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Autoneum Holding Ltd

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Review 2013–2017

Consolidated income statement

CHF million	Notes	2017		2016	
Revenue	(4)	2 203.0	100.0%	2 152.6	100.0%
Material expenses		-1 005.4	45.6%	-1 003.8	46.6%
Employee expenses	(5)	-594.1	27.0%	-569.8	26.5%
Other expenses	(6)	-377.1	17.1%	-352.6	16.4%
Other income	(7)	29.5	1.3%	51.8	2.4%
EBITDA		255.9	11.6%	278.1	12.9%
Depreciation, amortization and impairment	(8)	-77.9	3.5%	-73.6	3.4%
EBIT		178.0	8.1%	204.5	9.5%
Financial income	(9)	4.4		2.1	
Financial expenses	(10)	-12.0		-15.5	
Share of profit of associated companies	(15)	3.4		3.1	
Profit before taxes		173.8	7.9%	194.2	9.0%
Income taxes	(11)	-55.3		-60.4	
Net profit		118.5	5.4%	133.8	6.2%
Attributable					
to shareholders of Autoneum Holding Ltd		91.3		95.8	
to non-controlling interests		27.2		38.0	
Basic earnings per share in CHF	(12)	19.61		20.61	
Diluted earnings per share in CHF	(12)	19.57		20.58	

Consolidated statement of comprehensive income

CHF million	2017	2016
Net profit	118.5	133.8
Currency translation adjustment	-0.9	6.5
Change in fair value of financial instruments available for sale	15.2	13.3
Income taxes	-	-
Total items that will be reclassified to income statement	14.3	19.8
Remeasurement of defined benefit pension plans	7.4	-5.1
Income taxes	-1.7	1.0
Total items that will not be reclassified to income statement	5.7	-4.2
Other comprehensive income	20.0	15.6
Total comprehensive income	138.5	149.4
Attributable		
to shareholders of Autoneum Holding Ltd	114.6	111.2
to non-controlling interests	23.9	38.2

The accompanying notes on pages 76–119 are part of the consolidated financial statements.

Consolidated balance sheet

CHF million	Notes	31.12.2017	31.12.2016
Assets			
Tangible assets	(13)	623.0	500.0
Intangible assets	(14)	11.2	8.8
Investments in associated companies	(15)	14.1	11.0
Financial assets	(16)	78.0	43.5
Deferred income tax assets	(11)	25.7	35.2
Employee benefit assets	(25)	3.8	3.4
Other assets	(17)	36.1	46.0
Non-current assets		791.8	648.0
Inventories	(18)	213.9	148.2
Trade receivables	(19)	301.4	276.1
Current income tax receivables		9.3	8.9
Other assets	(17)	61.3	63.3
Financial assets	(16)	2.8	1.9
Cash and cash equivalents	(20)	103.8	149.8
Assets of disposal group classified as held for sale	(21)	-	1.6
Current assets		692.5	649.8
Assets		1 484.3	1 297.8
Shareholders' equity and liabilities			
Equity attributable to shareholders of Autoneum Holding Ltd		479.2	394.3
Equity attributable to non-controlling interests	(23)	107.9	104.7
Shareholders' equity		587.2	499.0
Borrowings	(24)	242.5	78.4
Deferred income tax liabilities	(11)	17.8	10.7
Employee benefit liabilities	(25)	33.9	37.0
Provisions	(26)	37.4	63.3
Other liabilities	(27)	20.9	31.5
Non-current liabilities		352.5	220.7
Borrowings	(24)	46.2	130.3
Current income tax liabilities		21.6	15.1
Provisions	(26)	34.0	13.7
Trade payables		261.7	253.8
Other liabilities	(27)	181.1	164.5
Liabilities of disposal group classified as held for sale	(21)	-	0.7
Current liabilities		544.6	578.1
Liabilities		897.1	798.8
Shareholders' equity and liabilities		1 484.3	1 297.8

The accompanying notes on pages 76-119 are part of the consolidated financial statements.

