CHF 0.9 million to CHF 35.2 million due to a one-time tax liability (CHF 1.4 million) in Switzerland.

Earnings per share amounted to CHF 1.10 in the reporting year (2016: CHF 1.12). As of February 27, 2018, the mobilezone share price was CHF 12.00 as compared to CHF 14.50 at the end of December 2016.

The two business segments Trade and Service Providing have contributed to this very positive result of fiscal year 2017. As of December 31, 2017, mobilezone's balance sheet shows cash and cash equivalents totaling CHF 87.9 million (2016: CHF 27.0 million). The company's net debt amounted to CHF 70.2 million (2016: CHF 66.2 million). The ratio of net debt to EBITDA was 1.25 (2016: 1.22).

At the end of the year, net current assets amounted to CHF 11.3 million (2016: CHF 27.2 million). In the mobilezone holding ag individual financial statements, shareholders' equity amounts to CHF 53.7 million (2016: CHF 54.7 million).

### **Segment Trade reports slight increase in sales**

The segment Trade includes activities in the company's branch network extending throughout Switzerland, in the online business, and in the B2B sector as well as the activities of the einsAmobile in Germany. The company continued to maintain the previous year's very positive results despite slightly lower profitability.

The segment Trade achieved an increase in sales of 6.6 percent, from CHF 1,012 million to CHF 1,079 million. The share of wholesale sales amounts to CHF 687 million (2016: CHF 618 million). EBIT fell from CHF 40.6 million to CHF 37.0 million, a decrease of 8.8 percent, which is primarily due to lower gross profit margin in wholesale trading in Germany.

The expansion of the online business, both Germany and Switzerland, has moved forward. In Germany more than 220,000 (2016: 200,000) mobile phone contracts were concluded online. The company expects the continued expansion of its online presence to result in further growth in the online retail business.

mobilezone continuously reviews the number and location of its shops. The number of shops in Switzerland has been slightly reduced in the reporting year, while other shops in preferred locations have been remodeled in accordance with a uniform modern concept (shop layout and design). With this mobilezone aims — especially in light of fluctuating customer traffic — to achieve higher profitability in the shops. The company continues to weigh selectively opening new shops at strategically important locations. For example, in November 2017 a shop was opened in Switzerland's second largest shopping center, the Mall of Switzerland.

With new services such as warranty extensions, data transfer, setup of mobile phones, and others, which are offered in the mobilezone shops, the company has laid the foundation for further growth in earnings from services.

### **Segment Service Providing reports great increase in sales and profitability**

The segment Service Providing includes the company's own TalkTalk mobile and fixed-line offers as well as the service and repair business in Switzerland and Austria.

Sales in the segment Service Providing grew from CHF 75.5 million to CHF 92.2 million, an increase of 22 percent. EBIT rose by 49 percent to CHF 12.1 million.



The profitability of the service and repair business in Switzerland and Austria also developed very positively.

TalkTalk's sales and EBIT came in above the previous year's figures. In its customer acquisition efforts with TalkTalk products, mobilezone focused on mobile offers, in particular regarding post-paid customers. Mobile customers' share in TalkTalk's total sales amounts to 50.7 percent (2016: 37.5 percent). In the postpaid area, the number of customers grew to 24,200 (2016: 19,800).

#### **Omnichannel Platform**

In fiscal year 2018 mobilezone will launch the Omnichannel platform in Switzerland. As a result, the same offers and data will be available in full at any time in the shops as well as at the online portals to mobilezone customers and employees. The customer can then decide, for example, whether to pick up an online order at a shop of his or her choice or to have it shipped.

#### **Acquisition of TPHCom GmbH – Extraordinary General Meeting on March 9, 2018, for the purpose of capital increase**

On December 21, 2017, mobilezone announced that it will acquire the German firm TPHCom based in Münster, Germany. The transaction was concluded on February 27, 2018. The agreed upon purchase price was EUR 50 million. In the German market, TPHCom specializes in arranging mobile phone and fixed-line contracts for the specialist retail trade and online platforms, which the company supports as interface to the network operators.

To finance the acquisition and to give the Group greater financial flexibility for additional company acquisitions in the medium term, the Board of Directors will request the extraordinary General Meeting on March 9, 2018, to approve a capital increase. The capital increase is to result in gross proceeds of ca. CHF 80 million.

#### **Dividend proposal to the General Meeting**

A dividend of CHF 0.60 per registered share, which corresponds to a distribution ratio of 55 percent, will be proposed to the General Meeting on April 5, 2018. If this proposal is approved, the dividend will be paid out on April 12, 2018. Starting on April 10, 2018, the shares will be traded ex-dividend.

#### **Change in the Board of Directors**

After nine years of dedicated work on the Board of Directors, Cyrill Schneuwly has decided not to stand for reelection to the Board of Directors of mobilezone holding ag at the next General Meeting. The Board of Directors sincerely thanks Cyrill Schneuwly for his longtime active and formative work from which mobilezone Group could always profit. It is planned to expand the Board of directors to four members. As new members the Board of Directors proposes Gabriela Theus, currently managing director of the AG für Fondsverwaltung, Zug, and formerly CFO of Zug Estates AG, as well as Christian Petit, formerly a member of Swisscom's group management.

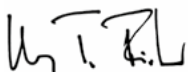
#### **Outlook**

mobilezone has achieved an excellent result in fiscal year 2017 and is convinced that it can continue on this successful course in fiscal year 2018 as well. With the acquisition of TPHCom the company's position in the German market is strengthened significantly. Among the goals mobilezone is pursuing is a further expansion of its geographical presence in Germany, in particular through increasing the number of its sales partners.

For fiscal year 2018 mobilezone expects operating profit (EBIT) in the range of CHF 55 – 60 million. The company plans to continue its present attractive dividend policy and to disburse up to 75 percent of the consolidated profit.

We particularly wish to thank our employees; with their dedicated work day after day they have made a successful fiscal year possible. We want to take this opportunity to thank them sincerely for their dedication, loyalty, and confidence in our company.

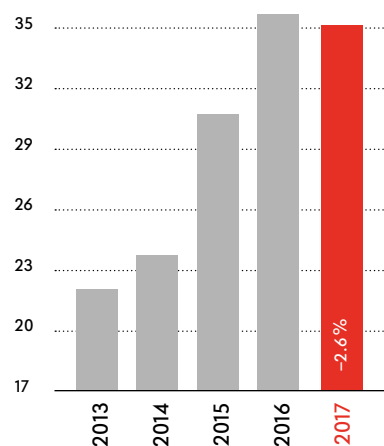
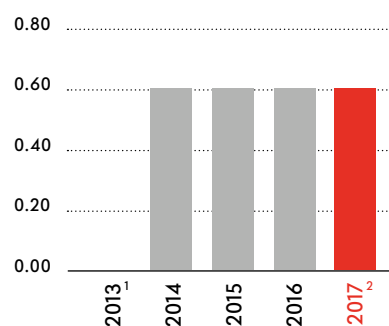
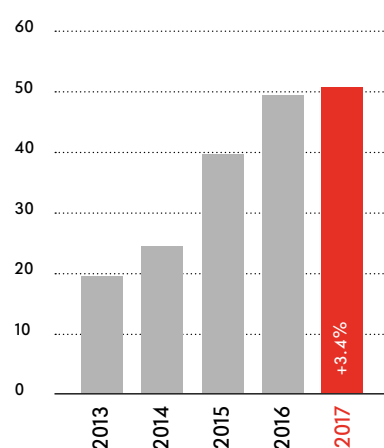
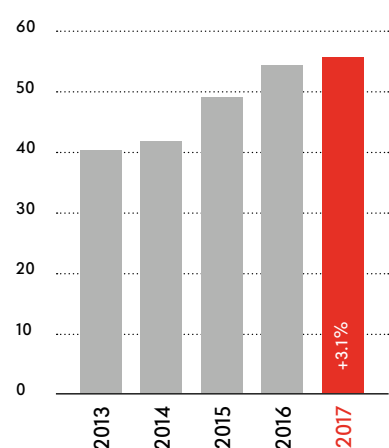
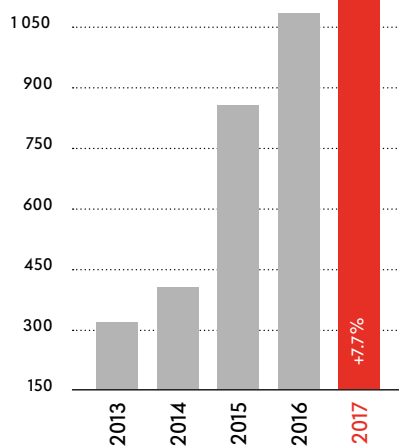
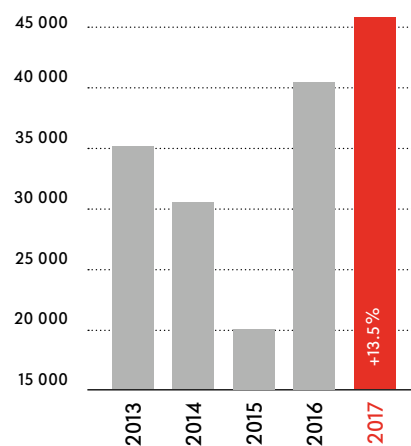
Regensdorf, February 27, 2018



Urs T. Fischer  
Chairman of the Board of Directors



Markus Bernhard  
Chief Executive Officer

**Consolidated profit (CHF million)****Dividend (CHF)****EBIT (CHF million)****EBITDA (CHF million)****Net sales (CHF million)****Cash flow from operating activities (CHF million)**

<sup>1</sup> Instead of distributing a dividend, the General Meeting decided on a share buyback program in the amount of 10 percent of the outstanding shares at a fixed price of CHF 10.00 for the purpose of capital reduction.

<sup>2</sup> In accordance with the proposal of the Board of Directors to the General Meeting on April 5, 2018.

# Key figures

## Group

| (CHF 000 or as indicated)  | 2017      | %                 | 2016      | %                 | 2015    | %                 | 2014    | %                 | 2013    | %                 |
|--|-----------|-------------------|-----------|-------------------|---------|-------------------|---------|-------------------|---------|-------------------|
| Net sales  | 1 171 578 |                   | 1 087 855 |                   | 859 020 |                   | 388 562 |                   | 328 230 |                   |
| Gross profit   | 149 826   | 12.8 <sup>1</sup> | 143 966   | 13.2 <sup>1</sup> | 133 608 | 15.6 <sup>1</sup> | 117 057 | 30.1 <sup>1</sup> | 111 571 | 34.0 <sup>1</sup> |
| Operating profit (EBITDA)  | 55 954    | 4.8 <sup>1</sup>  | 54 255    | 5.0 <sup>1</sup>  | 47 388  | 5.5 <sup>1</sup>  | 37 171  | 9.6 <sup>1</sup>  | 34 683  | 10.6 <sup>1</sup> |
| Operating profit (EBIT)  | 50 123    | 4.3 <sup>1</sup>  | 48 471    | 4.5 <sup>1</sup>  | 40 434  | 4.7 <sup>1</sup>  | 29 197  | 7.5 <sup>1</sup>  | 25 782  | 7.9 <sup>1</sup>  |
| Net consolidated profit  | 35 226    | 3.0 <sup>1</sup>  | 36 147    | 3.3 <sup>1</sup>  | 30 821  | 3.6 <sup>1</sup>  | 23 642  | 6.1 <sup>1</sup>  | 22 001  | 6.7 <sup>1</sup>  |
| Total assets   | 302 640   |                   | 192 887   |                   | 162 368 |                   | 100 048 |                   | 120 780 |                   |
| Net debt   | -70 200   |                   | -66 152   |                   | -65 268 |                   | -10 992 |                   | -966    |                   |
| Shareholders' equity   | 8 977     | 3.0 <sup>2</sup>  | -3 294    | -1.7 <sup>2</sup> | -12 142 | -7.5 <sup>2</sup> | 32 110  | 32.1 <sup>2</sup> | 42 781  | 35.4 <sup>2</sup> |
| Net debt-to-EBITDA ratio   | 1.25      |                   | 1.22      |                   | 1.38    |                   | 0.30    |                   | 0.03    |                   |
| Net cash flow from operating activities                          | 45 911    |                   | 40 440    |                   | 20 020  |                   | 30 513  |                   | 35 244  |                   |
| Investments in property, plant & equipment and intangible assets | 10 947    |                   | 9 809     |                   | 6 460   |                   | 6 963   |                   | 6 903   |                   |
| Number of full-time employees as of December 31                  | 867       |                   | 878       |                   | 918     |                   | 843     |                   | 828     |                   |
| Number of shops as of December 31                                |           |                   |           |                   |         |                   |         |                   |         |                   |
| Switzerland  | 124       |                   | 129       |                   | 127     |                   | 129     |                   | 130     |                   |
| Germany  | 65        |                   | 55        |                   | 43      |                   | n.a.    |                   | n.a.    |                   |

<sup>1</sup> In percent of net sales.

<sup>2</sup> In percent of total assets.

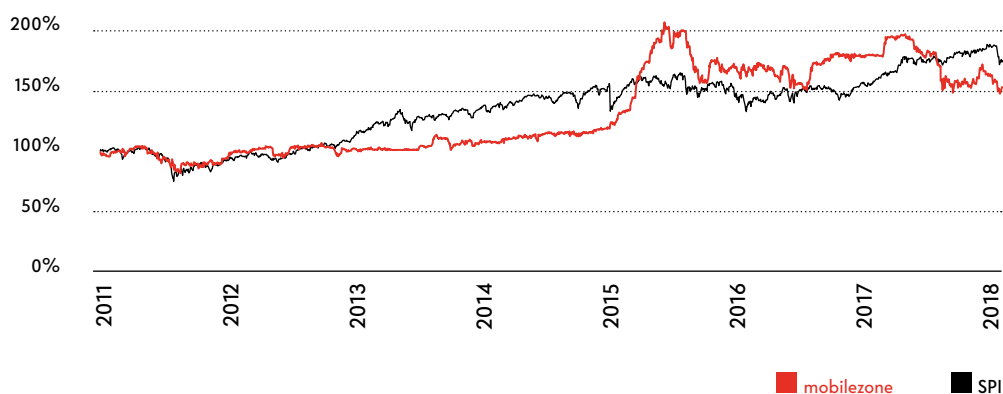


# Share price development

## Information per share

| (in CHF or as indication)                     | 2017              | 2016        | 2015        | 2014       | 2013              |
|---|-------------------|-------------|-------------|------------|-------------------|
| Shares issued at year end (number)            | 32 195 697        | 32 195 697  | 32 195 697  | 35 772 996 | 35 772 996        |
| Weighted average number of shares outstanding | 32 163 959        | 32 179 994  | 32 195 697  | 33 187 461 | 35 624 414        |
| Earnings per share (undiluted/diluted)        | 1.10              | 1.12        | 0.96        | 0.71       | 0.62              |
| Net asset value per share                     | 0.28              | -0.10       | -0.38       | 0.97       | 1.20              |
| Distribution per share                        | 0.60 <sup>1</sup> | 0.60        | 0.60        | 0.60       | 0.00 <sup>2</sup> |
| Share price (highest/lowest)                  | 15.95/11.45       | 14.75/12.15 | 17.55/10.50 | 10.60/9.48 | 10.10/8.94        |
| Share price as of December 31                 | 12.85             | 14.50       | 14.35       | 10.55      | 9.40              |

Share price since 2011<sup>3</sup>



<sup>1</sup> In accordance with the proposal of the Board of Directors to the General Meeting on April 5, 2018.

<sup>2</sup> Instead of distributing a dividend, the General Meeting decided on a share buyback program in the amount of 10 percent of the outstanding shares at a fixed price of CHF 10.00 for the purpose of capital reduction.

<sup>3</sup> Dividend reinvested.

# mobilezone overview

mobilezone Group is a telecommunications company headquartered in Regensdorf/Zurich. The Group comprises the following companies: mobilezone ag, einsAmobile GmbH, mobilezone business ag, TalkTalk AG, mobiletouch ag, and mobiletouch austria gmbH. Since the beginning of 2018 TPHCom GmbH also is part of the mobilezone Group.

mobilezone employs a staff of 867 employees in its locations in Regensdorf, Urnäsch, Zweidlen, Zug, Vienna (Austria), Obertshausen (Germany), Berlin, and Münster (Germany). Its business activities comprise marketing telecommunications service contracts of numerous major network operators in Switzerland and Germany as well as sales of mobile communication devices and accessories.

## Group structure

### Board of Directors

**Urs. T. Fischer**  
Chairman

**Cyrill Schneuwly**  
Vice-Chairman

**Andreas M. Blaser**  
Member

### Group management

**Markus Bernhard**  
CEO

**Andreas Fecker**  
CFO

**Murat Ayhan**  
Managing Director DE

**Akin Erdem**  
Managing Director DE

**Roger Wassmer**  
COO CH & AT

### Management Team

**CH Thomas Gülünay**  
Managing Director B2B

**Karl Steinke**  
Managing Director TalkTalk

**Christoph Traber**  
Managing Director mobiletouch

**Werner Waldburger**  
Head of Business Steering

**Nicola Lippolis**  
Head of Sales Retail

**Gregor Vogt**  
Head of Marketing & Communication

**Daniel Ringger**  
Head of Operator Relations

**Philipp Müller**  
Head of Controlling

**Fritz Hauser**  
Head of IT & Logistics

**Claudia Schumacher**  
Head of Human Resources

**DE Ralf Grundhoff**  
Managing Director TPHCom

**Enis Ramadanovski**  
Managing Director TPHCom

**Robert Ermich**  
Managing Director Mister Mobile

**Adrian Friesen**  
Commercial Manager

**Matthias Knöpfel**  
Head of Sales

**Julian Lange**  
Head of E-Commerce

**Hakan Erdem**  
Head of Marketing

**Andreas Michels**  
Head of Key Account Mobile Devices

**Timo Rodenhäuser**  
Operator Relations

**Francisco Naranjo**  
Head of Controlling

**AT Martin Hammerschmid**  
Managing Director mobiletouch

# Highlights 2017



**FEBRUARY** Samsung launches the Galaxy S8 and the Galaxy S8+.

Samsung introduces the new smartphones Galaxy S8 and S8+ as well as the new Gear 360 and the docking station Dex.

**MARCH** Huawei introduces the new models P10, P10 Plus, and P10 Lite.

At the start of the Mobile World Congress 2017 in Barcelona, Huawei launches the P10, P10 Plus, and P10 Lite.



**APRIL** The first of ten mobilezone shops is re-modeled in accordance the new concept.

mobilezone is always working on optimizing its locations and shops. In the course of this optimization, several shops have been remodeled and some have been reopened in new locations with higher foot traffic. In March the shops in Vevey and Meyrin were the first to be given the new design. Then other shops followed: Langenthal, Schönbühl near Bern, Brugg, Lugano, Centre Bahnhof Biel, Burgdorf, Uster, and Ebikon.







**MAY** Nokia relaunches the cult classic mobile phone 3310.

Nokia relaunches its classic hit that enjoyed a huge success in early 2000 because of its modern touch and a standby time of one month. mobilezone offers the mobile phone in its shops and online in a variety of colors.

**JUNE** Mister Mobile moves

In the middle of the year Mister Mobile GmbH moves into new office space in the midst of lively Berlin. The move has laid the foundation for new growth.

**SEPTEMBER** mobiletouch wins the SBB contract.

Thanks to its innovation, flexibility, speed, and solution-oriented approach, mobiletouch is awarded another important contract. Beginning January 1, 2018, mobiletouch ag will repair the smartphones of all SBB (Swiss Federal Railways) employees in the event of damage. Currently, the SBB has more than 40,000 smartphones in use.



**SEPTEMBER** The smartphones iPhone 8, iPhone 8 Plus, and iPhone X can be preordered at mobilezone.

On September 12, 2017, Apple launched the smartphones iPhone 8, iPhone 8 Plus, and iPhone X. As in every previous year, the demand for the new iPhone models is high.



**OCTOBER** mobilezone ag announces company headquarters will be moved from Regensdorf (Zurich) to Rotkreuz (Zug).

The mobilezone ag employees working in the head offices will move on November 1, 2018, into the first wooden high-rise in Switzerland on the Suurstoffi Areal in Rotkreuz. At the same time TalkTalk will also move into that building. In total, about 100 employees will be working together on one floor in an area of 1500 m<sup>2</sup>.

**NOVEMBER** mobilezone opens a new shop in the Mall of Switzerland.

mobilezone is one of about 100 tenants opening its doors in Switzerland's second-largest shopping center on November 8, 2017. In prime location directly across from the cash registers of the major supermarket Migros, there customers will then find the new mobilezone shop.

**DECEMBER** Opening of first Huawei Premium Store.

The first Huawei Premium Store under the management of mobiletouch austria opens its doors in Vienna. In addition to immediate and onsite repairs, this Customer Service Center also offers selected accessories and consultation for Huawei customers.



**DECEMBER** Continuity in the Group management and the management of einsAmobile are ensured.

mobilezone has extended the successful working relationship with the two Group management members Murat Ayhan and Akin Erdem.

**DECEMBER** DEINHANDY on the road to success.

DEINHANDY is on the road to success and thus takes its place among the frontrunners in the German market. For example, thanks to its growth rate of 617 percent, the company ranks third in the area of e-commerce in the «2017/2018 growth ranking of start-ups and KPMG», and it ranked fifth overall among all top startups in Germany's digital sector. This prestigious distinction in the economy confirms the company's road to success.

**DECEMBER** mobilezone acquires TPHCom GmbH based in Germany.

mobilezone has entered into an agreement for the purchase of TPHCom in Germany. TPHCom is headquartered in Münster and specializes in arranging mobile phone and fixed-line contracts. With this takeover the market position of einsAmobile in Germany is strengthened significantly.



# Strategy

mobilezone's strategic goals are twofold: the continuing development of the foundation pillars undergirding its successful business development to date — namely, independence, customer focus, and cooperative partnerships with mobile phone providers and device manufacturers — and continuous growth, both organically through expansion of the company's offers and sales channels and externally through additional company acquisitions.

mobilezone still holds fast to the foundation pillars on which its success is based: independence, customer focus, and cooperative partnerships with mobile phone providers and device manufacturers, and the company is convinced that in this way it will continue to be successful and achieve positive results. Increasingly, the great variety of plans offered makes independent, competent advice especially important for customers — and precisely this support in making their purchase decision for the

optimal rate plan and mobile phone brand is what mobilezone's skilled and professionally trained employees offer its customers.

To keep pace with the rapid changes in society and the economy and to meet constantly changing demands, mobilezone adapts its strategic direction to current conditions. For instance, the changes regarding digitalization and individualization are taken into account with the Omnichannel project. For mobilezone the financial expenditures for such a large-scale project are an important investment in the future necessary to remain competitive and to maintain its customer focus. Ultimately, it is thanks to individualization that mobilezone can better meet the needs of customers.

In addition to new customers, employees, partners, and shareholders also are important stakeholders, and mobilezone takes them into account in designing its strategy.

## Strategic focus

**Growth**

**Gains in market share**

**Expansion of online presence**

**Omnichannel platform**

**Extension of the range of services offered**

**Optimization of the shop network**

**Dividend and distribution policy**



## Growth strategy

It is mobilezone's growth strategy to successfully continue its current growth course. This means growth in existing business areas, in particular in the online business, specialist retail trade, and services.

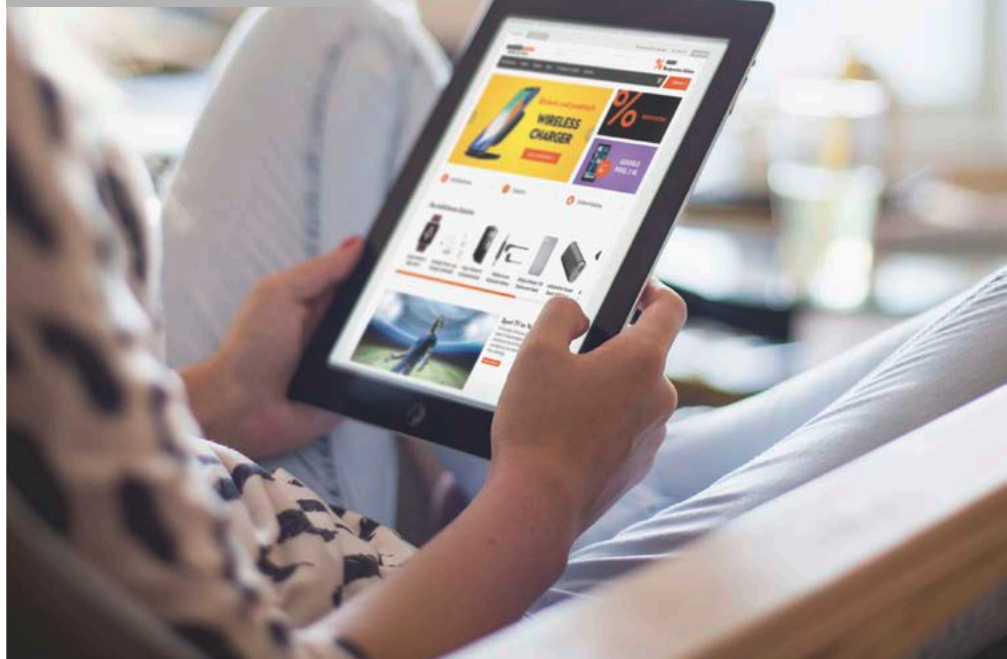
In particular, mobilezone sees a high growth potential for its online shops. Already in this fiscal year all online shops report growth, and thanks to additional investments and the expansion of the mobilezone online shop, still more growth is expected in this area in the future.

The basis for further growth in the specialist retail trade has been established with the acquisition of TPHCom. External growth will be supported with additional company acquisitions. This expansion strategy is limited to Switzerland, Germany, and Austria.

The range of services offered will also be developed further and will be strengthened in the segment Trade in the shops (for example, data transfer or data backup) as well as in the segment Service Providing at mobiletouch (for example, operating repair centers for network operators) with the goal of generating additional recurring revenues.

# 80

brands represented  
at mobilezone



## Expansion of online presence

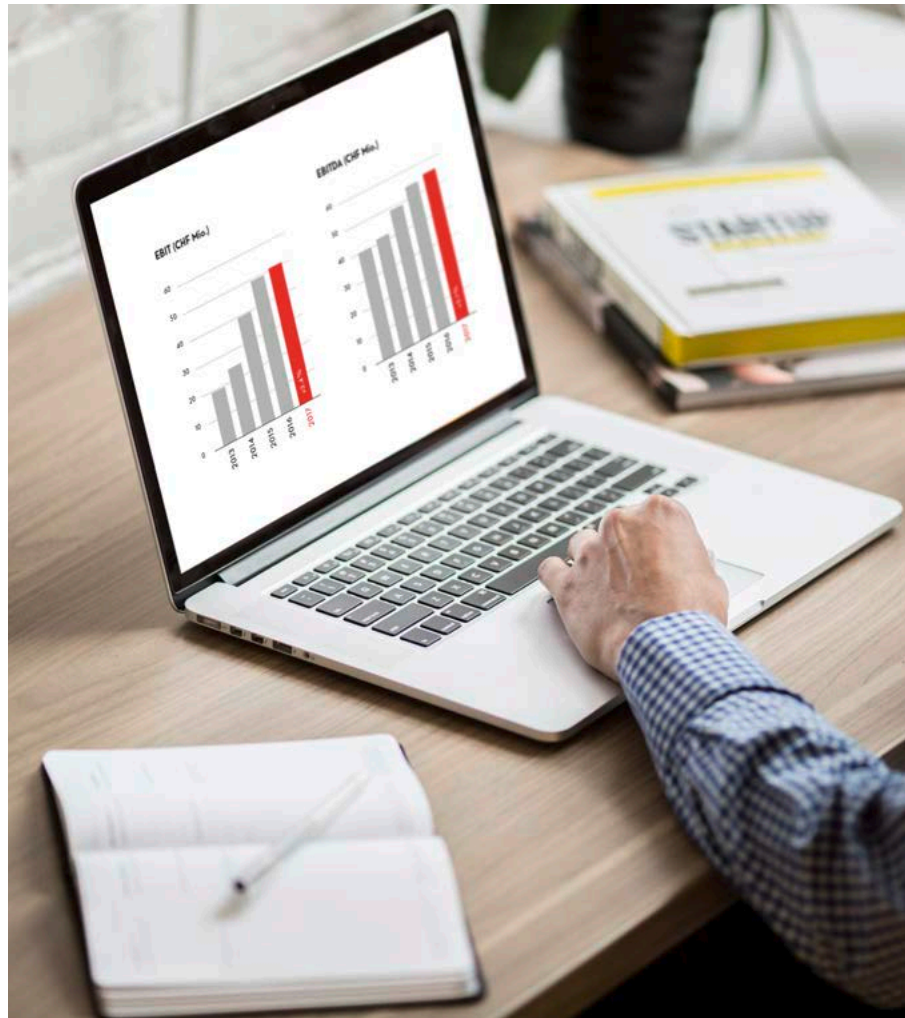
In particular with the acquisition of einsAmobile in 2015, mobilezone has secured for itself established online sales channels (deinhandy.de, among others) in Germany and expanded its competence in the area of online sales. In Switzerland mobilezone launched the online portal deinhandy.ch in 2017. With the further expansion of its online presence the Group strives for additional growth in its online retail business.

## Market share gains

In particular through the acquisition of TPH-Com mobilezone has significantly increased the number of its partnerships with major network operators and its market share in the sales and distribution market in Germany.

Thanks to its strategic position as independent marketer and retailer in the telecommunications sector, mobilezone can offer its customers a very large selection of products and service packages from numerous partners, and mobilezone also has greater purchasing power compared to the network operators and device manufacturers. Based on this competitive advantage, mobilezone strives to gain additional market share.

mobilezone's independence from network operators and device manufacturers is a unique selling point (USP), and the partnership relationships with the network operators form the basis for mobilezone's sustained business success. mobilezone has maintained a long-standing partnerships with the mobile communications providers Swisscom, Sunrise, UPC, Telefónica Deutschland, Deutsche Telekom, and Vodafone as well as with device manufacturers and suppliers.



## Omnichannel platform

mobilezone is expanding its omnichannel platform in Switzerland in 2018. As a result, the same offers and data will be available in full at any time in the shops as well as at the online portals to mobilezone customers and employees. The customer can then decide, for example, whether to pick up an online order at a shop of his or her choice or to have it shipped. With its omnichannel strategy mobilezone takes into account customers' changing purchasing habits and also strengthens its market presence.



## Extension of the range of services offered

By expanding its services for business customers (fleet management and the like) as well as by acquiring the repair and logistics service provider mobiletouch, mobilezone has significantly extended its range of services offered. With new services, such as warranty extension, data transfer, setup mobile phones, and others, all of which are offered in the mobilezone shops, the Group is aiming at further growth in earnings from services.







# 10

Reopenings

## Optimization of the shop network

mobilezone continuously reviews the number and location of its shops. The number of shops in Switzerland has recently been slightly reduced, while numerous selected shops in preferred locations have been remodeled in accordance with a uniform modern concept (shop layout and design). With this mobilezone aims — especially in light of fluctuating customer traffic — to achieve higher profitability in the shops. The company continues to weigh selectively opening new shops at strategically important locations. For example, in November 2017 a shop was opened in Switzerland's second largest shopping center, the Mall of Switzerland.

## Dividend and distribution policy

Our continued growth is based on a solid balance sheet structure, stable cash flow generation, and secure and cost-effective financing. In this way we can finance our investment program and offer our shareholders an attractive dividend policy.

mobilezone's net debt target is a maximum of twice one EBITDA. The company plans to continue its present dividend policy and to disburse up to 75 percent of the consolidated profit.

# mobilezone Group overview



Markus Bernhard  
CEO mobilezone



I am proud of our dedicated employees. They are our most important capital.»

mobilezone's business activities include marketing telecommunications service contracts (mobile and fixed-line telephony, Internet, and digital TV) of numerous major network operators in Switzerland (Swisscom, Sunrise, UPC) and in Germany (Vodafone, Deutsche Telekom, Telefónica) as well as selling (wholesale, supplying specialist stores, sales to business and private customers) mobile communications devices (mobile phones, tablets, wearables) and matching accessories. The marketing of telecommunications service contracts as well as sales of mobile telecommunications devices and the matching accessories to private customers is handled by specialist retailers, via a network of the company's own shops in Switzerland and through partner-managed Ashops in Germany as well as by way of the company's own online portals (mobilezone.ch, deinhandy.ch, nettozone.ch, deinhandy.de) and online portals managed by third parties. In addition, mobilezone offers consulting and outsourcing services for business customers in the area of mobile telecommunications and also offers repair services for mobile phones of numerous manufacturers. With the brand «TalkTalk» mobilezone competes in the market with its own mobile, fixed-line and Internet offers as a Mobile Virtual Network Operator (that is, as a provider of mobile, fixed-line, and Internet service contracts without a mobile or fixed-line network of its own). For the most part, the offers are based on the network capacities of Sunrise.

mobilezone has two business segments: Trade and Service Providing. The segment Trade includes the business units B2C and B2B in Switzerland as well as the einsAmobile and TPHCom in Germany. The segment Service Providing includes the companies TalkTalk and mobiletouch in Switzerland as well as mobiletouch in Austria.

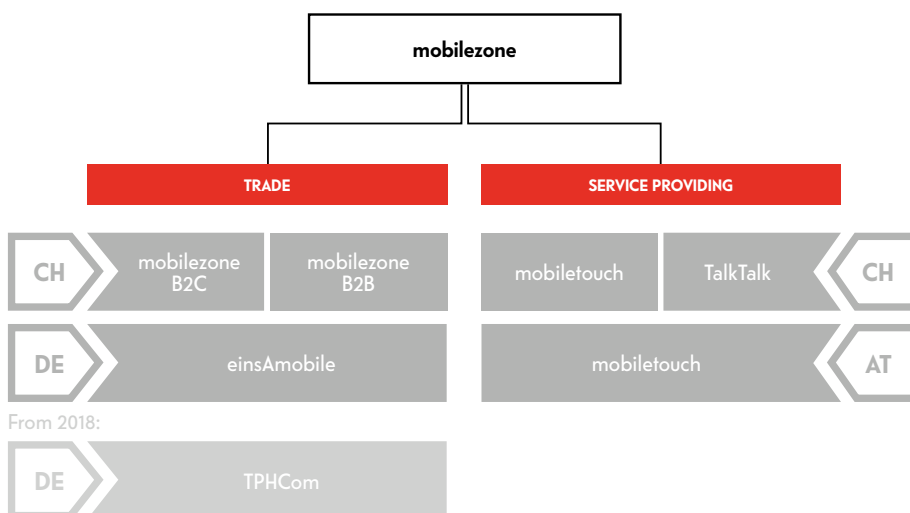


Andreas Fecker  
CFO mobilezone



Our positive business growth in the last few years is the result of our continued business development supported by the purposeful acquisition of other companies.»

## Business segments



# mobilezone B2C

In Switzerland mobilezone ag has more than 124 shops that offer a complete range of mobile phones (including accessories and wearables) as well as subscription plans for mobile and fixed-line telephony, digital TV, and Internet from the companies Swisscom, Sunrise, and UPC. Independent expert consulting and numerous services (for example, the company's own insurance product Protect-Clever, sale of Apple's insurance products AppleCare+, data transfers, a buyback program for used mobile phones, etc.) complete the portfolio of offers. As a large independent sales partner, mobilezone considers its partnership relationships the basis of its sustained business success. In particular, mobilezone has maintained long-standing partnerships with the network operators Swisscom, Sunrise, and UPC and with all major device manufacturers and suppliers. mobilezone operates the online platforms mobilezone.ch, deinhandy.ch, and nettozone.ch.



Roger Wassmer  
COO CH & AT



Online is clearly our focus, but we are also still relying on our physical shops. The Omnichannel platform will help us to connect the two worlds.»

## Market environment

In 2017 mobile phone sales have remained stable despite a saturated market. In the area of post-paid, most of the pricing plans mobilezone sells are flat-rate plans of the network providers. These flat-rate plans for mobile and fixed-line telephony, digital TV, and Internet also include unlimited calling, messaging, and surfing. With these plans customers have a better overview of their costs. The demand for TV and broadband connections continues to increase strongly at mobilezone. In addition, mobilezone's online portals saw major growth. Thanks to various new developments in the online shop, particularly in the area of content management, sales of smartphones as well as accessories were greatly increased. More and more customers use mobilezone's service offers and buy insurance when they purchase their smartphone or use the company's offer of data transfer and backup.

## Range of products

In addition to the latest smartphones and tablets, customers find in all mobilezone shops a large selection of accessories. Fiscal year 2017 saw several important smartphone launches. For the 10th anniversary of the iPhone, Apple brought out three new models. In addition to the iPhone 8 and 8 Plus, the market leader launched the anniversary iPhone X, which found a ready market at mobilezone. Apple and the Korean manufacturer Samsung together are the leading brands at mobilezone. Samsung introduced the two top models Galaxy S8 and S8+ and in August launched a new Samsung Note model. In addition to the two big players Apple and Samsung, the market share of the Chinese manufacturer Huawei has also grown. Other important new products in fiscal year 2017 were the HTC U11, the Sony Xperia XZ1 & XZ1 compact as well as the Nokia 8. New, ambitious smartphone brands, such as Xiaomi, OnePlus, and Google, are becoming increasingly popular and show growing sales, in particular via our online portals.

## Shops

Although our online shop is becoming more and more important, mobilezone at the same time continues to rely on its physical shops (POS). This is evident in the remodeling and new locations that have been implemented in the past fiscal year. Thanks to their solid training, the salespeople in the shops are the best advertisement for mobilezone. To make sure its salespeople can competently address the diverse needs of customers and find the optimal offer for each, mobilezone conducts training courses on an ongoing basis. The training is provided by the company's own trainers and also by telecommunications service providers and manufacturers. With its own e-learning portal, mobilezone ensures that its salespeople are at all times fully informed about new products, services, and pricing plans. Customer loyalty and customer satisfaction even after a purchase are the result of comprehensive customer service. Via different channels, such as telephone, newsletter, or text messages, mobilezone keeps customers informed about the latest products, current promotions, and loyalty discounts. The social media channels, such as Facebook, Instagram, and Twitter, are becoming increasingly important in maintaining customer relationships.