Consolidated statement of changes in equity

CHF million	Attributable to the shareholders of Autoneum Holding Ltd						Total	Attributable to non-controlling interests	Total
	Share capital	Treasury shares	Capital reserves	Available for sale reserves	Retained earnings	Currency transl. adjustm.			
At January 1, 2016	0.2	-4.3	217.5	10.5	108.5	-31.1	301.3	96.2	397.5
Net profit	-	-	-	-	95.8	-	95.8	38.0	133.8
Other comprehensive income	-	-	-	13.3	-4.2	6.3	15.4	0.2	15.6
Total comprehensive income	-	-	-	13.3	91.6	6.3	111.2	38.2	149.4
Capital increase	-	-	-	-	-	-	-	0.1	0.1
Dividends paid ¹	-	-	-	-	-20.9	-	-20.9	-29.8	-50.8
Purchase of treasury shares	-	-0.1	-	-	-	-	-0.1	-	-0.1
Share-based remuneration	-	2.1	-	-	0.7	-	2.8	-	2.8
Total transactions with owners	-	2.0	-	-	-20.3	-	-18.3	-29.8	-48.0
At December 31, 2016	0.2	-2.4	217.5	23.8	179.9	-24.7	394.3	104.7	499.0
Net profit	-	-	-	-	91.3	-	91.3	27.2	118.5
Other comprehensive income	-	-	-	15.2	5.7	2.4	23.3	-3.3	20.0
Total comprehensive income	-	-	-	15.2	97.0	2.4	114.6	23.9	138.5
Capital increase	-	-	-	-	-	-	-	0.1	0.1
Acquisition of non-controlling interests	-	-	-	-	-0.3	-	-0.3	-	-0.4
Dividends paid ¹	-	-	-	-	-30.3	-	-30.3	-20.7	-51.0
Purchase of treasury shares	-	-2.3	-	-	-	-	-2.3	-	-2.3
Share-based remuneration	-	1.3	-	-	2.0	-	3.3	-	3.3
Total transactions with owners	-	-1.0	-	-	-28.7	-	-29.6	-20.7	-50.3
At December 31, 2017	0.2	-3.3	217.5	38.9	248.2	-22.4	479.2	107.9	587.2

¹ Autoneum Holding Ltd paid a dividend of CHF 6.50 per share in 2017 (2016: CHF 4.50) as approved by the Annual General Meeting.

The accompanying notes on pages 76–119 are part of the consolidated financial statements.

Consolidated statement of cash flows

CHF million	Notes	2017	2016
Net profit		118.5	133.8
Dividend income	(9)	-0.9	-0.4
Interest income	(9)	-2.2	-1.5
Interest expenses	(10)	11.3	12.5
Income tax expenses	(11)	55.3	60.4
Depreciation, amortization and impairment	(8)	77.9	73.6
Share of profit of associated companies	(15)	-3.4	-3.1
(Gain)/loss from disposal of tangible assets, net		0.2	-2.8
(Gain)/loss from disposal of subsidiary or business	(3)	0.1	-33.2
Loss from disposal of investments in associated companies	(10)	0.4	-
Other non-cash income and expenses		-3.0	9.4
Change in net working capital		-49.4	2.5
Change in post-employment benefit assets and liabilities		1.7	0.3
Change in non-current provisions		-9.5	7.5
Change in operating receivables within other non-current assets		8.3	-3.9
Change in operating liabilities within other non-current liabilities		-8.8	2.9
Dividends received		1.7	0.8
Interest received		2.2	1.5
Interest paid		-11.1	-11.3
Income taxes paid		-44.2	-54.9
Cash flows from operating activities		145.2	194.1
Investments in tangible assets		-173.6	-137.5
Investments in intangible assets		-4.4	-0.9
Investments in non-current financial assets		-15.5	-2.5
Investments in current financial assets		-2.0	-1.2
Proceeds from disposal of tangible assets		0.2	6.2
Proceeds from disposal of subsidiary or business, net of cash disposed of ¹	(3)	-	43.2
Consideration paid for disposal of investments in associated companies		-0.4	-
Cash flows used in investing activities		-195.7	-92.8
Dividends paid to shareholders of Autoneum Holding Ltd		-30.3	-20.9
Dividends paid to non-controlling interests		-20.7	-29.8
Acquisition of non-controlling interests		-0.4	-
Proceeds from capital increase		0.1	0.1
Purchase of treasury shares	(22)	-2.3	-0.1
Proceeds from borrowings	(24)	197.1	102.3
Repayment of borrowings	(24)	-138.2	-80.1
Cash flows from/(used in) financing activities		5.4	-28.6
Currency translation adjustment		-0.8	-1.6
Change in cash and cash equivalents		-45.9	71.1
Cash and cash equivalents at beginning of the year		149.8	78.7
Cash and cash equivalents at end of the year	(20)	103.8	149.8

¹ Includes the proceeds from the disposal of the production facility in Betim, Brazil as disclosed in note 3 on page 92 and a deferred purchase price payment in the amount of CHF 0.4 million (2016: CHF 0.8 million) from a transaction in 2014 and 2013.

The accompanying notes on pages 76–119 are part of the consolidated financial statements.