Thomas Gülinay,  
Managing Director B2B

## mobilezone B2B

mobilezone offers independent consulting and individual customer solutions in the area of telecommunications for small and midsize businesses as well as for large companies. In particular, mobilezone connects telecom providers, device manufacturers, and businesses, and in the process mobilezone supports companies in all industries with individual comprehensive solutions in the areas of fleet management and outsourcing.



Thanks to the continued development of our online platform, we were able to win many new customers in the past year.»

### Market environment

In a highly competitive market, the business customer sector, which is of strategic importance for mobilezone, achieved a positive result. This development was possible primarily because of the further development of the outsourcing sector. Thanks to new consulting and other services, such as fleet management and the newly introduced advance replacement service for repair orders from key accounts, mobilezone has successfully extended its range of services for business customers.

### Range of services

The consulting and other services mobilezone offers are geared to national and international businesses of any size and industry. Among other services, mobilezone offers a review of customers' current mobile phone and fixed-line contracts, development of customer-specific order processes, the purchase of new and replacement devices and repairs. The services offered also include complete outsourcing of services and processes in the area of fleet management. The company's spectrum of offers ranges from standardized products to complex, individual solutions for customers. Customers benefit from special terms and conditions for new devices and from the many services offered in mobilezone's shops all across Switzerland.

### Key accounts and fleet management

The specialists at mobilezone serve as general contractors and take over all the work connected with managing mobile phones and contracts. The consultants address the individual needs of their many different customers with customized offers in order to find the best solution for each customer. This solution can include management of mobile phone contracts, equipment maintenance, and even insurance claim negotiation in the event of damage or loss.

### Customized web shop

The mobile phones and price plans available to a company's employees can be displayed by mobilezone on a customized platform. The platform is created in collaboration with the business customer and is tailored to that customer's specific requirements. In addition to device purchases, the entire administration of a company's mobile phone contracts is displayed. From start to end of a contract, the process is tailored to meet the customer's wishes. From updating an address to ordering options, customer requests are processed with a new ticketing system. Moreover, thanks to the integration of customer-specific authorization processes, mobilezone can address customer needs even more comprehensively.

# einsAmobile

In Germany einsAmobile GmbH is one of the leading distributors of mobile communication products and specializes in arranging mobile communication contracts and in selling mobile phones. The company offers its services and products in its shop locations (partner shops) as well as online. In addition, einsAmobile supplies more than 1000 specialist stores in Germany. With the acquisition of TPHCom the specialist retail business of einsAmobile has been strengthened considerably. The company's range of products includes all currently marketed models of the major manufacturers of mobile phones, tablets, notebooks, and fixed-line phones as well as accessories. einsAmobile is a partner of the network operators Vodafone, Deutsche Telekom, and Telefónica Deutschland.

## Market environment

einsAmobile a strategic sales partner of Telefónica Deutschland and also a strategic partner of the manufacturer Samsung Mobile Germany. Thanks to the extensive cooperation with additional network operators, service providers, and mobile communications discounters and the close collaboration with various manufacturers, einsAmobile can be flexible in responding to changes in the market.

## Range of services and products

More than 1000 listed specialist stores and 65 Ashops throughout Germany are supplied by einsAmobile. An important sector for einsAmobile is the online business via its own online platforms and various partner web portals. The company's product and service portfolio is extensive and tailored to the needs of its partners and customers.

## Products and Hardware

The company's broad range of offers includes all currently marketed models of the major manufacturers, such as Apple, Samsung, HTC, Huawei, Honor, Nokia, LG, Motorola, and Sony. Moreover, einsAmobile also offers a wide range of products and services in other areas connected with mobile communication, such as tablets and notebooks. Name-brand products for fixed-line telephony round out this wide range of offers.

## Prices

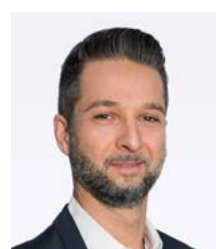
As a national distributor, einsAmobile works closely with all major network operators – Telefónica Deutschland, Deutsche Telekom as well as Vodafone. As a result, einsAmobile offers a broad spectrum of pricing models for the core brands and secondary brands of all network operators.



Murat Ayhan,  
Managing Director DE



This past fiscal year was very successful. We look forward to reach additional milestones in the coming years together with our outstanding employees.»



Akin Erdem,  
Managing Director DE



We want to continue to strengthen and expand our position. To achieve this, we will rise to the challenges of the market and continue to set the pace for progress, especially in digitalization.»





Karl Steinke,  
Managing Director TalkTalk

## TalkTalk

TalkTalk is an MVNO (Mobile Virtual Network Operator), a service provider without a network infrastructure of its own that offers its customers in Switzerland services in the area of mobile telephony (own post- & prepaid subscriptions), fixed-line telephony, and Internet.



In fiscal year 2017 we were able to further increase the Postpaid customer base of TalkTalk.»

### Market environment

TalkTalk has been focusing its customer acquisition efforts on mobile offers and in particular on postpaid customers. The share of mobile phone customers of TalkTalk's total sales rose significantly, and in the area of SIM cards the number of customers grew to 24,200 (2016: 19,800). Most fixed-line customers were successfully migrated from analog telephoning to voice over IP (VOIP) and Internet telephony.

On its website TalkTalk expanded the online chat as well as the e-billing options. This is an important step in increasing customer satisfaction. Both customer satisfaction and sales partner satisfaction are continuously measured by means of surveys. TalkTalk's high customer satisfaction rating is also evident in the positive result it achieved in the Bilanz Telekom-Rating, which rates the best telecommunications providers for private and business customers. TalkTalk is listed among the top 5 in that rating.

### Range of services and products

TalkTalk offers a wide range of products in all categories from mobile (post- & prepaid) and fixed-line to Internet. All TalkTalk products are available throughout Switzerland in all mobilezone shops as well as via the company's own and also third-party online platforms. For the most part, the offers are based on the network capacities of Sunrise.

In fiscal year 2017 TalkTalk introduced the lowest subscription rate in all of Switzerland at a price of only CHF 1.95 per month. With this, TalkTalk broke through the boundaries separating pre- and postpaid. TalkTalk's low international calling rates are very attractive and appeal not only to the entire Swiss market but particularly to customers with ethnic background.

In Switzerland and abroad, TalkTalk customers can use their mobile number to make phone calls at Swiss terms and conditions via VOIP. Thanks to its own extremely efficient IT system, TalkTalk can quickly adapt pricing plans or introduce new ones and can thus respond optimally to changing customer needs.

# mobiletouch

The two mobiletouch companies are active in Switzerland and in Austria and offer repair and related logistics services for mobile phones, tablets, and other electronic devices and also sell refurbished mobile phones. mobiletouch operates one centrally located repair center in Switzerland and one in Austria.

## Market environment

mobiletouch is a market leader in both Switzerland and Austria. With Nespresso and the DeLonghi Group the company could win additional customers in new segments in Austria.

## Range of services

Thanks to the uninterrupted repair chain within mobilezone, which covers everything from accepting devices in the shop to returning them, customers can benefit from very high repair quality. Seven mobilezone-shops offer express repair service of mobile phones and immediate iPhone replacement in their own service centers. mobilezone's trained technicians provide personal customer support and on-site repair of mobile phones of various brands, such as Apple and Samsung, in their own repair shop. For iPhones that are a total loss mobiletouch offers immediate replacement. Secure data transfer and backup round out the service portfolio.

In addition, mobiletouch has further expanded its range of services by offering repair services in locations outside of mobilezone. For example, since fiscal year 2015, mobiletouch has been offering its service also in nine Swisscom Repair Centers.

Thanks to the ongoing and always positive collaboration with the South Korean electronic manufacturer Samsung, mobiletouch austria was able to expand its repair portfolio by adding the areas digital television (DTV) and home appliances (HA). Thus, in Austria nearly all Samsung products can be repaired in the central repair shop in Vienna. In the highly competitive smartphone market, the first Huawei Premium Store, under management of mobiletouch, was opened in December 2017. In addition to immediate and on-site repairs, this Customer Service Center also offers selected accessories and consultation for Huawei customers.



Christoph Traber,  
Managing Director mobiletouch CH



We are proud to be  
the market leader  
in Switzerland.»



Martin Hammerschmid  
Managing Director mobiletouch AT



It is important for  
us to recognize  
trends, and there-  
fore we are proud  
to have the oppor-  
tunity to operate  
the first Huawei  
Customer Service  
Center in Austria.»

# Contents

## Corporate Governance

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# Corporate Governance

The principles and provisions of Corporate Governance are set forth in the Articles of Association and in the Organizational Regulations of mobilezone holding ag. The published information complies with the SIX Swiss Exchange guidelines on Corporate Governance and with the applicable relevant reporting requirements of the Swiss Code of Obligations. The balance sheet date is December 31, 2017, unless otherwise indicated.

## 1. Group structure and shareholders

### 1.1 Group structure

The mobilezone Group comprises two business areas, Trade and Service Providing. The parent company is mobilezone holding ag, Riedthofstrasse 124, 8105 Regensdorf, Switzerland, which is listed in the Domestic Segment of SIX Swiss Exchange (Valor no.: 27683769, ISIN: CH0276837694). As of December 31, 2017, market capitalization amounted to CHF 414 million.

| Company name                | Company's place of business | Currency | Share capital (000) | Capital shares | Segment |
|-----------------------------|-----------------------------|----------|---------------------|----------------|---------|
| mobilezone ag               | CH-Regensdorf               | CHF      | 2 850               | 100%           | Trade   |
| mobilezone business ag      | CH-Urnäsch                  | CHF      | 100                 | 100%           | Trade   |
| einsAmobile GmbH            | D-Obertshausen              | EUR      | 50                  | 100%           | Trade   |
| einsAmobile Management GmbH | D-Obertshausen              | EUR      | 25                  | 100%           | Trade   |
| Mister Mobile GmbH          | D-Obertshausen              | EUR      | 25                  | 75%            | Trade   |
| TalkTalk AG                 | CH-Zug                      | CHF      | 100                 | 100%           | Service |
| mobiletouch ag              | CH-Zweidlen                 | CHF      | 100                 | 100%           | Service |
| mobiletouch austria gmbH    | A-Vienna                    | EUR      | 35                  | 100%           | Service |

### 1.2 Significant shareholders

According to our share register, on December 31, the following significant shareholders and shareholder groups held more than 3 percent of capital shares and voting rights:

| Firma                                       | 2017   | 2016   |
|---|--------|--------|
| Credit Suisse Funds AG, Zurich              | 10.06% | 6.02%  |
| UBS Fund Management (Switzerland) AG, Basel | 5.40%  | n.a.   |
| BlackRock, Inc., New York                   | 3.32%  | n.a.   |
| LB (Swiss) Investment AG, Zurich            | 3.01%  | n.a.   |
| Patinex AG, Wilen                           | n.a.   | 25.00% |
| Grapal Holding AG, Zug                      | n.a.   | 3.11%  |

The disclosures regarding shareholdings in mobilezone holding ag are published on the electronic platform of the SIX Swiss Exchange and can be retrieved via the Disclosure Office's search screen at the following web link: [www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

To our knowledge there is no shareholder's agreement between the significant shareholders.

### **1.3 Cross-shareholdings**

To our knowledge there are no cross-shareholdings.

## **2. Capital structure**

### **2.1 Capital**

The share capital consists of 32,195,697 registered shares with a par value of CHF 0.01 each.

On April 9, 2015, the annual General Meeting decided to convert the previous bearer shares at a par value of CHF 0.01 each into new registered shares at the unchanged par value of CHF 0.01 each. Since April 28, 2015, the company's registered shares are being traded on the SIX Swiss Exchange.

### **2.2 Special note regarding authorized and conditional capital**

There is neither authorized nor conditional share capital.

### **2.3 Changes in capital**

Changes in capital made in 2016 and 2017 are listed in the consolidated equity statement on page 43 of this report, and the changes made in 2015 are listed on page 47 of 2015's financial report.

### **2.4 Shares and participation certificates**

As of December 31, 2017, the share capital consists of 32,195,697 registered shares at a par value of CHF 0.01 each. Of these 60,000 (2016: none) are treasury shares. Treasury shares do not have any dividend or voting rights. All other shares are equally entitled to dividends and voting. There are no participation certificates.

### **2.5 Profit-sharing certificates**

There are no profit-sharing certificates.

### **2.6 Limitations on transferability and nominee registrations**

The transferability of the registered shares is not limited.

Nominee shareholders are registered in the share register without voting rights. There are no agreements with Nominee shareholders regarding registration requirements.

### **2.7 Convertible bonds and warrants/options**

As of the balance sheet date, there were no convertible bonds or options issued by Group companies outstanding.



## 3. Board of Directors

### 3.1 Members of the Board of Directors

On December 31, 2017, the Board of Directors of the mobilezone holding ag consisted of three non-executive members.



Urs T. Fischer



Cyrill Schneuwly



Andreas M. Blaser

| Name              | Position      | Nomination |
|-------------------|---------------|------------|
| Urs T. Fischer    | Chairman      | 2009       |
| Cyrill Schneuwly  | Vice-Chairman | 2009       |
| Andreas M. Blaser | Member        | 2016       |

#### URS T. FISCHER

Urs T. Fischer (1954, Swiss) has been Chairman of the Board of Directors of the mobilezone Group since April 2009. After graduating with a diploma in engineering from the ETH Zurich, he held various management positions at IBM Switzerland and Digital Equipment Corporation, Switzerland. He was the CEO of Sunrise Communication AG in Zurich and was CEO and member of the Board of Directors of Ascom Group, Bern. From 2004 to 2007, Urs T. Fischer was Managing Director of Hewlett-Packard (Switzerland) GmbH in Dübendorf, and from 2009 to 2012 he has been CEO of the international IT-systems company ACP in Vienna. He is on the Board of Directors of various corporations that are not listed on the stock exchange.

#### CYRILL SCHNEUWLY

Cyrill Schneuwly (1963, Swiss) has been a member of mobilezone Group's Board of Directors since April 2009. He is a business economist and certified accountant, and upon graduation he initially held various positions at a trust company in Zurich. Subsequently, he was accountant in charge of the audit and consulting department of Arthur Andersen AG in Zurich, and then he worked as corporate controller at CWS International AG in Baar. Since 1998, he has been with Intershop Holding AG in Zurich, first as CFO, and since 2008, as CEO. From 2013 to mid-2016 he was a member of the Investment Committee of Corestate Capital AG, Zug.

#### ANDREAS M. BLASER

Andreas M. Blaser (1962, Swiss) is an entrepreneur and management consultant. After studying business administration and IT, he held various leadership positions in national and international IT companies. He was a cofounder of TVD AG, and from 1999 to 2003 he also served on its board of directors. As a member of corporate management and project director, he headed the project business of Computer Sciences Corporation (CSC) in Switzerland from 2003 to 2007. He is cofounder of the management consulting company Blaser Meewes & Partner AG and has been a member of its board of directors since 2012. In addition, Andreas Blaser serves as president of the foundation Sternwarte Uecht for astronomical research and education.

### 3.2 Other activities and vested interests

Information about other activities and vested interests of the members of the Board of Directors can be viewed on the website at [www.mobilezone.ch/ueber-uns/governance/verwaltungsrat](http://www.mobilezone.ch/ueber-uns/governance/verwaltungsrat).

### 3.3 Cross-involvement

There is no cross-involvement with the boards of other companies listed on the stock exchange.

### 3.4 Elections and terms of office

The Board of Directors is elected individually by the General Meeting of Shareholders for a one-year term. Unlimited re-election is possible.

### 3.5 Internal organizational structure

Urs T. Fischer is chairman, Cyrill Schneuwly is vice-chairman of the Board of Directors, and Andreas M. Blaser is a member of the Board of Directors. The Board of Directors meets as often as required by business. In the past fiscal year, the Board of Directors held seventeen, usually half-day meetings, and in addition in October and November 2017 three full-day strategy workshops were held. Usually, the CEO and CFO attend this meeting and conferences. Other members of the Group management, employees, or third parties are brought in as needed.

### 3.6 Audit Committee

The tasks of the Audit Committee and of the Compensation Committee are being carried out by the Board of Directors as a whole.

### 3.7 Definition of areas of responsibility

To the extent allowed by law, the Board of Directors has delegated managerial functions to the Group Management. The breakdown of tasks and competencies is established in the bylaws and rules of organization. They can be viewed at any time at [www.mobilezone.ch/about-us/governance/downloads](http://www.mobilezone.ch/about-us/governance/downloads).

### 3.8 Information and control instruments vis-à-vis the Group Management

Each member of the Board of Directors has the right to be informed about the course of business by the Group Management, even outside of official meetings, and this includes the right to be informed about individual transactions. The information and control tools the Board of Directors uses vis-à-vis the Group Management include in particular the following:

- Consolidated budget (annual)
- Quarterly reports with budget comparison
- Profit and loss forecast (beginning in the 3rd quarter)
- Flash and KPI reporting (monthly)
- Financial projections (quarterly)
- Detailed oral reports of the Group Management on the course of business (in every meeting)

### 3.9 Directorships outside of mobilezone Group

A member of the Board of Directors may hold no more than fifteen additional directorships in other companies; no more than five of these may be in other companies listed on the stock exchange.

## 4. Group management

### 4.1 Members of the Group Management

On December 31, 2017, mobilezone holding ag's Group Management consisted of five members.

| Name            | Position             | with the company since | in this position since |
|-----------------|----------------------|------------------------|------------------------|
| Markus Bernhard | CEO                  | 2007                   | 2014                   |
| Andreas Fecker  | CFO                  | 2007                   | 2014                   |
| Murat Ayhan     | Managing Director DE | 2015                   | 2017                   |
| Akin Erdem      | Managing Director DE | 2015                   | 2017                   |
| Roger Wassmer   | COO CH & AT          | 2014                   | 2017                   |



Markus Bernhard  
CEO

#### MARKUS BERNHARD

Markus Bernhard (1964, Swiss) has led mobilezone Group as its CEO since 2014. From 2007 to 2013 he was mobilezone Group's CFO. Following his graduation from the University of St. Gallen (HSG St. Gallen) with a degree in economics, Markus Bernhard received his diploma as a certified public accountant. From 1991 to 1997, he worked as an auditor at Revisuisse Price Waterhouse AG in Zurich. He was CFO of Cope Inc. in Rotkreuz until 2000 and subsequently was CFO of Mount10 Holding AG, also in Rotkreuz. Markus Bernhard is a member of the Board of Directors of Novavisions AG in Rotkreuz.



Andreas Fecker  
CFO

#### ANDREAS FECKER

Andreas Fecker (1972, Swiss) joined mobilezone Group's management as CFO in 2014. From 2008 to 2013, he was Head of Finance & Controlling of mobilezone Group. After graduating with a Swiss federal certificate as a financial expert in accounting and finance, Andreas Fecker earned his Master of Advanced Studies degree in Controlling in 2013 at the Lucerne University of Applied Sciences and Arts.



Murat Ayhan  
Managing Director  
DE

#### MURAT AYHAN

Murat Ayhan (1977, German) has been responsible for the areas ECommerce and Operator Relations throughout the Group since 2017. He is also founder and managing director of einsAmobile GmbH. He studied in Darmstadt and graduated with a diploma in electrical engineering. While still a student, he opened three mobile phone shops in 1999, which he sold in 2001. From 2002 to 2005 he worked as managing director at a telecommunications company in Offenbach. In 2005 founded einsAmobile GmbH in Obertshausen, which has been 100 percent part of the mobilezone Group since 2015.



Akin Erdem  
Managing Director DE

#### **AKIN ERDEM**

Akin Erdem (1974, German) has been responsible for the areas Purchase and Wholesale throughout the Group since 2017 and is managing director of einsAmobile GmbH. After graduating from high school in 1994, he studied business administration and graduated with a diploma in business administration. In 1998 he founded his own telecommunications business, which he expanded into one of the leading wholesalers in Germany. In 2010 he joined einsAmobile GmbH as CEO and 50 percent partner; since 2015, einsAmobile GmbH has been 100 percent part of the mobilezone Group.



Roger Wassmer  
COO CH & AT

#### **ROGER WASSMER**

Roger Wassmer (1973, Swiss) has been COO Switzerland and Austria since 2017. Beginning in 2014 he headed mobiletouch Switzerland as managing director and since 2015 also mobiletouch Austria. In addition, he is responsible for the Services of the mobilezone Group. From 2012 to 2014 Roger Wassmer was Country Manager at zanox Schweiz AG. Prior to that he was head of sales and marketing at Publimedia and EurotaxGlass's as well as CEO of OmniMedia AG and managing director of car4you. After further education to earn federal qualification as marketing director, he earned his Executive MBA degree at the University of Applied Sciences in Zurich.

#### **4.2 Other activities and vested interests**

Information about other activities and vested interests of the members of the Board of Directors can be viewed on the website at [www.mobilezone.ch/ueber-uns/governance/konzernleitung](http://www.mobilezone.ch/ueber-uns/governance/konzernleitung)

#### **4.3 Mandates outside of mobilezone Group**

No member of the Group Management may hold more than six additional mandates in other companies, of which no more than one mandate can be in other listed companies.

#### **4.4 Management contracts**

There are no management contracts regarding the transfer of managerial functions to third parties.

## 5. Shareholders' participation rights

### 5.1 Restrictions on voting rights and representation

There are no restrictions on voting rights, and the rules in the Articles of Association regarding participation at the General Meeting of Shareholders do not deviate from those mandated by law.

### 5.2 Statutory quorums

There are no statutory voting quorums that deviate from those mandated by law.

### 5.3 Convocation of the General Meeting of Shareholders

There are no statutory rules on convening the General Meeting of Shareholders that deviate from those mandated by law.

### 5.4 Agenda

Shareholders representing shares of at least 3 percent of the share capital may ask to have a subject for discussion entered on the agenda for the General Meeting. Convening the meeting and setting its agenda must be requested in writing, and the item for discussion, as well as the proposals and motions must be named in the written request. There are no deadlines.

### 5.5 Registration in the share register

Voting rights can only be exercised by shareholders and beneficiaries who are registered in the mobilezone holding ag share register with voting rights. To be registered as a shareholder with voting right requires a declaration on the part of the shareholder that the mobilezone holding ag shares were acquired in the shareholder's own name and on the shareholder's own account.

### 5.6 Proxy voting / electronic participation in the General Meeting

A shareholder may be represented by a third party who has been authorized in writing; the third party does not have to be a shareholder. Alternatively, a shareholder may choose to be represented by the Independent Proxy. Shareholders can also authorize and instruct the Independent Proxy electronically; the Board of Directors will specify the relevant modalities. The members of the Board of Directors present at the General Meeting shall decide whether to recognize or reject the proxy. Additional information on provisions regarding voting instructions to the Independent Proxy as well as on electronic participation in the General Meeting will be set forth in the invitation to the General Meeting.

## 6. Changes of control and defense measures

### 6.1 Duty to make an offer

There is no opting-out regulation.

### 6.2 Clauses regarding changes of control

There are no change-of-control clauses.



## 7. Auditor

### 7.1 Duration of the mandate and term of office of the lead auditor

Since fiscal year 2014, PricewaterhouseCoopers AG has been the auditor of mobilezone holding ag and all its Group companies. Prior to that year, Ernst & Young AG served for seven years as the company's auditor. The auditor is chosen annually by the General Meeting. The lead auditor is Daniel Ketterer.

### 7.2 Auditing fees

The auditing fees agreed on with the auditors for the fulfillment of their mandate, including auditing the consolidated accounts, amount to a total of CHF 228,000.

### 7.3 Additional fees

In fiscal year 2017 PricewaterhouseCoopers submitted invoices for additional services beyond the scope of the auditors' legal mandate in the amount of CHF 24,000 for tax consulting and general consulting services.

### 7.4 Supervisory and control instruments pertaining to the audit

At least once per year, the Board of Directors attends with the auditor reports concluding discussion of the Group audit. The auditor reports on the findings from the audit in a report to the Board of Directors.

## 8. Information policy

Pursuant to the rules of Swiss GAAP FER, each year in March and August, mobilezone Group publishes an annual and a semi-annual report on business performance. All publications are made available in electronic form and are published on the Group's website. Upon request, the annual report and the semiannual report are made available in print. Additional information on important changes and essential business activities is published on an ad-hoc basis. All information, including publication dates and a list of contact addresses, is available on the website at [www.mobilezone.ch/about-us/company/about-us](http://www.mobilezone.ch/about-us/company/about-us) under the headings «Investors» and «Media». Anyone who wishes to receive mobilezone's media information automatically can register at [www.mobilezone.ch/about-us/investors/ir-service](http://www.mobilezone.ch/about-us/investors/ir-service).

### For 2018, the following important dates have been set:

- |   |                 |
|---|-----------------|
| • Publication of the 2017 annual report       | March 2, 2018   |
| • Conference for financial analysts and media | March 2, 2018   |
| • Extraordinary General Meeting               | March 9, 2018   |
| • General Meeting                             | April 5, 2018   |
| • Publication of semi-annual report           | August 17, 2018 |

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# Content

## Compensation Report

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# Compensation Report

## 1. Introductory remarks

This compensation report sets forth the compensation policy for mobilezone Group's Board of Directors and Group management; the report has been prepared in accordance with the relevant legal provisions (Swiss Code of Obligations, Ordinance against Excessive Compensation of Listed Companies (VegüV), and the listing rules SIX Swiss Exchange) and the Articles of Association. Furthermore, this report provides information on the compensation effectively paid in the reporting year as well as information about the shares held by members of the Board of Directors and of the Group management.

mobilezone pursues a profit- and performance-based and transparent compensation policy that is aimed at the company's long-term growth and prosperity. Accordingly, the members of the Group management are offered the option of receiving the part of their compensation that is based on the company's success in the form of mobilezone holding ag shares that are subject to a three-year blocking period.

## 2. Authority and determination of compensation

### 2.1 General

In accordance with the VegüV, the 2015 annual General Meeting approved the amended Articles of Association. The amended articles stipulate that each year the Board of Directors will submit to the General Meeting for its approval, the maximum aggregate amount of compensation for the Board of Directors for the following term of office. If unforeseeable events should result in extraordinary demands being made on the members of the Board of Directors, the Board of Directors may submit different or additional proposals regarding the same or other time periods to the General Meeting for its approval.

The compensation of the members of the Group management consists of a fixed compensation (base salary) as well as a profit- and performance-based compensation. In the first quarter of every fiscal year, the Board of Directors evaluates whether and to what extent goals were achieved in the previous fiscal year. On this basis, the CEO then proposes the amounts of the performance-based compensation as well as any compensation adjustments for the other members of the Group management; the CEO participates as a guest without voting rights in the Board of Directors' discussion of these matters. The CEO is not present when the Board of Directors assesses the CEO's performance and compensation. In the reporting year, the fixed compensation (base salary) of the Group management was determined by the Board of Directors under consideration of the contractual agreements. At the 2017 annual General Meeting, the resulting maximum aggregate amount of compensation was approved by the General Meeting.

At the 2018 annual General meeting, the Board of Directors will propose the approval of the maximum amount of fixed compensation of the Group management for fiscal year 2018, and the approval of the aggregate amount of variable compensation of the Group management for the previous fiscal year 2017.

## 2.2 Board of Directors

The members of the Board of Directors receive a compensation (fee) in cash that is not dependent on profit. In fiscal year 2017 the compensation amounted to CHF 130,000 (2016: CHF 120,000) for the chairman of the Board of Directors and CHF 75,000 (2016: CHF 75,000) for the other members of the Board.

## 2.3 Group Management

The compensation of the members of the Group management consists of a base salary in cash and a variable compensation. The variable compensation includes a profit-related component and performance-based component as well as other benefits. The amount of the base salary is determined or reviewed annually by the Board of Directors with due consideration of the job profile, the employment contract, and the experience and skills of each member of the Group Management.

The amount of the variable compensation is dependent on the extent to which corporate goals and personal goals have been achieved and on a performance-related component over the course of a one-year period. The Board of Directors determines these objectives and their relative weight. The Board of Directors determines an upper limit for the target Group result (doubling of the profit-related compensation) that cannot be surpassed if the goals are exceeded. The personal goals and the performance-related component cannot be exceeded. The amount of the performance-related component is determined by the Board of Directors at its discretion and with due consideration of the performance and achievements of each member of the Group management.

The members of the Group management have the option of receiving the profit-related compensation (consolidated profit), depending on whether and to what extent goals have been achieved, partly or entirely in mobilezone holding ag shares with a three-year blocking period. The portion of profit-related compensation that is not received in shares will be halved and paid in cash. Members choosing this option will receive this portion of their compensation after the General Meeting.

The calculation of total number of shares allotted is based on the average of the mobilezone share closing price on the ex dividend day and the following four trading days. If no dividend is paid, the average of the closing price on the day of the General meeting and the four following days it is applied.

In the reporting year the variable compensation was calculated based on the consolidated profit as a corporate goal as well as on the achievement of personal objectives and on the performance-based salary component. The variable compensation amounted to between 54 percent and 92 percent (2016: 55 percent and 91 percent) of the base salary. In these calculations the consolidated profit was weighted at 67 to 71 percent, and the achievement of the performance goals was weighted at 29 to 33 percent. In the reporting year the profit-related objectives were exceeded. The variable compensation is paid out after approval by the General Meeting.

In the reporting year the compensation of Group management was increased by 50.7 percent (2016: reduction by 6.8 percent) from thousand CHF 1,840 to thousand CHF 2,773 as a result of the expansion of the Group management from three to five members.

The lump sum allowances approved by the tax office are not included in the compensation amounts reported since they are reimbursement of expenses. Much as in the previous fiscal year, in the reporting year these allowances totaled between CHF 12,000 and CHF 15,600 per member of the Group management who is employed in Switzerland.

The Group management's employment contracts are open-ended and can be terminated with a maximum notice period of 12 months. No agreements regarding severance payments were made.

No severance payments were made to parting members of any governing bodies in the reporting year.



## 3. Compensations, shareholdings, and loans to governing bodies

### 3.1 Members of the Board of Directors

Details regarding the compensation paid to the members of the Board of Directors are as follows:

| (CHF 000)         | Year | Fee fixed | Other compensation <sup>1</sup> | Total |
|-------------------|------|-----------|---------------------------------|-------|
| Urs T. Fischer    | 2017 | 130       | 8                               | 138   |
|                   | 2016 | 120       | 7                               | 127   |
| Cyrill Schneuwly  | 2017 | 75        | 5                               | 80    |
|                   | 2016 | 75        | 5                               | 80    |
| Andreas M. Blaser | 2017 | 75        | 5                               | 80    |
|                   | 2016 | 75        | 5                               | 80    |
| <b>Total</b>      | 2017 | 280       | 18                              | 298   |
|                   | 2016 | 270       | 17                              | 287   |

<sup>1</sup>The item «Other compensation» includes employer contributions to the social security system.

In the reporting year, no loans or credits were granted to members of the Group Management. Moreover, there are no outstanding loan or credit balances.

### 3.2 Former members of the Board of Directors

In the reporting year, no compensation was paid and no loans or credits were granted to former members of the Board of Directors. There are also no outstanding loan or credit balances.

### 3.3 Shareholdings of the Board of Directors

As of December 31, the members of the Board of Directors held the following number of shares:

| Name              | Position      | Number of shares |       |
|-------------------|---------------|------------------|-------|
|                   |               | 2017             | 2016  |
| Urs T. Fischer    | Chairman      | 1 000            | 1 000 |
| Cyrill Schneuwly  | Vice-Chairman | 2 000            | 2 000 |
| Andreas M. Blaser | Member        | 0                | 0     |

### 3.4. Members of the Group Management<sup>2</sup>

As of January 1, 2017, the Group management was expanded from three to five members. The details regarding the compensation of the members of the Group Management are as follows:

| (CHF 000)                                | Year              | Base<br>salary<br>in cash | Profit-related<br>compensation<br>in shares <sup>3</sup> | Profit-related<br>compensation<br>in cash | Performance-<br>related<br>compensation<br>in cash | Other<br>benefits <sup>1</sup> | Total        |
|--|-------------------|---------------------------|--|---|--|--------------------------------|--------------|
| Markus Bernhard                          | 2017              | 400                       | 204  | 44  | 120  | 183                            | 951          |
|  | 2016              | 400                       | 202  | 43  | 120  | 151                            | 916          |
| Other members of the<br>Group Management | 2017 <sup>2</sup> | 1 288                     | 151  | 33  | 76   | 274                            | 1 822        |
|  | 2016              | 474                       | 85   | 113                                       | 83   | 169                            | 924          |
| <b>Total</b>                             | 2017 <sup>2</sup> | <b>1 688</b>              | <b>355</b>   | <b>77</b>                                 | <b>196</b>   | <b>457</b>                     | <b>2 773</b> |
|  | 2016              | <b>874</b>                | <b>287</b>   | <b>156</b>                                | <b>203</b>   | <b>320</b>                     | <b>1 840</b> |

<sup>1</sup> The item other Compensation includes employer contributions to the pension fund, social security and personnel insurance as well as nonmonetary benefits.

<sup>2</sup> As of January 1, 2017, the Group management was expanded from three to five members.

<sup>3</sup> The shares are subject to a three-year blocking period.

In the reporting year, no loans or credits were granted to members of the Group Management. Moreover, there are no outstanding loan or credit balances.

### 3.5 Former members of the Group Management

In the reporting year, no compensation was paid and no loans or credits were granted to former members of the Group Management. Moreover, there are no outstanding loan or credit balances.

### 3.6 Closely linked third parties

In the reporting year, no non-market-compliant compensation was paid and no loans or credits were granted to persons who are closely linked to current or former members of the Board of Directors and the Group Management. Moreover, there are no outstanding loan or credit balances. Further information about compensation to related parties can be found on page 62 in Note 23 to the consolidated financial statements.

### 3.7 Shares held by the Group Management

As of December 31, the members of the Group Management held the following numbers of shares:

| Name                           | Position                        | Number of shares |        |
|--------------------------------|---------------------------------|------------------|--------|
|                                |                                 | 2017             | 2016   |
| Markus Bernhard                | Chief Executive Officer         | 67 500           | 76 182 |
| Andreas Fecker                 | Chief Financial Officer         | 24 146           | 16 530 |
| Murat Ayhan <sup>1</sup>       | Managing Director DE            | 235 756          | n.a.   |
| Akin Erdem <sup>1</sup>        | Managing Director DE            | 235 756          | n.a.   |
| Roger Wassmer <sup>1</sup>     | Chief Operating Officer CH & AT | 0                | n.a.   |
| Werner Waldburger <sup>2</sup> | Chief Product Officer           | n.a.             | 7 000  |

<sup>1</sup> Murat Ayhan, Akin Erdem, and Roger Wassmer are new members of the Group management as of January 1, 2017.

<sup>2</sup> Werner Waldburger resigned from the Group Management effective December 31, 2016.

### 3.8. Long-Term Incentive Programm

On December 29, 2017, the Board of Directors adopted an LTI (Long-Term Incentive) program for the management. The first distribution in the amount of 380,000 options will take place in April 2018 following the Group's ordinary General Meeting. The options have a term of 7 years with a vesting period of 3 years and are distributed above the market price.



## ***Report of the statutory auditor to the General Meeting of mobilezone holding ag Regensdorf***

We have audited the remuneration report of mobilezone holding ag for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) on pages 34 to 36 of the remuneration report.

### ***Board of Directors' responsibility***

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

### ***Auditor's responsibility***

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

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

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

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**Opinion**

In our opinion, the remuneration report of mobilezone holding ag for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in blue ink, appearing to read 'D. Ketterer'.

Daniel Ketterer  
Audit expert  
Auditor in charge

A handwritten signature in blue ink, appearing to read 'N. Bertschinger'.

Nicole Bertschinger  
Audit expert

Zurich, 27 February 2018

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## Financial Report

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# Consolidated income statement

| January 1 to December 31 (CHF 000)                   | Notes | 2017             | 2016             |
|--|-------|------------------|------------------|
| <b>Net sales</b>                                     | 1     | <b>1 171 578</b> | <b>1 087 885</b> |
| Cost of goods and materials                          |       | -1 021 752       | -943 919         |
| <b>Gross profit</b>                                  |       | <b>149 826</b>   | <b>143 966</b>   |
| Other operating income                               |       | 416              | 115              |
| Personnel costs                                      | 2     | -59 883          | -59 882          |
| Other operating costs                                | 3     | -34 405          | -29 944          |
| <b>Operating profit before depreciation (EBITDA)</b> |       | <b>55 954</b>    | <b>54 255</b>    |
| Depreciation of property, plant & equipment          | 7     | -3 079           | -4 420           |
| Amortization of intangible assets                    | 8     | -2 752           | -1 364           |
| <b>Operating profit (EBIT)</b>                       |       | <b>50 123</b>    | <b>48 471</b>    |
| Financial income                                     | 4     | 236              | 163              |
| Financial expense                                    | 5     | -2 519           | -1 787           |
| <b>Profit before taxes (EBT)</b>                     |       | <b>47 840</b>    | <b>46 847</b>    |
| Income tax expense                                   | 6     | -12 614          | -10 700          |
| <b>Net profit</b>                                    |       | <b>35 226</b>    | <b>36 147</b>    |
|  |       | CHF              | CHF              |
| Earnings per share                                   | 15    | 1.10             | 1.12             |
| Earnings per share – diluted                         | 15    | 1.10             | 1.12             |

The attached explanatory Notes are an integral part of mobilezone's consolidated financial statements.