Notes to the consolidated financial statements

1 Significant accounting policies

1.1 Basis of preparation

Autoneum Holding Ltd (“the Company”) was incorporated on December 2, 2010 as a Swiss corporation domiciled in Winterthur. The Company has been listed on the SIX Swiss Exchange (AUTN, ISIN: CH0127480363) since May 13, 2011. Autoneum Holding Ltd together with its subsidiaries will henceforth be referred to as “Autoneum Group”, “Group” or “Autoneum”. A list of subsidiaries, associated companies and non-consolidated investments of Autoneum Group can be found in note 36 on page 119.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements are based on historic cost, with the exception of specific financial instruments, which are measured at fair value. The consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2018 and are subject to approval by the Annual General Meeting of shareholders on March 28, 2018.

The consolidated financial statements are published exclusively in English. Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

1.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. Other disclosures relating to the Group’s exposure to risks and uncertainties includes the risk management process (refer to note 2, page 87) and the sensitivity analyses of defined benefit plans (refer to note 25, page 109).

Judgments

In the process of applying the Group’s accounting policies, management has made the following judgment in connection with the consolidation of entities in which the Group holds less than the majority of voting rights.

Assessing whether Autoneum has control over an entity includes all facts and circumstances that may indicate that the Group is able to direct the relevant activities and key decisions. Autoneum concludes that it has control over certain entities in which it holds 50% or more (refer to note 23, page 107), based on specific rights allocated. Facts and circumstances indicating that Autoneum controls an entity may change and lead to a reassessment of the management's conclusion.

Estimates and assumptions

Key assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2017 include the following:

Impairment losses on tangible assets are assessed based on estimated cash flows, which may vary from actual cash flows. Important assumptions to consider are useful lives, growth rates, achievable margins as well as discount rates (refer to note 13, page 100).

Development costs must meet several criteria to be recognized as an intangible asset. Technical and financial resources must be available to ensure the completion of the development, and the costs attributed to the development must be reliably measured. Due to rapid technological changes, the required proof of future economic benefits could not be sufficiently supported and therefore no development costs could be capitalized as intangible assets in the reporting period. The assessment of whether these recognition criteria are met requires significant management judgment.

When assessing inventories, estimates for their recoverability based on the expected consumption of the corresponding item are considered. The valuation adjustments for inventories are determined for each item using a coverage analysis. The parameters are checked annually and modified if necessary. Changes in sales or other circumstances can accordingly lead to an adjustment of the book value (refer to note 18, page 103).

For defined benefit plans, actuarial valuations which are the basis for the employee benefit assets and liabilities in the balance sheet are carried out regularly. These calculations are based on statistical and actuarial assumptions. In particular, the present value of the defined benefit obligation is affected by assumptions such as discount rate, expected future salary growth and the life expectancy. Other assumptions for the valuation are derived from statistical data such as mortality tables and staff turnover rates. Actuaries are independent from Autoneum. Assumptions may differ significantly from actual results. These deviations can ultimately have an effect on the employee benefit assets or liabilities in future periods (refer to note 25, page 109).

In the course of the ordinary operating activities of Autoneum Group, obligations from guarantee and warranty, litigation and tax risk, and environmental risk can arise. Provisions for these obligations are measured on the basis of estimated future cash outflow. The outcome of these business transactions may result in claims against Autoneum that may be below or above the related provisions. Provisions for obligations from guarantee and warranty are recognized when damage has occurred and the related cash outflow can be estimated reliably, but a material uncertainty concerning the kind of damage and the kind of compensation exists. Provisions for litigation and tax risk comprise complex cases that include material uncertainties. Environmental provisions are recognized for the expected costs for the cleanup and reconstruction of contaminated sites that are interdependent of many uncertainties, such as Autoneum's share of the cost or the applicable approach for determining these costs. The financial impact of these cases for future periods can only be estimated, because uncertainties relating to amount and date of cash outflow exist (refer to note 26, page 114).

Assumptions in relation to income taxes include interpretations of the tax regulations in place in the relevant countries. The adequacy of these interpretations is assessed by the tax authorities. This can result, at a later stage, in changes in the income tax expenses. To determine whether a deferred income tax asset on tax loss carryforwards may be recognized requires judgment in assessing whether there will be future taxable profits against which these tax loss carryforwards can be offset (refer to note 11, page 97).

1.3 Scope and methods of consolidation

The consolidated financial statements of Autoneum Holding Ltd include the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control is lost. Acquisitions are accounted for using the acquisition method. Intercompany transactions are eliminated.

If Autoneum does not have control over entities but significant influence, which is usually the case if Autoneum holds interests of between 20% and 50%, these investments are classified as associated companies and accounted for using the equity method. Interests of less than 20% where Autoneum does not have significant influence are classified as non-consolidated investments and are accounted for at fair value. The subsidiaries, associated companies and non-consolidated investments are listed in note 36 on page 119.