# Consolidated balance sheet

| As of December 31 (CHF 000)                       | Notes | 2017           | 2016           |
|---|-------|----------------|----------------|
| <b>Assets</b>                                     |       |                |                |
| Property, plant & equipment                       | 7     | 9 388          | 14 279         |
| Intangible assets                                 | 8     | 11 230         | 1 169          |
| Other accounts receivable                         | 10    | 427            | 472            |
| Deferred tax assets                               | 6     | 53             | 255            |
| <b>Fixed assets</b>                               |       | <b>21 098</b>  | <b>16 175</b>  |
| Inventories                                       | 11    | 80 591         | 49 664         |
| Trade accounts receivable                         | 12    | 68 173         | 71 594         |
| Other accounts receivable                         | 13    | 9 174          | 5 061          |
| Accruals  | 14    | 35 726         | 23 360         |
| Cash & cash equivalents                           |       | 87 878         | 27 033         |
| <b>Current assets</b>                             |       | <b>281 542</b> | <b>176 712</b> |
| <b>Total assets</b>                               |       | <b>302 640</b> | <b>192 887</b> |
| <b>Liabilities and shareholders' equity</b>       |       |                |                |
| Share capital                                     | 15    | 322            | 322            |
| Treasury shares                                   |       | -735           | 0              |
| Capital reserves                                  |       | 8 898          | 8 874          |
| Retained earnings                                 |       | 492            | -12 490        |
| <b>Shareholders' equity</b>                       |       | <b>8 977</b>   | <b>-3 294</b>  |
| Bank loan   | 18    | 20 480         | 36 640         |
| Other liabilities                                 | 17    | 0              | 7 087          |
| Accrued liabilities                               | 26    | 0              | 731            |
| Deferred income tax liabilities                   | 6     | 2 895          | 2 234          |
| <b>Long-term liabilities</b>                      |       | <b>23 375</b>  | <b>46 692</b>  |
| Trade accounts payable                            |       | 93 759         | 34 502         |
| Current income tax liabilities                    |       | 5 253          | 21 563         |
| Other liabilities                                 | 17    | 20 623         | 22 616         |
| Bank loan   | 18    | 137 598        | 56 545         |
| Deferral  | 16    | 13 055         | 14 263         |
| <b>Current liabilities</b>                        |       | <b>270 288</b> | <b>149 489</b> |
| <b>Total liabilities and shareholders' equity</b> |       | <b>302 640</b> | <b>192 887</b> |

The attached explanatory Notes are an integral part of mobilezone's consolidated financial statements.

# Consolidated statement of cash flows

| January 1 to December 31 (CHF 000)                           | Notes | 2017           | 2016           |
|--|-------|----------------|----------------|
| <b>Net profit before income taxes</b>                        |       | <b>47 840</b>  | <b>46 847</b>  |
| Adjustments to reconcile profit before tax to net cash flow: |       |                |                |
| Non-cash transactions  |       |                |                |
| Interest income / expense                                    |       | 2 283          | 1 624          |
| Depreciation and amortization                                | 7, 8  | 5 831          | 5 784          |
| Changes of adjustments, net                                  |       | 104            | 287            |
| Profit from disposals of fixed assets                        |       | -14            | -67            |
| Working capital adjustments                                  |       |                |                |
| Trade accounts receivable                                    |       | 7 270          | -17 734        |
| Other accounts receivable and accruals                       |       | -15 930        | 6 387          |
| Inventories  |       | -26 902        | -3 427         |
| Trade accounts payable                                       |       | 56 092         | 6 101          |
| Other accounts payable and deferrals                         |       | -1 851         | -72            |
| Income taxes paid  |       | -28 812        | -5 290         |
| <b>Net cash from operating activities</b>                    |       | <b>45 911</b>  | <b>40 440</b>  |
| Acquisitions of  |       |                |                |
| Property, plant & equipment                                  | 7     | -4 227         | -8 476         |
| Intangible assets  | 8     | -6 720         | -1 333         |
| Securities in fixed assets                                   |       | -148           | -13            |
| Acquisition of subsidiaries less cash & cash equivalents     | 9     | -15 979        | -10 789        |
| Proceeds from disposals of                                   |       |                |                |
| Property, plant & equipment                                  |       | 97             | 377            |
| Securities in fixed assets                                   |       | 209            | 0              |
| Dividends received   |       | 29             | 21             |
| Interest received  |       | 208            | 142            |
| <b>Net cash from investment activity</b>                     |       | <b>-26 531</b> | <b>-20 071</b> |
| Opening of bank loan   |       | 72 124         | 28 012         |
| Amortization bank loan                                       |       | -10 600        | -14 200        |
| Interest paid  |       | -2 520         | -1 787         |
| Purchase of treasury shares                                  |       | -1 306         | -1 573         |
| Sale of treasury shares                                      |       | 595            | 1 634          |
| Dividends paid   |       | -19 305        | -19 293        |
| <b>Net cash from financing activity</b>                      |       | <b>38 988</b>  | <b>-7 207</b>  |
| Effect of currency translation                               |       | 2 477          | -411           |
| <b>Net increase in cash &amp; cash equivalents</b>           |       | <b>60 845</b>  | <b>12 751</b>  |
| Cash & cash equivalents at January 1                         |       | 27 033         | 14 282         |
| <b>Cash &amp; cash equivalents at December 31</b>            |       | <b>87 878</b>  | <b>27 033</b>  |

The attached explanatory Notes are an integral part of mobilezone's consolidated financial statements.

# Consolidated statement of changes in shareholders' equity

| Movement of shareholders' equity (CHF 000) | Note  | Share capital | Treasury shares | Capital reserve | Goodwill offset | Retained earnings | Total          |
|--|-------|---------------|-----------------|-----------------|-----------------|-------------------|----------------|
| <b>01.01.2016</b>                          |       | <b>322</b>    | <b>0</b>        | <b>8 813</b>    | <b>-91 942</b>  | <b>70 665</b>     | <b>-12 142</b> |
| Net profit                                 |       |               |                 |                 |                 | 36 147            | 36 147         |
| Purchase of treasury shares                |       |               | -1 573          |                 |                 |                   | -1 573         |
| Sale of treasury shares                    |       |               | 1 634           |                 |                 |                   | 1 634          |
| Dividends paid                             | 15    |               |                 |                 |                 | -19 293           | -19 293        |
| Profit of treasury shares                  |       |               | -61             | 61              |                 |                   | 0              |
| Acquisitions                               | 9, 19 |               |                 |                 | -7 784          |                   | -7 784         |
| Foreign currency differences               |       |               |                 |                 |                 | -283              | -283           |
| <b>31.12.2016</b>                          |       | <b>322</b>    | <b>0</b>        | <b>8 874</b>    | <b>-99 726</b>  | <b>87 236</b>     | <b>-3 294</b>  |
| Net profit                                 |       |               |                 |                 |                 | 35 226            | 35 226         |
| Purchase of treasury shares                |       |               | -1 306          |                 |                 |                   | -1 306         |
| Sale of treasury shares                    |       |               | 595             |                 |                 |                   | 595            |
| Dividends paid                             | 15    |               |                 |                 |                 | -19 305           | -19 305        |
| Profit of treasury shares                  |       |               | -24             | 24              |                 |                   | 0              |
| Acquisitions                               | 9, 19 |               |                 |                 | -5 163          |                   | -5 163         |
| Foreign currency differences               |       |               |                 |                 |                 | 2 224             | 2 224          |
| <b>31.12.2017</b>                          |       | <b>322</b>    | <b>-735</b>     | <b>8 898</b>    | <b>-104 889</b> | <b>105 381</b>    | <b>8 977</b>   |

The attached explanatory Notes are an integral part of mobilezone's consolidated financial statements.

As of December 31, 2017, the line item «retained earnings» includes legally required reserves in the amount of CHF 1,640,000 (2016: CHF 1,692,000); it is required that they not be distributed. These reserves were established based on the legal requirements of the Swiss Code of Obligations.

As of December 31, 2017, mobilezone holding ag holds 60,000 (2016: none) treasury shares.

Additional information regarding the share capital is provided in Note 15, page 59.

# Notes to the consolidated financial statements

## Segment information

### Income statement (CHF 000)

Net sales with third parties  
 Net sales with other segments  
**Net sales**

Cost of goods and materials  
**Gross profit**

Other operating income  
 Personnel costs  
 Other operating costs

### Operating profit before depreciation (EBITDA)

Depreciation of property, plant & equipment  
 Amortization of intangible assets  
**Operating profit (EBIT)**

### Statement of financial position (CHF 000)

Fixed assets  
 Current assets  
**Total assets**

### Liabilities

### Investments in property, plant & equipment, and intangible assets

The management of mobilezone Group is the main decision-maker and determines the business activities. The mobilezone Group has two reportable segments which correspond to the management structure of the Group. The Trade segment consists of mobilezone ag, mobilezone business ag, einsAmobile GmbH, and einsAmobile Management GmbH. The Service Providing segment consists of TalkTalk AG, mobiletouch ag, and mobiletouch austria gmbH.

The mobilezone Group monitors performance on the basis of the segment operating profit before interests and taxes (EBIT). The total assets of each segment comprise all assets of the segment. Internal reporting of the mobilezone Group is based on the Swiss GAAP FER.

The Trade segment's operations are limited to Switzerland and Germany. In addition to operating in Switzerland, the Service Providing segment has also been active in Austria.

The «Unallocated/Eliminations» item comprises transactions between the segments and the holding company as well as the income of the holding company. Within the assets, loans between Group companies are eliminated.

| Total mobilezone Group |                  | Trade            |                  | Service Providing |               | Unallocated/Elimination |                |
|------------------------|------------------|------------------|------------------|-------------------|---------------|-------------------------|----------------|
| 2017                   | 2016             | 2017             | 2016             | 2017              | 2016          | 2017                    | 2016           |
| 1 171 578              | 1 087 885        | 1 079 427        | 1 012 421        | 92 151            | 75 464        | 0                       | 0              |
| 0                      | 0                | 4 666            | 2 594            | 3 200             | 4 307         | -7 866                  | -6 901         |
| <b>1 171 578</b>       | <b>1 087 885</b> | <b>1 084 093</b> | <b>1 015 015</b> | <b>95 351</b>     | <b>79 771</b> | <b>-7 866</b>           | <b>-6 901</b>  |
| -1 021 752             | -943 919         | -966 701         | -900 098         | -63 197           | -50 815       | 8 146                   | 6 994          |
| <b>149 826</b>         | <b>143 966</b>   | <b>117 392</b>   | <b>114 917</b>   | <b>32 154</b>     | <b>28 956</b> | <b>280</b>              | <b>93</b>      |
| 416                    | 115              | 879              | 622              | 351               | 121           | -814                    | -628           |
| -59 883                | -59 882          | -43 435          | -42 989          | -14 222           | -14 826       | -2 226                  | -2 067         |
| -34 405                | -29 944          | -33 957          | -28 281          | -4 194            | -4 032        | 3 746                   | 2 369          |
| <b>55 954</b>          | <b>54 255</b>    | <b>40 879</b>    | <b>44 269</b>    | <b>14 089</b>     | <b>10 219</b> | <b>986</b>              | <b>-233</b>    |
| -3 079                 | -4 420           | -2 769           | -3 533           | -288              | -854          | -22                     | -33            |
| -2 752                 | -1 364           | -1 068           | -120             | -1 684            | -1 244        | 0                       | 0              |
| <b>50 123</b>          | <b>48 471</b>    | <b>37 042</b>    | <b>40 616</b>    | <b>12 117</b>     | <b>8 121</b>  | <b>964</b>              | <b>-266</b>    |
| 21 098                 | 16 175           | 17 935           | 12 841           | 3 081             | 3 294         | 82                      | 40             |
| 281 542                | 176 712          | 247 778          | 167 501          | 33 466            | 34 952        | 298                     | -25 741        |
| <b>302 640</b>         | <b>192 887</b>   | <b>265 713</b>   | <b>180 342</b>   | <b>36 547</b>     | <b>38 246</b> | <b>380</b>              | <b>-25 701</b> |
| <b>293 663</b>         | <b>196 181</b>   | <b>297 268</b>   | <b>224 497</b>   | <b>14 546</b>     | <b>13 431</b> | <b>-18 151</b>          | <b>-41 747</b> |
| <b>10 947</b>          | <b>9 809</b>     | <b>8 988</b>     | <b>7 742</b>     | <b>1 897</b>      | <b>1 998</b>  | <b>62</b>               | <b>69</b>      |



# Principles of Group accounting

## Corporate information

mobilezone's business activities include marketing telecommunications service contracts (mobile and fixed-line telephony, Internet, and digital TV) of numerous major network operators in Switzerland and in Germany as well as selling (wholesale, supplying specialist stores, sales to business and private customers) mobile communications devices (mobile phones, tablets) and matching accessories. The marketing of telecommunications service contracts as well as sales of mobile telecommunications devices and the matching accessories to private customers is handled by specialist retailers, by a network of shops, and by the company's own online portals as well as by way of online portals managed by third parties. In addition, mobilezone Group offers consulting and outsourcing services for business customers in the area of mobile telecommunications and also offers repair services for mobile phones of numerous manufacturers. With the brand «TalkTalk» mobilezone competes in the Swiss market with its own mobile, fixed-line and Internet offers as a Mobile Virtual Network Operator (that is, as a provider of mobile, fixed-line, and Internet service contracts without a mobile or fixed-line network of its own). For the most part, the offers are based on the network capacities of Sunrise.

mobilezone has two business segments: Trade and Service Providing. The segment Trade is active in Switzerland and Germany, and the segment Service Providing is active in Switzerland and Austria. The segment Trade includes mobilezone ag, mobilezone business ag, einsAmobile GmbH, and einsAmobile Management GmbH. The segment Service Providing includes TalkTalk AG, mobiletouch ag, and mobiletouch austria gmbH.

The parent company of the mobilezone Group is mobilezone holding ag, Riedthofstrasse 124, 8105 Regensdorf, Switzerland. The company is listed on the SIX Swiss Exchange: stock ticker symbol MOZN / Swiss Security Number 276 837 69.

# 1. Important principles of Group accounting

## 1.1 Principles of preparation of the financial statements

The consolidated financial statements of mobilezone Group have been prepared in accordance with all existing guidelines of Swiss GAAP FER (accounting and reporting regulations). The consolidated financial statements of mobilezone provide a true and fair picture of its asset, financial, and earnings situation (true and fair view) in accordance with the principles of Swiss GAAP FER, and comply with Swiss law. The consolidated accounts have been prepared on the basis of the historical cost principle, except for derivative financial instruments and securities, which are listed at their fair market value. The Group's consolidated accounts are based on the Group companies' separate financial statements that have been prepared in accordance with uniform guidelines. The uniform balance sheet date is December 31. The reporting currency is the Swiss franc (CHF).

## 1.2 Definition of non Swiss GAAP FER key figures

The gross profit subtotal includes net sales after deduction of the cost of goods and changes in inventories. The EBITDA subtotal includes gross profit and other operating income after deduction of personnel costs, operative leasing, and other operating expenses. Since the gross profit and EBITDA subtotals are important control factors for mobilezone, they are reported separately in the income statement.

## 1.3 Principles of consolidation

### Scope of consolidation

The consolidated financial statements of mobilezone include the financial statements of mobilezone holding ag and all the subsidiaries it controls directly or indirectly by majority of votes or other means. mobilezone holding ag currently holds shares in the following companies:

| Company                             | Corporate headquarters | Currency | Equity capital (000) | Capital voting shares | Segment | Consolidation  |
|-------------------------------------|------------------------|----------|----------------------|-----------------------|---------|----------------|
| mobilezone ag                       | CH-Regensdorf          | CHF      | 2 850                | 100%                  | Trade   | V <sup>1</sup> |
| mobilezone business ag <sup>3</sup> | CH-Urnäsch             | CHF      | 100                  | 100%                  | Trade   | V <sup>1</sup> |
| einsAmobile GmbH                    | D-Obertshausen         | EUR      | 50                   | 100%                  | Trade   | V <sup>1</sup> |
| einsAmobile Management GmbH         | D-Obertshausen         | EUR      | 25                   | 100%                  | Trade   | V <sup>1</sup> |
| Mister Mobile GmbH                  | D-Obertshausen         | EUR      | 25                   | 75%                   | Trade   | A <sup>2</sup> |
| TalkTalk AG                         | CH-Zug                 | CHF      | 100                  | 100%                  | Service | V <sup>1</sup> |
| mobiletouch ag                      | CH-Zweidlen            | CHF      | 100                  | 100%                  | Service | V <sup>1</sup> |
| mobiletouch austria gmbH            | A-Wien                 | EUR      | 35                   | 100%                  | Service | V <sup>1</sup> |

<sup>1</sup> V: full consolidation

<sup>2</sup> A: acquisition cost

<sup>3</sup> mobilezone service ag was merged with mobilezone business ag on January 1, 2017.

Assets and liabilities, as well as expenses and income of the fully consolidated companies are incorporated at 100 percent. Upon consolidation, all accounts payable to, accounts receivable from, and transactions between the companies included in the consolidation are offset and eliminated. Interim gains from such transactions are eliminated.

The acquisition cost of subsidiaries is offset at the time of acquisition against the fair market value of the net assets acquired, liabilities, and contingent liabilities based on their new valuation, and the resulting goodwill is offset at the time of acquisition against shareholders' equity (profit reserves).

Upon consolidation, all accounts payable to, accounts receivable from as well as transactions and resulting paper profits between the companies included in the consolidation are eliminated.

#### **Estimates and discretionary decisions**

The preparation of financial statements in accordance with FER requires evaluations, assumptions, and estimates that influence the items in the financial statements as of the balance sheet date. These evaluations, assumptions, and estimates are based on empirical values and other factors that are considered adequate under the given conditions. The actual results may deviate from these estimates. The estimates and the assumptions based on them are subject to continuous revision. Changes to estimates that affect the annual financial statements are included in the reporting period in which the estimate was revised as well as in future reporting periods if they are affected by the revised estimates.

#### **Segment information**

The segment reporting format reflects the structure of the mobilezone Group. The assets as well as the liabilities include all balance sheet items that can be directly allocated to a segment.

The Trade segment consists of the companies mobilezone ag, mobilezone business ag, einsAmobile GmbH, and einsAmobile Management GmbH. The Service Providing segment consists of the companies TalkTalk ag, mobiletouch ag, and mobiletouch austria gmbH.

## **1.4 Principles of recognition and valuation**

#### **Principles of recognition and valuation**

The consolidated financial statements are prepared in Swiss francs. The functional currency of all Group companies is the Swiss franc or the euro. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate effective on the balance sheet date. Foreign-currency transactions are translated at the exchange rate in effect on the date of the transaction. Gains or losses arising from transactions and foreign currency translations of balance sheet items are included in the income statement. Effective December 31, 2017, the euro exchange rate of 1.1808 (2016: 1.0866) was used for the statement of financial position, and the average exchange rate of 1.1226 (2016: 1.1012) was applied to the income statement.

#### **Securities**

Generally, securities are initially valued at historical cost plus transaction costs. Subsequently, securities are adjusted to market value and are recognized in the income statement under current assets.

#### **Prepaid expenses and deferred charges**

Significant amounts in the item «Prepaid expenses and deferred charges» include sales deferrals for soliciting new customers and contract extensions. Sales deferrals are calculated on the basis of sales and contracts not yet allocated. The effective allocation takes place in subsequent periods and can differ from the sales deferrals. Differences in the allocations to sales deferrals and revised assessments are recognized in the subsequent period in which the effective allocation or the revised assessment occurs.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on any stock exchange. They arise when mobilezone directly makes money, goods, or services available to a debtor and does not intend to trade with the receivable. Receivables from sales of services and products are valued at their nominal value, less the necessary value adjustments for receivables at risk. In addition to individual value adjustments for specific receivables known to be at risk, lump sum value adjustments are made for items that are overdue. The changes in the value adjustment are recognized in the income statement. The nominal value corresponds roughly to the market value. With the exception of values maturing more than 12 months after the balance sheet date, they are included in the current assets. The latter are classified as fixed assets.

#### **Property, plant, and equipment**

Property, plant, and equipment are stated at historical cost or manufacturing cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis on the basis of the following estimated useful lives of items of property, plant, and equipment:

- Office equipment and furniture, including EDP, 2 to 10 years
- Shop equipment 5 to 8 years

Effective January 1, 2017, software was reclassified because of its materiality from «Other property, plant & equipment» to «Intangible assets» (software).

#### **Intangible assets**

Acquired rights, such as contracts with clients, lessors and suppliers, and similar rights that generate financial earnings are capitalized and amortized on straight-line basis over the contractual or estimated useful life of usually 5 years. For the Service Providing business segment, customer acquisition costs for fixed-line and Internet customers is capitalized and depreciated on straight-line basis over a maximum term of 24 months.

The item «software» essentially includes the system and operating software. Software is valued at the acquisition cost minus operationally necessary amortizations and impairments. The amortizations are recognized in the income statement on a straight-line basis over the software's useful life, which is 2 to 10 years.

#### **Impairment of assets**

Assets are tested annually for impairment on the balance sheet date when, due to events and indications, an overvaluation of the book values appears possible. Losses due to impairment are recognized in the income statement when an asset's book value is higher than its recoverable value. The recoverable value is defined as the higher of the net market value and utility value. If the factors on which the determination of the recoverable value was based have improved considerably, a value impairment stated in a previous reporting period will be reversed in the income statement, either in part or in full, and included in the income statement.

#### **Goodwill**

Goodwill refers to the difference between purchase price and the actual value of the acquired net asset; it arises in the acquisition of subsidiaries. Goodwill is offset against shareholders' equity (profit reserve) at the time of acquisition. When a subsidiary is sold, acquired goodwill that had at an earlier time been offset against shareholders' equity is taken into account at historical cost to determine the profit or loss affecting net income. The effect of a theoretical capitalization of goodwill with scheduled amortization, as well as possible value adjustments to the statement of financial position, and the income statement over a useful life of 5 years is shown in the Notes.

#### **Inventories**

Inventories are stated at cost or net realizable value, whichever is lower. The cost of inventories is calculated using the weighted average cost method. Goods with longer storage periods are subject to appropriate value adjustments. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. The price of a mobile phone is determined based on whether the product is sold on a stand-alone basis or in conjunction with a provider subscription. Net realizable value therefore takes into account both components. In addition, price protection arrangements with suppliers are also taken into account in determining the need for any value adjustments on inventories. Discount deductions are treated as reductions in the cost of goods.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, current credit bank balances, and current deposits with original maturity of less than 3 months. Cash and cash equivalents are treated as affecting net income and are stated at fair market value.

#### **Treasury shares**

If treasury shares are bought back, the share-based payments, including directly related costs, are stated as deductions in the shareholders' equity. Any profits and losses from transactions with treasury shares are offset against shareholders' equity.

#### **Dividends**

Dividends are recognized as a liability in the reporting period in which their distribution is decided.

#### **Current financial liabilities**

Current financial liabilities include trade and other current accounts payable and are stated at depreciated historical cost.

**Provisions for liabilities and contingencies**

Provisions are set aside for current or future legal or de-facto obligations when, on the balance sheet date, as a result of past events, reasonable estimates regarding the future transfer of economic values are possible and when such a transfer is likely. The provisions are determined based on the best possible estimate of the expected expenditures.

Contingent liabilities are stated in the Notes if a future obligation is possible or if a present obligation exists, but an outflow of funds is not probable or the amount cannot be reliably determined.

**Operative leasing and financial leasing**

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Revenue-based and other contingent leases are accrued on an estimated basis. Per December 31, 2017 and as of December 31, 2016, there were no financial leasing contracts.

**Pension benefits**

The mobilezone Group has defined-contribution pension plans. Each of the Swiss subsidiaries is affiliated with a collective foundation, a multi-employer plan, with full value insurance. The mobilezone Group is not obligated to cover a possible plan deficit. These pension benefit plans are financed with contributions from employees and employer. The foreign pension benefit plans are of secondary importance.

**Revenues**

Net sales include all revenues from the sale of goods and services, less reductions in earnings, rebates, discounts, and VAT. Revenues from the sale of goods are included in the income statement when the significant risks and rights of ownership have been transferred to the buyer. One-time commissions from providers are recognized upon conclusion of the contract. Recurring «airtime» profit-sharing commissions from providers are based on the subscribers' monthly payments of mobile telephone bills to the providers. These amounts are recorded in the income statement based on the providers' invoices on an accrual basis. Service revenues are recognized in the period in which the services were rendered.

**Income tax**

Current income taxes are calculated based on the taxable income of the year and are recorded in the income statement. Deferred income taxes are calculated using the balance sheet liability method on any temporary differences arising from divergences between the book value of assets and liabilities for financial reporting purposes and the value used for tax purposes. Deferred tax is calculated using tax rates enacted or substantially enacted on the balance sheet date and will be offset in future tax periods. Deferred tax loss carryforwards and deferred income tax credits are activated only to the extent that it is probable that they will be realized in the future.

## 2. Type and scope of financial risks

### 2.1 Financial risk management

The financial instruments of mobilezone Group predominantly include cash and cash equivalents to provide sufficient funds for the business activities of the Group companies. The Group has various other financial instruments, such as trade accounts payable and receivable resulting directly from business activities, at its disposal. The main risks arising from these financial instruments include liquidity risk and risk of loss of receivables. In terms of other financial assets, such as securities and other receivables, the maximum financial risk in the event of a failure of the counterparty corresponds to the book value of these instruments.

### 2.2 Foreign currency risk

For the most part, sales in the Trade segment are denominated in the companies' local currencies (Swiss franc and euro). The currency volatilities of the euro do not significantly impact the operating profits of mobilezone. Given the short-term nature of payments in euro (7–14 days) and the high inventory turnover, as well as mobilezone's currency congruent wholesale purchasing and selling of goods, the company generally does not hedge against currency risks on purchases. Only a few forward exchange transactions with short maturity took place in the reporting year. Any contracts open at the balance sheet date are valued at fair market value with any changes in fair market value fully recognised in the income statement. No forward exchange transactions were open as of December 31, 2017, or December 31, 2016.

### 2.3 Credit risk / Risk of loss of receivables

The Group is exposed to credit risks arising from its ordinary business activity. mobilezone's credit risk arises primarily from trade accounts receivable and bank deposits. A considerable portion of the sales in the Trade segment consists of cash transactions or is covered by insurance. Therefore, this business activity results in relatively few outstanding accounts receivable compared to total sales. The company meets the risk of outstanding accounts receivable by negotiating short payment terms. To counteract the significantly higher risk of loss of receivables in the Service Providing segment, mobilezone Group employs predetermined hedging strategies, such as credit reports. Further minimization of risk is achieved by limiting and controlling the volume of outstanding receivables. Current bank credit balances and deposits are held at financial institutions. The risk of default is minimized by maintaining business relationships with several financial institutions and by continuously monitoring the credit risk.

### 2.4 Interest rate risk

Changes in interest rates can have negative effects on the Group's asset and income situation and can lead to changes in interest income and interest expenses. The risks regarding interest changes for the financial liabilities are limited, however, since the interest rates for most of the financial liabilities are fixed rates.



## 2.5 Liquidity risk

Currently, mobilezone Group bears no liquidity risk as its financial position features a sufficiently large amount of cash and cash equivalents, and its credit lines of CHF 192 million (2016: CHF 108 million) are sufficient to cover peak demands on net working capital. As of December 31, 2017, CHF 33.6 million (2016: CHF 11.6 million) of the credit line remain unused.

## 2.6 Investment control

The primary objective of mobilezone Group's investment control is to ensure that the Group maintains a high credit rating and an advantageous proportion of shareholders' equity in order to support its business activities. Capital includes the shareholder's equity items capital stock, treasury shares, capital reserves, and retained earnings. The Group may adjust dividend distributions to shareholders, issue new shares, buyback shares, or borrow capital for adjusting or maintaining its capital structure. No such changes were made to the objectives and guidelines as of December 31, 2017, or December 31, 2016.

## Notes to the consolidated income statement

|          |   |                  |                  |
|----------|---|------------------|------------------|
| <b>1</b> | <b>Net sales</b> (CHF 000)  | <b>2017</b>      | <b>2016</b>      |
|          | Sales mobile communication products   | 825 715          | 748 856          |
|          | One-time commissions and recurring «airtime»<br>profit sharing of providers | 253 252          | 262 895          |
|          | Revenue from fixed-net subscriptions, repairs, services                     | 92 611           | 76 134           |
|          | <b>Total net sales</b>  | <b>1 171 578</b> | <b>1 087 885</b> |
| <b>2</b> | <b>Personnel costs</b> (CHF 000)  | <b>2017</b>      | <b>2016</b>      |
|          | Wages and salaries  | 52 240           | 51 858           |
|          | Social security costs   | 5 655            | 5 562            |
|          | Pension costs   | 1 324            | 1 448            |
|          | Other personnel costs   | 664              | 1 014            |
|          | <b>Total personnel costs</b>  | <b>59 883</b>    | <b>59 882</b>    |
|          | Number of full-time employees as of December 31                             | 867              | 878              |
| <b>3</b> | <b>Other operating costs</b> (CHF 000)                                      | <b>2017</b>      | <b>2016</b>      |
|          | Operating lease costs   | 11 191           | 11 096           |
|          | Advertising   | 11 007           | 10 817           |
|          | Repair & maintenance, general & administrative costs                        | 16 085           | 15 352           |
|          | less: contributions received from third parties                             | -3 878           | -7 321           |
|          | <b>Total other operating costs</b>  | <b>34 405</b>    | <b>29 944</b>    |
| <b>4</b> | <b>Financial income</b> (CHF 000)   | <b>2017</b>      | <b>2016</b>      |
|          | Income from interest  | 208              | 141              |
|          | Other financial income  | 28               | 22               |
|          | <b>Total Financial income</b>   | <b>236</b>       | <b>163</b>       |

|          |                                    |              |              |
|----------|------------------------------------|--------------|--------------|
| <b>5</b> | <b>Financial expense (CHF 000)</b> | <b>2017</b>  | <b>2016</b>  |
|          | Interest expense                   | 2 519        | 1 787        |
|          | <b>Total Financial expense</b>     | <b>2 519</b> | <b>1 787</b> |

|          |                                     |               |               |
|----------|-------------------------------------|---------------|---------------|
| <b>6</b> | <b>Income tax expense (CHF 000)</b> | <b>2017</b>   | <b>2016</b>   |
|          | Income tax expense                  | 11 736        | 10 958        |
|          | Deferred income taxes               | 878           | -258          |
|          | <b>Total income tax</b>             | <b>12 614</b> | <b>10 700</b> |

Current income taxes are based solely on the profit in the reporting year. Deferred income taxes are based on changes in temporary differences and the recognition of future tax loss carryforwards.

|   |               |               |
|---|---------------|---------------|
| <b>Income tax reconciliation (CHF 000)</b>                | <b>2017</b>   | <b>2016</b>   |
| Profit before taxes                                       | 47 840        | 46 847        |
| Average applicable tax rate                               | 22.25%        | 23.92%        |
| Expected tax expense                                      | 10 645        | 11 206        |
| Tax effect from application of different income tax rates | 523           | -740          |
| Tax effect from income tax relating to other periods      | 1 446         | 234           |
| <b>Effective income tax expense</b>                       | <b>12 614</b> | <b>10 700</b> |

The average tax rate is the weighted average of the tax rates of the individual Group companies and may therefore vary annually.

|  |              |              |
|--|--------------|--------------|
| <b>Deferred tax assets and liabilities (CHF 000)</b> | <b>2017</b>  | <b>2016</b>  |
| Inventories  | 1 919        | 1 460        |
| Trade accounts receivable                            | 876          | 653          |
| Accrued liabilities                                  | 100          | 121          |
| <b>Total deferred tax liabilities</b>                | <b>2 895</b> | <b>2 234</b> |
| Accrued liabilities                                  | 53           | 255          |
| <b>Total deferred tax assets</b>                     | <b>53</b>    | <b>255</b>   |

Deferred tax liabilities are calculated at the tax rates that are applicable to the respective companies. These range from 13 to 29 percent. As in the previous year, no income tax was recognized directly in the shareholders' equity.

## Notes to the consolidated statement of financial position

| <b>7 Property, plant &amp; equipment (CHF 000)</b> | <b>Shop equipment</b> | <b>Other property, plant &amp; equipment</b> | <b>Total</b>  |
|--|-----------------------|--|---------------|
| Acquisition costs                                  |                       |  |               |
| <b>As of 31.12.2015</b>                            | <b>31 633</b>         | <b>20 095</b>                                | <b>51 728</b> |
| Additions  | 3 514                 | 4 962  | 8 476         |
| Reclassification <sup>1</sup>                      | 0                     | 0  | 0             |
| Disposals  | 0                     | -1 453                                       | -1 453        |
| Foreign exchange impact                            | 0                     | -11  | -11           |
| <b>As of 31.12.2016</b>                            | <b>35 147</b>         | <b>23 593</b>                                | <b>58 740</b> |
| Additions  | 2 702                 | 1 525  | 4 227         |
| Reclassification <sup>1</sup>                      | 58                    | -11 061                                      | -11 003       |
| Disposals  | -1 002                | -238   | -1 240        |
| Foreign exchange impact                            | 3                     | 200  | 203           |
| <b>As of 31.12.2017</b>                            | <b>36 908</b>         | <b>14 019</b>                                | <b>50 927</b> |
| Accumulated depreciation                           |                       |  |               |
| <b>As of 31.12.2015</b>                            | <b>27 656</b>         | <b>13 532</b>                                | <b>41 188</b> |
| Additions  | 1 625                 | 2 795  | 4 420         |
| Reclassification <sup>1</sup>                      | 0                     | 0  | 0             |
| Disposals  | 0                     | -1 144                                       | -1 144        |
| Foreign exchange impact                            | 0                     | -3   | -3            |
| <b>As of 31.12.2016</b>                            | <b>29 281</b>         | <b>15 180</b>                                | <b>44 461</b> |
| Additions  | 1 964                 | 1 115  | 3 079         |
| Reclassification <sup>1</sup>                      | 58                    | -5 005                                       | -4 947        |
| Disposals  | -991                  | -166   | -1 157        |
| Foreign exchange impact                            | 1                     | 102  | 103           |
| <b>As of 31.12.2017</b>                            | <b>30 313</b>         | <b>11 226</b>                                | <b>41 539</b> |
| Book value   |                       |  |               |
| <b>As of 31.12.2016</b>                            | <b>5 866</b>          | <b>8 413</b>                                 | <b>14 279</b> |
| <b>As of 31.12.2017</b>                            | <b>6 595</b>          | <b>2 793</b>                                 | <b>9 388</b>  |

<sup>1</sup> Effective January 1, 2017, software was reclassified because of its materiality from «Other property, plant & equipment» to «Intangible assets» (software).

| <b>8 Intangible assets (CHF 000)</b> | <b>Software</b> | <b>Customer acquisition costs</b> | <b>Acquired shop location</b> | <b>Total</b>  |
|--------------------------------------|-----------------|-----------------------------------|-------------------------------|---------------|
| Acquisition costs                    |                 |                                   |                               |               |
| <b>As of 31.12.2015</b>              | <b>0</b>        | <b>17 615</b>                     | <b>5 872</b>                  | <b>23 487</b> |
| Additions                            | 0               | 1 163                             | 170                           | 1 333         |
| Reclassification <sup>1</sup>        | 0               | 0                                 | 0                             | 0             |
| Disposals                            | 0               | 0                                 | 0                             | 0             |
| Foreign exchange impact              | 0               | 0                                 | 0                             | 0             |
| <b>As of 31.12.2016</b>              | <b>0</b>        | <b>18 778</b>                     | <b>6 042</b>                  | <b>24 820</b> |
| Additions                            | 5 444           | 1 276                             | 0                             | 6 720         |
| Reclassification <sup>1</sup>        | 11 128          | -67                               | 0                             | 11 061        |
| Disposals                            | -1 596          | -4 121                            | -1 232                        | -6 949        |
| Foreign exchange impact              | 63              | 0                                 | 0                             | 63            |
| <b>As of 31.12.2017</b>              | <b>15 039</b>   | <b>15 866</b>                     | <b>4 810</b>                  | <b>35 715</b> |
| Accumulated depreciation             |                 |                                   |                               |               |
| <b>As of 31.12.2015</b>              | <b>0</b>        | <b>16 779</b>                     | <b>5 508</b>                  | <b>22 287</b> |
| Additions                            | 0               | 1 244                             | 120                           | 1 364         |
| Reclassification <sup>1</sup>        | 0               | 0                                 | 0                             | 0             |
| Disposals                            | 0               | 0                                 | 0                             | 0             |
| Foreign exchange impact              | 0               | 0                                 | 0                             | 0             |
| <b>As of 31.12.2016</b>              | <b>0</b>        | <b>18 023</b>                     | <b>5 628</b>                  | <b>23 651</b> |
| Additions                            | 1 217           | 1 392                             | 143                           | 2 752         |
| Reclassification <sup>1</sup>        | 5 072           | -67                               | 0                             | 5 005         |
| Disposals                            | -1 596          | -4 121                            | -1 232                        | -6 949        |
| Foreign exchange impact              | 25              | 1                                 | 0                             | 26            |
| <b>As of 31.12.2017</b>              | <b>4 718</b>    | <b>15 228</b>                     | <b>4 539</b>                  | <b>24 485</b> |
| Book value                           |                 |                                   |                               |               |
| <b>As of 31.12.2016</b>              | <b>0</b>        | <b>755</b>                        | <b>414</b>                    | <b>1 169</b>  |
| <b>As of 31.12.2017</b>              | <b>10 321</b>   | <b>638</b>                        | <b>271</b>                    | <b>11 230</b> |

<sup>1</sup> Effective January 1, 2017, software was reclassified because of its materiality from «Other property, plant & equipment» to «Intangible assets» (software).

## 9 Acquisitions

At the end of March 2015, the companies einsAmobile GmbH and einsAmobile Management GmbH, Obertshausen, Germany, were acquired. On the basis of Swiss GAAP FER, the acquisition balance sheet is presented as follows:

|   |               |
|---|---------------|
| (CHF 000)                                       |               |
| Cash & cash equivalents                         | 8 973         |
| Trade accounts receivable                       | 20 875        |
| Other accounts receivable                       | 5 158         |
| Inventories                                     | 10 823        |
| Accruals  | 316           |
| Property, plant & equipment                     | 552           |
| Other assets                                    | 109           |
| <b>Total assets</b>                             | <b>46 806</b> |
| Bank loans                                      | 6 335         |
| Trade accounts payable                          | 11 093        |
| Other accounts payable                          | 9 124         |
| Deferrals                                       | 1 757         |
| <b>Total liabilities</b>                        | <b>28 309</b> |
| <b>Net assets</b>                               | <b>18 497</b> |
| Purchase price                                  | 73 122        |
| Earn-Out liability                              | -24 370       |
| Acquired cash & cash equivalents                | -8 973        |
| <b>Net outflow of funds</b>                     | <b>39 779</b> |
| <b>Development of purchasing price/Goodwill</b> |               |
| Purchasing price March 27, 2015                 | 69 847        |
| Earn-Out increase 2015                          | 3 275         |
| <b>Purchasing price December 31, 2015</b>       | <b>73 122</b> |
| Earn-Out increase 2016                          | 7 784         |
| <b>Purchasing price December 31, 2016</b>       | <b>80 906</b> |
| Earn-Out increase 2017                          | 5 163         |
| <b>Purchasing price December 31, 2017</b>       | <b>86 069</b> |
| Net assets                                      | -18 497       |
| <b>Goodwill December 31, 2017</b>               | <b>67 572</b> |

An important component of the purchase price was the earn-out, which was offset based on the company's business results from 2015 to 2017.

|                                  |             |             |
|----------------------------------|-------------|-------------|
| <b>10 Other assets (CHF 000)</b> | <b>2017</b> | <b>2016</b> |
| Other assets                     | 427         | 472         |
| <b>Total other assets</b>        | <b>427</b>  | <b>472</b>  |

The other assets include deposits and shares in other companies, which are recognised at acquisition value minus any value adjustments.

|                                 |               |               |
|---------------------------------|---------------|---------------|
| <b>11 Inventories (CHF 000)</b> | <b>2017</b>   | <b>2016</b>   |
| Inventories, gross              | 81 057        | 50 596        |
| less value adjustments          | -466          | -932          |
| <b>Total inventories</b>        | <b>80 591</b> | <b>49 664</b> |



|           |  |               |               |
|-----------|--|---------------|---------------|
| <b>12</b> | <b>Trade accounts receivable (CHF 000)</b> | <b>2017</b>   | <b>2016</b>   |
|           | Accounts receivable, gross                 | 70 740        | 73 422        |
|           | Value adjustments                          | -2 567        | -1 828        |
|           | <b>Total trade accounts receivable</b>     | <b>68 173</b> | <b>71 594</b> |

Trade accounts receivable do not bear interest and are usually payable within 30 days.

|                                    |              |              |
|------------------------------------|--------------|--------------|
| <b>Value adjustments (CHF 000)</b> | <b>2017</b>  | <b>2016</b>  |
| <b>As of January 1</b>             | <b>1 828</b> | <b>1 197</b> |
| Additions from acquisitions        | 1 148        | 1 539        |
| Usage                              | -486         | -506         |
| Dissolutions                       | -62          | -391         |
| Currency differences               | 139          | -11          |
| <b>As of December 31</b>           | <b>2 567</b> | <b>1 828</b> |

|           |  |              |              |
|-----------|--|--------------|--------------|
| <b>13</b> | <b>Other accounts receivable (CHF 000)</b>         | <b>2017</b>  | <b>2016</b>  |
|           | Other accounts receivable                          | 3 804        | 2 361        |
|           | Other accounts receivable – VAT                    | 1 783        | 292          |
|           | Other accounts receivable – income tax             | 980          | 0            |
|           | Other accounts receivable nonconsolidated holdings | 2 607        | 2 408        |
|           | <b>Total other accounts receivable</b>             | <b>9 174</b> | <b>5 061</b> |

|           |                                    |               |               |
|-----------|------------------------------------|---------------|---------------|
| <b>14</b> | <b>Accruals (CHF 000)</b>          | <b>2017</b>   | <b>2016</b>   |
|           | Accruals from unbilled receivables | 29 046        | 22 620        |
|           | Other accruals                     | 6 680         | 740           |
|           | <b>Total accruals</b>              | <b>35 726</b> | <b>23 360</b> |

The other accruals comprise primarily reductions in the cost of goods.

# 15 Share capital

The share capital consists of 32,195,697 registered shares (2016: 32,195,697 bearer shares) at a par value of CHF 0.01 each.

| Change in number of treasury shares | Number of shares | Maximum in CHF | Price in CHF average | Minimum in CHF | Total (CHF 000) |
|-------------------------------------|------------------|----------------|----------------------|----------------|-----------------|
| <b>As of January 1, 2016</b>        | <b>0</b>         |                |                      |                | <b>0</b>        |
| Purchases at cost prices            | 120 000          | 14.00          | 13.10                | 12.30          | 1 573           |
| Disposals at sales prices           | -120 000         | 14.00          | 13.61                | 13.30          | -1 634          |
| Income from stock price             |                  |                |                      |                | 61              |
| <b>As of December 31, 2016</b>      | <b>0</b>         |                |                      |                | <b>0</b>        |
| Purchases at cost prices            | 102 500          | 14.55          | 12.74                | 11.86          | 1 306           |
| Disposals at sales prices           | -42 500          | 15.30          | 13.99                | 13.00          | -595            |
| Income from stock price             |                  |                |                      |                | 24              |
| <b>As of December 31, 2017</b>      | <b>60 000</b>    |                |                      |                | <b>735</b>      |

In the reporting year, treasury shares were sold at a profit of CHF 24,000 (2016: Profit CHF 61,000).

On December 29, 2017, the Board of Directors adopted an LTI (Long Term Incentive) program for the management for fiscal year 2018. The distribution of a total of 380,000 options will take place in April 2018 following the Group's ordinary General Meeting. The options have a term of 7 years with a vesting period of 3 years and are distributed above the market price.

| Calculation of earnings per share             |            | 2017        | 2016        |
|---|------------|-------------|-------------|
| Consolidated profit                           | CHF        | 35 226 000  | 36 147 000  |
| Shares outstanding                            | Pieces     | 32 195 697  | 32 195 697  |
| Weighted average number of shares outstanding | Pieces     | 32 163 959  | 32 179 994  |
| <b>Earnings per share</b>                     | <b>CHF</b> | <b>1.10</b> | <b>1.12</b> |
| <b>Earnings per share – diluted</b>           | <b>CHF</b> | <b>1.10</b> | <b>1.12</b> |

In April 2017, a dividend of CHF 0.60 per share (2016: CHF 0.60) was paid to the shareholders.

| 16 Deferral (CHF 000)       | 2017          | 2016          |
|-----------------------------|---------------|---------------|
| Sales of goods              | 4 842         | 5 247         |
| Cost of goods and materials | 4 075         | 3 500         |
| Personnel costs             | 3 082         | 2 042         |
| Other                       | 1 056         | 3 474         |
| <b>Total deferral</b>       | <b>13 055</b> | <b>14 263</b> |

| 17 Other current liabilities (CHF 000) | 2017          | 2016          |
|--|---------------|---------------|
| VAT                                    | 6 534         | 6 228         |
| Social security costs                  | 561           | 457           |
| Earnout payable                        | 11 690        | 14 560        |
| Other                                  | 1 838         | 1 371         |
| <b>Total other current liabilities</b> | <b>20 623</b> | <b>22 616</b> |

| Other long-term accounts payable (CHF 000)    | 2017     | 2016         |
|---|----------|--------------|
| Earnout payable                               | 0        | 7 087        |
| <b>Total other long-term accounts payable</b> | <b>0</b> | <b>7 087</b> |

|           |  |                |               |
|-----------|--|----------------|---------------|
| <b>18</b> | <b>Financial liabilities</b> (CHF 000) | <b>2017</b>    | <b>2016</b>   |
|           | Short-term bank loans                  | 137 598        | 56 545        |
|           | Long-term bank loans                   | 20 480         | 36 640        |
|           | <b>Total bank liabilities</b>          | <b>158 078</b> | <b>93 185</b> |

The interest rates for loans with fixed rates are between 1.35 percent and 1.85 percent.

It exists bank credits line of CHF 192 millions (2016: CHF 108 millions)

|  |   |                |               |
|--|---|----------------|---------------|
|  | <b>Remaining time to maturity</b> (CHF 000) | <b>2017</b>    | <b>2016</b>   |
|  | Up to 1 Year                                | 137 598        | 56 545        |
|  | Between 1 and 5 years                       | 20 480         | 36 640        |
|  | <b>Total bank liabilities</b>               | <b>158 078</b> | <b>93 185</b> |

**19 Goodwill treatment**

Goodwill has been offset against retained earnings at the time of acquisition. The resulting effects on shareholders' equity and on profit or loss are documented below based on the assumption of a useful life of goodwill of 5 years.

Effect of a theoretical capitalization of goodwill on the statement of financial position:

|  |               |               |
|--|---------------|---------------|
| <b>Statement of financial position</b> (CHF 000)                       | <b>2017</b>   | <b>2016</b>   |
| <b>Stated shareholders' equity</b>                                     | <b>8 977</b>  | <b>-3 294</b> |
| Equity ratio   | 3.0%          | -1.7%         |
| Acquisition value goodwill   |               |               |
| At the beginning of the fiscal year                                    | 99 726        | 91 942        |
| Additions  | 5 163         | 7 784         |
| Disposals  | 0             | 0             |
| At the end of the fiscal year  | 104 889       | 99 726        |
| Accumulated amortization   |               |               |
| At the beginning of the fiscal year                                    | 49 971        | 32 674        |
| Amortization current year  | 17 119        | 17 297        |
| Disposals  | 0             | 0             |
| At the end of the fiscal year  | 67 090        | 49 971        |
| <b>Theoretical net book value goodwill</b>                             | <b>37 799</b> | <b>49 755</b> |
| <b>Theoretical shareholders' equity without offsetting of goodwill</b> | <b>46 776</b> | <b>46 461</b> |
| Theoretical equity ratio   | 13.7%         | 19.1%         |

Effect of a theoretical amortization of goodwill on results:

|   |               |               |
|---|---------------|---------------|
| <b>Income statement</b> (CHF 000)                         | <b>2017</b>   | <b>2016</b>   |
| Income statement  | 35 226        | 36 147        |
| Theoretical amortization of goodwill                      | -17 119       | -17 297       |
| <b>Consolidated profit after amortization of goodwill</b> | <b>18 107</b> | <b>18 850</b> |

## 20 Operatives Leasing

As of December 31, 2017, mobilezone Group operated in 124 shops (2016: 129) all across Switzerland, all of which were leased. Leases typically have a fixed term of 5 years, with an option to renew for several years.

As of the balance sheet date, future payments for shops and other long-term contracts with fixed term are coming due as follows:

| 2017 (CHF 000)        | Premises      | Other        | Total         |
|-----------------------|---------------|--------------|---------------|
| Less than 1 year      | 9 646         | 788          | 10 434        |
| Between 1 and 5 years | 20 259        | 450          | 20 709        |
| More than 5 years     | 2 870         | 0            | 2 870         |
| <b>Total</b>          | <b>32 775</b> | <b>1 238</b> | <b>34 013</b> |

| 2016 (CHF 000)        | Premises      | Other        | Total         |
|-----------------------|---------------|--------------|---------------|
| Less than 1 year      | 9 736         | 639          | 10 375        |
| Between 1 and 5 years | 19 339        | 791          | 20 130        |
| More than 5 years     | 1 571         | 3            | 1 574         |
| <b>Total</b>          | <b>30 646</b> | <b>1 433</b> | <b>32 079</b> |

In the reporting year 2017 the amount of CHF 11,191,000 (2016: CHF 11,096,000) was recognized as an expense from operating leases in the income statement.

## 21 Contingent liabilities and future commitments, capital commitments, and restrictions of ownership

Per December 31, 2017, trade accounts receivable in the amount of CHF 49,244,000 (2016: CHF 46,377,000) and inventories in the amount of CHF 52,611,000 (2016: CHF 0) are pledged for credit lines at banks.

There are no further items requiring disclosure.

## 22 Risk assessment

As the parent company of the mobilezone Group companies, mobilezone holding ag is deeply involved in the risk assessment process across all Group companies. The risk assessment process is integrated into the Group's annual strategy process. The aim is not to avoid all risk but rather to create options that are intended to help the Group companies to consistently take advantage of existing opportunities and to increase their business success. Risk management supports the companies in reaching their business goals by providing transparency regarding the risk situation (as a basis for strategic and operating decisions), by recognizing potential threats to the Group's net assets, financial position and profit situation, and by taking measures to limit risks to an acceptable level.

In connection with this risk assessment process, the Board of Directors of mobilezone holding ag is kept informed about any observed risks and opportunities.

## 23 Relationship with related parties and companies

Related parties and companies are organizations in which mobilezone participates significantly as well as members of the Board of Directors, Group Management, their close relatives, and key shareholders, including companies controlled by them. All transactions in the total amount are conducted at market values.

Andreas M. Blaser has been a member of the Board of Directors since April 7, 2016. He is also a member of the Board of Directors of the management consulting firm Blaser Meewes & Partner AG, which is involved in mobilezone's current Omnichannel project.

Since the acquisition of einsAmobile Management GmbH at the end of March 2015, the company Mister Mobile GmbH is part of the mobilezone Group. einsAmobile Management GmbH holds 75 percent of the voting and capital shares of Mister Mobile GmbH.

The Group management members Murat Ayhan and Akin Erdem are the owners of DeinHandy GmbH, which owns 100 percent of the TPHCom GmbH shares.

| Transactions and balances with related parties and companies (CHF 000) | 2017   | 2016  |
|--|--------|-------|
| Sales of goods   | 52 828 | 5 029 |
| Cost of goods and materials  | 26 556 | 25    |
| Cost of services   | 3 311  | 1 828 |
| Financial income   | 69     | 86    |
| Accounts receivable  | 10 132 | 1 740 |
| Accounts payable   | 2 824  | 180   |

## 24 Significant shareholders

The shares in mobilezone ag are broadly distributed. Significant shareholders are listed in the annual financial statements on page 73.

## 25 Compensation to Members of the Board of Directors and the Group Management

Members of the Group management may choose to receive part of any bonus either in cash or in the form of mobilezone holding ag shares subject to a three-year blocking period. Further details about the compensation paid to the Members of the Board of Directors and the Group Management can be found in the compensation report on pages 31 to 38.

## 26 Legal risks

As a result of the ordinary course of their business, some group companies are involved in legal disputes. The management has assessed the outcome of these legal cases based on the information currently available and, if necessary, has made corresponding provisions. As of December 31, 2017, there are no provisions (2016: none). However, there are inherent risks in connection with legal claims, depending on the conduct and perspective of the competent court and the counterparty, that can result in a significant outflow of economic resources.

## 27 Events following the balance sheet date

On January 25, 2018, the purchase agreement for the acquisition of TPHCom GmbH at a purchase price in the amount of EUR 50 million was signed. In fiscal year 2017 TPHCom achieved sales of about EUR 149 million. The company plans to propose a capital increase with gross proceeds of ca. CHF 80 million to the extraordinary General Meeting on March 9, 2018. The capital increase will serve to finance the acquisition of TPHCom (ca. CHF 58 million) and will give the Group greater financial flexibility for additional company acquisitions in the medium term.

No other significant events have occurred after the balance sheet date.

On February 27, 2018, the Board of Directors of mobilezone holding ag released these financial statements for publication. The Board of Directors will submit these financial statements to the General Meeting on April 6, 2018, and propose that they be approved.



## ***Report of the statutory auditor to the General Meeting of mobilezone holding ag Regensdorf***

### ***Report on the audit of the consolidated financial statements***

#### ***Opinion***

We have audited the consolidated financial statements of mobilezone holding ag and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, consolidated statement of changes in equity and 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 accompanying consolidated financial statements (pages 40 to 62) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 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.

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## Our audit approach

### Overview



Overall Group materiality: CHF 2,325,000

We concluded full scope audit work at three Group companies in two countries.

Our audit scope addressed 88% of the net sales, 78% of the assets and 59% of the profit before taxes of the Group.

In addition, we performed limited statutory audits at three Swiss Group companies and checked the major adjustments made to comply with the Swiss GAAP FER requirements.

In Austria, we obtained audit evidence from the statutory audit relating to the local balance sheet and the income statement. At Group level, we checked the major adjustments from foreign accounting conventions made to comply with the Swiss GAAP FER requirements.

As key audit matters, the following areas of focus were identified:

- Accruals from unbilled receivables
- Earn-out provision relating to the acquisition of einsAmobile

### Audit scope

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

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors in the PwC network. The Group auditor performed the audit of the consolidation, disclosures and presentation of the consolidated financial statements. Where audits were performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit and assessed whether sufficient appropriate audit evidence was obtained from the work of the component auditors on the financial information of the components to provide a basis for our opinion. Our involvement as Group auditor comprised telephone calls with the component auditors during the planning phase, the interim audit and the year-end audit as well as discussions of the risk assessment and on-site visits to the largest component auditors and the Group companies they audited.

### Materiality

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

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



|  |  |
|--|--|
| <i>Overall Group materiality</i>                       | CHF 2,325,000  |
| <i>How we determined it</i>                            | 5% of profit before taxes  |
| <i>Rationale for the materiality benchmark applied</i> | We chose profit before taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations. |

We agreed with the Audit Committee that we would report to them misstatements above CHF 116,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

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

#### **Accruals from unbilled receivables**

| <i>Key audit matter</i>   | <i>How our audit addressed the key audit matter</i>  |
|---|--|
| <p>One source of mobilezone's sales income is agreements with mobile telecoms providers and other partners who compensate mobilezone for the costs of acquiring new customers and extending existing contracts. The commissions are determined based on the sales and the contracts concluded and, in some cases, recognized with some delay compared to the actual contract date.</p> <p>The Management of mobilezone establishes accruals for unbilled income as of the balance sheet date by estimating the outstanding commissions based on its own sales records and its own experience. Some of the confirmations from mobile phone providers and other partners are still pending. The calculation of the commissions has a direct impact on the sales income and the result reported in the consolidated financial statements and involves significant scope for judgement. Therefore, we consider this item to be a significant audit matter in relation to the consolidated financial statements.</p> <p>The assessment of the accruals from unbilled receivables in the amount of CHF 29,046k (or 9.6% of total assets) was a key audit matter in our audit of the 2017 consolidated financial statements for the reasons mentioned above.</p> | <p>We tested the reconciliation process as defined in the internal control system. We also tested compliance with the associated internal controls relating to commissions from the largest mobile telecom providers and other large partners.</p> <p>In addition, we performed the following audit procedures:</p> <p>We checked Management's calculation and the accuracy of its estimates by examining on a sample basis the prior year's estimates as of 31 December 2016 and the actual final invoices.</p> <p>For accruals that had not been definitively confirmed by invoice before the completion of our audit, we examined the latest available reconciliation with the mobile telecoms providers or the other partners and the latest available invoices covering a substantial part of the accruals. Additionally, we examined critically Management's statements and assumptions by considering the past recoverability of accruals. We obtained appropriate audit evidence on a sample basis.</p> <p>The results of our audit support the judgement-based decisions and estimates made by Management in relation to the accruals from unbilled receivables as of 31 December 2017.</p> |





Please refer to note 1.4 'Principles of recognition and valuation' in conjunction with note 14 'Accruals'.

### Earn-out provision relating to the acquisition of einsAmobile

#### *Key audit matter*

In 2015, mobilezone acquired the einsAmobile Group in Germany. As part of the acquisition, an earn-out premium for the 2015, 2016 and 2017 financial years was agreed in favour of the previous owners, who continue to work for the group. This premium is payable in the event that the group's EBIT, adjusted according to the purchase agreement, exceeds the defined threshold in the financial year in question. Management estimates the premium as of the balance sheet date and creates a provision. Changes in the provision are offset with the goodwill in the shareholders' equity of the Group. The calculation requires the local results prepared according to foreign accounting conventions to be converted to the adjusted EBIT. The separate elements of the conversion are defined each year and, therefore, they represent an estimate by Management.

We consider the provision for the earn-out premium in the amount of CHF 11,690 (or 3.9% of total assets) as a significant item in the consolidated financial statements. We made the assessment of this provision an area of focus in our audit of the 2017 consolidated financial statements.

Please refer to note 17 'Other current liabilities'.

#### *How our audit addressed the key audit matter*

We re-performed the calculation of the earn-out provision and checked it against the underlying information.

Below, we describe our other audit procedures in relation to the assessment of the provision.

- We compared the calculation method used in the year under review with the calculation made in the prior year and with the contractually agreed calculation method.
- We compared the key input data for the calculation of the provision, such as net income and EBIT after adjustments, with the income statement of the einsAmobile Group.
- We verified on the basis of the underlying agreement (purchase agreement) the reconciliation from the financial statements to the adjusted EBIT and checked the material adjustments with the audited trial balances obtained from the component auditor.
- Further, we checked the mathematical accuracy of the calculation by examining the mathematical formulae and re-performing the calculations.
- Additionally, we examined critically Management's statements and assumptions relating to one-time expenses and income. We obtained appropriate audit evidence on a sample basis.

We consider the calculation method, the input data used and the reconciliation of the adjusted EBIT with the reported results, along with the information used for this purpose, to be an appropriate and adequate basis for the provision for the earn-out recorded as of 31 December 2017.

***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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



## ***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

A handwritten signature in blue ink, appearing to read "D. Ketterer", written over a light gray rectangular background.

Daniel Ketterer  
Audit expert  
Auditor in charge

A handwritten signature in blue ink, appearing to read "N. Bertschinger", written over a light gray rectangular background.

Nicole Bertschinger  
Audit expert

Zurich, 27 February 2018

# Income statement

| <b>January 1 to December 31 (CHF 000)</b> | <b>2017</b>   | <b>2016</b>   |
|---|---------------|---------------|
| Dividend income                           | 18 028        | 15 021        |
| Other financial income                    | 2 948         | 1 913         |
| Other operating income                    | 2 521         | 2 066         |
| <b>Total income</b>                       | <b>23 497</b> | <b>19 000</b> |
| Financial expenses                        | 1 787         | 1 479         |
| Personnel costs                           | 2 227         | 2 068         |
| Other operating costs                     | 297           | 330           |
| Depreciation property, plant & equipment  | 21            | 32            |
| Income tax expense                        | 143           | -449          |
| <b>Total expenses</b>                     | <b>4 475</b>  | <b>3 460</b>  |
| <b>Net profit</b>                         | <b>19 022</b> | <b>15 540</b> |

# Balance sheet

| As of December 31 (CHF 000)                         | Notes | 2017           | 2016           |
|---|-------|----------------|----------------|
| <b>Assets</b>                                       |       |                |                |
| <b>Current assets</b>                               |       |                |                |
| Cash & cash equivalents                             |       | 12 221         | 1 312          |
| Other current accounts receivable                   | 6     | 75 666         | 72 032         |
| Accruals  | 7     | 513            | 2 051          |
| <b>Total current assets</b>                         |       | <b>88 400</b>  | <b>75 395</b>  |
| <b>Fixed assets</b>                                 |       |                |                |
| Financial assets                                    | 8     | 43 863         | 40 362         |
| Investments   | 9     | 39 817         | 39 817         |
| Property, plant & equipment                         |       | 82             | 41             |
| <b>Total fixed assets</b>                           |       | <b>83 762</b>  | <b>80 220</b>  |
| <b>Total Assets</b>                                 |       | <b>172 162</b> | <b>155 615</b> |
| <b>Liabilities &amp; shareholders' equity</b>       |       |                |                |
| <b>Current liabilities</b>                          |       |                |                |
| Current interest-bearing liabilities                | 10    | 91 666         | 62 058         |
| Other current liabilities                           | 11    | 248            | 70             |
| Deferral  | 12    | 6 065          | 2 126          |
| <b>Total current liabilities</b>                    |       | <b>97 979</b>  | <b>64 254</b>  |
| <b>Long-term liabilities</b>                        |       |                |                |
| Long-term interest-bearing liabilities              | 13    | 20 480         | 36 640         |
| <b>Total long-term liabilities</b>                  |       | <b>20 480</b>  | <b>36 640</b>  |
| <b>Shareholders' equity</b>                         |       |                |                |
| Share capital                                       | 14    | 322            | 322            |
| Legally required profit reserve                     |       | 131            | 131            |
| Voluntary profit reserve                            |       | 6 098          | 6 098          |
| Own capital shares                                  | 15    | -735           | 0              |
| Available earnings                                  |       | 47 887         | 48 170         |
| <b>Total shareholders' equity</b>                   |       | <b>53 703</b>  | <b>54 721</b>  |
| <b>Total liabilities &amp; shareholders' equity</b> |       | <b>172 162</b> | <b>155 615</b> |

# Notes to the financial statements

## Principles

### 1 General

These financial statements have been prepared in accordance with the provisions of Swiss accounting legislation (Title 32 of the Swiss Code of Obligations). A description of the essential valuation principles that were applied but are not prescribed by law follows below.

### 2 Financial assets

The financial assets include long-term loans. Loans granted in foreign currency are valued at the exchange rate on the effective date.

### 3 Investments

Investments are capitalized at cost minus any necessary value adjustments. Investments that are significant are valued individually, but those that are similar in nature are usually valued together as a group.

### 4 Own capital shares

Treasury shares are recognised at acquisition costs as a debit item in shareholders' equity at the time of acquisition. Upon resale, the gain or loss will be recognised in the income statement as financial income or expense.

### 5 Dispensing with a cash flow statement and additional information in the Notes

Since mobilezone holding ag prepares consolidated financial statements in accordance with a recognised accounting standard (Swiss GAAP FER), the company has decided, in accordance with the pertinent legal provisions, to dispense in these financial statements with the information in the Notes regarding interest-bearing liabilities and auditing fees as well with a cash flow statement.

## Details regarding the financial statements

|          |   |               |               |
|----------|---|---------------|---------------|
| <b>6</b> | <b>Other current accounts receivable from (CHF 000)</b> | <b>2017</b>   | <b>2016</b>   |
|          | Group companies   | 75 288        | 71 549        |
|          | Third parties   | 378           | 483           |
|          | <b>Total</b>  | <b>75 666</b> | <b>72 032</b> |

|          |                           |             |              |
|----------|---------------------------|-------------|--------------|
| <b>7</b> | <b>Accruals (CHF 000)</b> | <b>2017</b> | <b>2016</b>  |
|          | Group companies           | 0           | 2 051        |
|          | Third parties             | 513         | 0            |
|          | <b>Total</b>              | <b>513</b>  | <b>2 051</b> |

### 8 Financial assets

The financial assets include a long-term loan to a Group company.

### 9 Direct and indirect holdings investments

| Company                     | Corporate headquarters | Currency | Equity capital (000) | Capital / voting share 31/12/17 | Capital / voting share 31/12/16 |
|-----------------------------|------------------------|----------|----------------------|---------------------------------|---------------------------------|
| mobilezone ag               | CH-Regensdorf          | CHF      | 2 850                | 100%                            | 100%                            |
| mobilezone business ag      | CH-Urnäsch             | CHF      | 100                  | 100%                            | 100%                            |
| mobilezone service ag       | CH-Urnäsch             | CHF      | 100                  | n.a.                            | 100%                            |
| einsAmobile GmbH            | D-Obertshausen         | EUR      | 50                   | 100%                            | 100%                            |
| einsAmobile Management GmbH | D-Obertshausen         | EUR      | 25                   | 100%                            | 100%                            |
| Mister Mobile GmbH          | D-Obertshausen         | EUR      | 25                   | 75%                             | 75%                             |
| TalkTalk AG                 | CH-Zug                 | CHF      | 100                  | 100%                            | 100%                            |
| mobiletouch ag              | CH-Zweidlen            | CHF      | 100                  | 100%                            | 100%                            |
| mobiletouch austria gmbH    | A-Vienna               | EUR      | 35                   | 100%                            | 100%                            |

Effective January 1, 2017, mobilezone service ag merged with mobilezone business ag.

|           |   |               |               |
|-----------|---|---------------|---------------|
| <b>10</b> | <b>Current interest-bearing liabilities (CHF 000)</b> | <b>2017</b>   | <b>2016</b>   |
|           | Group companies                                       | 10 746        | 24 898        |
|           | Banks   | 80 920        | 37 160        |
|           | <b>Total</b>  | <b>91 666</b> | <b>62 058</b> |

The current interest-bearing liabilities to Group companies include current accounts.

|           |  |             |             |
|-----------|--|-------------|-------------|
| <b>11</b> | <b>Current accounts payable to (CHF 000)</b> | <b>2017</b> | <b>2016</b> |
|           | Group companies                              | 18          | 15          |
|           | Third parties                                | 230         | 55          |
|           | <b>Total</b>                                 | <b>248</b>  | <b>70</b>   |

|           |                            |              |              |
|-----------|----------------------------|--------------|--------------|
| <b>12</b> | <b>Deferrals (CHF 000)</b> | <b>2017</b>  | <b>2016</b>  |
|           | Group companies            | 3            | 0            |
|           | Organs                     | 295          | 300          |
|           | Third parties              | 5 767        | 1 826        |
|           | <b>Total</b>               | <b>6 065</b> | <b>2 126</b> |

### 13 Long-term interest-bearing liabilities

The long-term loans are bank loans.

### 14 Share capital and authorized capital

The share capital consists of 32,195,697 registered shares (2016: 32,195,697 registered shares) at a par value of CHF 0.01 each. As of the balance sheet date, there was no authorized share capital and no conditional share capital.

### 15 Own equity shares

| Change in number of treasury shares | Number of shares | Maximum in CHF | Price in CHF average | Minimum in CHF | Total (CHF 000) |
|-------------------------------------|------------------|----------------|----------------------|----------------|-----------------|
| <b>As of January 1, 2016</b>        | <b>0</b>         |                |                      |                | <b>0</b>        |
| Purchases at cost prices            | 120 000          | 14.00          | 13.10                | 12.30          | 1 573           |
| Disposals at sales prices           | -120 000         | 14.00          | 13.61                | 13.30          | -1 634          |
| Income from stock price             |                  |                |                      |                | 61              |
| <b>As of December 31, 2016</b>      | <b>0</b>         |                |                      |                | <b>0</b>        |
| Purchases at cost prices            | 102 500          | 14.55          | 12.74                | 11.86          | 1 306           |
| Disposals at sales prices           | -42 500          | 15.30          | 13.99                | 13.00          | -595            |
| Income from stock price             |                  |                |                      |                | 24              |
| <b>As of December 31, 2017</b>      | <b>60 000</b>    |                |                      |                | <b>735</b>      |

In the reporting year, treasury shares were sold at a profit of CHF 24,000 (2016: Profit CHF 61,000)

### 16 Significant shareholders

According to our share register, on December 31, the following significant shareholders and shareholder groups held more than 3 percent of capital shares and voting rights:

| Company                                     | 2017   | 2016   |
|---|--------|--------|
| Credit Suisse Funds AG, Zürich              | 10.06% | 6.02%  |
| UBS Fund Management (Switzerland) AG, Basel | 5.40%  | n.a.   |
| BlackRock, Inc., New York                   | 3.32%  | n.a.   |
| LB (Swiss) Investment AG, Zürich            | 3.01%  | n.a.   |
| Patinex AG, Wilen                           | n.a.   | 25.00% |
| Grapal Holding AG, Zug                      | n.a.   | 3.11%  |

The disclosures regarding shareholdings in mobilezone holding ag are published on the electronic platform of the SIX Swiss Exchange and can be retrieved via the Disclosure Office's search screen at the following web link: [www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

To our knowledge there is no shareholder's agreement between the significant shareholders.



## Additional information

### 17 Number of full-time employees

In the reporting year, the average number of full-time employees was 3 (2016: 3).

### 18 Contingent liabilities (CHF 000)

|   | 2017 | 2016   |
|---|------|--------|
| Joint and several liability from VAT – Group taxation | p.m. | p.m.   |
| Guarantee furnished to a bank for a subsidiary        | 0    | 14 300 |

### 19 Shareholdings of the Board of Directors and the Group Management

| Name                           | Position             | Number of shares |        | Share value (CHF 000) |       |
|--------------------------------|----------------------|------------------|--------|-----------------------|-------|
|                                |                      | 2017             | 2016   | 2017                  | 2016  |
| Urs T. Fischer                 | Chairman             | 1 000            | 1 000  | 13                    | 14    |
| Cyrill Schneuwly               | Vice-Chairman        | 2 000            | 2 000  | 26                    | 29    |
| Andreas M. Blaser              | Member               | 0                | 0      | 0                     | 0     |
| Markus Bernhard                | CEO                  | 67 500           | 76 182 | 867                   | 1 105 |
| Andreas Fecker                 | CFO                  | 24 146           | 16 530 | 310                   | 240   |
| Murat Ayhan <sup>1</sup>       | Managing Director DE | 235 756          | n.a.   | 3 029                 | n.a.  |
| Akin Erdem <sup>1</sup>        | Managing Director DE | 235 756          | n.a.   | 3 029                 | n.a.  |
| Roger Wassmer <sup>1</sup>     | COO CH & AT          | 0                | n.a.   | 0                     | n.a.  |
| Werner Waldburger <sup>2</sup> | CPO                  | n.a.             | 7 000  | n.a.                  | 102   |

<sup>1</sup> Murat Ayhan, Akin Erdem, and Roger Wassmer are new members of the Group management as of January 1, 2017.

<sup>2</sup> Werner Waldburger resigned from the Group Management effective December 31, 2016.

Additional information regarding the compensation is provided on page 34 to 36.

### 20 Significant events following the balance sheet date

On January 25, 2018, the purchase agreement for the acquisition of TPHCom GmbH at a purchase price in the amount of EUR 50 million was signed. In fiscal year 2017 TPHCom achieved sales of about EUR 149 million. A proposal for a capital increase with gross proceeds of ca. CHF 80 million to the extraordinary General Meeting March 9, 2018, is planned. The capital increase will serve to finance the acquisition of TPHCom (ca. CHF 58 million) and will give the Group greater financial flexibility for additional company acquisitions in the medium terms.

No other significant events have occurred after the balance sheet date.

# Proposal by the Board of Directors

The proposal of the Board of Directors of mobilezone holding ag to the General Meeting to be held on April 5, 2018, is to dispose of the available earnings 2017 as follows:

| <b>Appropriation of available earnings (CHF 000)</b>  | <b>2017</b>   | <b>2016</b>   |
|---|---------------|---------------|
| Balance brought forward   | 28 865        | 32 630        |
| Net profit  | 19 022        | 15 540        |
| <b>Available earnings at the disposal of the General Meeting</b>                                  | <b>47 887</b> | <b>48 170</b> |
| Distribution of a dividend of CHF 0.60 (2016: CHF 0.60)<br>per bearer share entitled to dividends | 19 317        | 19 317        |
| Undistributed dividends on treasury shares held by the Group                                      |               | -12           |
| To be carried forward   | 28 570        | 28 865        |
| <b>Total</b>  | <b>47 887</b> | <b>48 170</b> |

If this proposal is approved, the dividend of CHF 0.60 per registered share, less 35 percent Swiss withholding tax (anticipatory tax), will be paid out on April 12, 2018. The last trading day (ex-date) entitling shareholders to receive dividend payment is April 9, 2018. Starting on April 10, 2018, the company's shares will be traded ex-dividend.

At the extraordinary General Meeting on March 9, 2018, a capital increase will be proposed. If the capital increase is approved and placed, the number of dividend-bearing shares will increase.



## **Report of the statutory auditor to the General Meeting of mobilezone holding ag Regensdorf**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of mobilezone holding ag which comprise the balance sheet as at 31 December 2017 and the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements on pages 69 to 74 as at 31 December 2017 comply with Swiss law and the articles of incorporation.

#### **Basis for opinion**

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Our audit approach**

##### **Overview**

Overall materiality: CHF 1,600,000



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 a key audit matter the following area of focus has been identified:

Impairment testing of investments in Group companies and loans to and current accounts receivable from Group companies

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### ***Audit scope***

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

### ***Materiality***

The scope of our audit was influenced by our application of materiality. 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.

|   |  |
|---|--|
| <b><i>Overall materiality</i></b>                             | CHF 1,600,000  |
| <b><i>How we determined it</i></b>                            | 1% of total assets   |
| <b><i>Rationale for the materiality benchmark applied</i></b> | We chose total assets as the benchmark because the Company primarily holds investments in Group companies and grants loans to Group companies. |

We agreed with the Board of Directors that we would report to them misstatements above CHF 80,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

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



## Impairment testing of investments in Group companies and loans to and current accounts receivable from Group companies

### Key audit matter

We consider the valuation of investments in Group companies and loans to and current accounts receivable from Group companies to be a key audit matter for the following reasons:

Investments in Group companies (CHF 39.8 million), loans to Group companies (CHF 43.9 million) and current accounts receivable from Group companies (CHF 75.3 million) amount to CHF 159 million, representing around 92% of total assets and, thus, a significant portion of the assets.

As mobilezone holding ag ensures the Group's financing through loans, their recoverability is linked to the valuation of the equity investments and to the Group companies achieving their business targets in the medium term.

Testing these investments, loans and current accounts receivable for impairment involves scope for judgement (future cash flows, discount rate and growth rate) in assessing whether indications of impairment exist and in deriving the relevant values in use for the impairment tests.

As part of the annual impairment testing, the Management of mobilezone compares the book values in the statutory financial statements prepared in accordance with the Swiss Code of Obligations with the net assets of the companies concerned. If net equity is lower than the book value, a value-in-use analysis is performed.

In the year under review, no impairments were made by mobilezone holding ag.

### How our audit addressed the key audit matter

In addition to the comparison of the book values of the investments, loans and current accounts receivable relating to Group companies with the net assets of the company concerned, at book value, we performed the following audit procedures in the event of a material shortfall in the net assets:

- We re-performed the value-in-use analysis and tested whether the calculation method was appropriate.
- We tested the mathematical accuracy of the calculation in the valuation models used.
- We compared the assumptions concerning the future cash flows and growth rates with the outcomes in the prior year and the assumptions in the budget.
- We compared the discount rate with the financing costs.
- We assessed the sensitivity of the estimated values on the basis of the remaining headroom.
- We compared the growth rates used with historical growth rates and tested them for plausibility based on our knowledge of the Swiss mobile phone market.
- We compared the book values of the investments with the market capitalisation of mobilezone holding ag.

We consider the principles and the assumptions applied by Management to test the investments in Group companies and loans to and current accounts receivable from Group companies for impairment to be appropriate.

### 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.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

### ***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

Daniel Ketterer  
Audit expert  
Auditor in charge

Nicole Bertschinger  
Audit expert

Zurich, 27 February 2018

# Companies

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