1.4 Foreign currency translation

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the company operates ("functional currency"). The consolidated financial statements are prepared in Swiss francs, which is the functional currency and the reporting currency of Autoneum Holding Ltd.

Transactions in foreign currencies are translated into the functional currency by applying the exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

For consolidation purposes, items in the balance sheet of foreign subsidiaries are translated at year-end exchange rates, while income statement items are translated at average rates for the period. The resulting currency translation differences are recognized in other comprehensive income and, in the event of a disposal of a foreign operation, transferred to the income statement as part of the gain or loss from disposal.

1.5 Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation, which is recognized on a straight-line basis over the estimated useful life of the asset. Historical cost includes expenditures that are directly attributable to the acquisition of the assets. Useful life is determined according to the expected utilization of each asset. The relevant ranges are as follows:

Buildings	20–50 years
Machinery and plant equipment	5–15 years
Data processing equipment	4–8 years
Vehicles and furniture	3–10 years

Components of certain assets with different useful lives are depreciated separately. Gains or losses arising from the disposal of tangible assets are recognized in the income statement. Costs of maintenance and repair are charged to the income statement as incurred. The residual values and useful lives of tangible assets are reviewed, and adjusted if appropriate, at each balance sheet date.

1.6 Leases

Leased assets where Autoneum substantially bears all the risks and rewards of ownership (finance leases) are capitalized. Assets held under such finance leases are depreciated over the shorter of their estimated useful life or the lease term. The corresponding lease obligations, excluding finance charges, are included in borrowings. Lease installments are divided into an interest and a principal component. All other leases are classified as operating leases. Payments in respect of operating leases are charged to the income statement on a straight-line basis over the duration of the lease.

1.7 Intangible assets

Intangible assets such as product licenses, patents and trademark rights as well as software acquired from third parties are included in the balance sheet at acquisition cost and are amortized on a straight-line basis over a period of up to eight years. The residual values and useful lives of intangible assets are reviewed, and adjusted if appropriate, at each balance sheet date. Autoneum has neither in the current reporting period nor in the prior period intangible assets that have an indefinite useful life recorded in the balance sheet. Autoneum has no goodwill capitalized in the balance sheet.

1.8 Impairment of assets

Tangible assets and intangible assets are tested for impairment if there are indications that, due to changed circumstances, their carrying value may no longer be fully recoverable. If such a situation arises, the recoverable amount is determined. This is the higher of its value in use and its fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is below the carrying amount, a corresponding impairment loss is recognized in the income statement. Where the recoverable amount cannot be determined for an individual asset, it is determined for the cash-generating unit to which the asset belongs. To determine the value of an asset, estimates of the expected future cash flows from both usage and disposal are made.

1.9 Research and development

Research costs are recognized in the income statement when incurred. Development costs for major projects are capitalized as intangible assets if the cost can be measured reliably, if it can be demonstrated that the project is technically feasible and is expected to generate future economic benefits, and if Autoneum plans to provide sufficient resources in order to complete the development and to use or sell the intangible asset.

1.10 Financial instruments

All financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Subsequent valuation depends on the category into which the financial assets are classified. Autoneum distinguishes between the following categories:

Financial assets at fair value through profit or loss include financial assets held for trading and those that are designated as such at inception. Assets in this category are presented as current assets if they are either held for trading or are expected to be realized within twelve months after the balance sheet date. For subsequent valuation, changes in fair value are recognized in the income statement. Derivative financial instruments with positive replacement value and marketable securities are assigned to this category.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, in which case they are presented as non-current assets. Subsequently, they are valued at amortized cost less impairment losses.

Available for sale financial assets are non-derivative financial assets that are either classified as such or not assigned to any of the above categories. They are measured at market value as of the balance sheet date. Changes in the value are recorded in other comprehensive income prior to sale, and reclassified to the income statement when they are sold. Any impairment is charged to the income statement immediately. They are included in non-current assets unless management intends the disposal within twelve months after the balance sheet date.

Autoneum has no financial instruments that are classified as held-to-maturity.

Financial liabilities at fair value through profit or loss are either held for trading purposes or designated as such. At their initial recognition and subsequently, financial liabilities at fair value through profit or loss are measured at fair value. Transaction costs directly identifiable to the purchase of these liabilities are immediately expensed. Derivative financial instruments with negative replacement values are assigned to this category.

All other financial liabilities are measured at amortized cost. Mainly trade payables, borrowings and other liabilities are assigned to this category. They are recognized initially at fair value, net of transaction costs incurred. Subsequently, these financial liabilities are stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the obligation using the effective interest method.

1.11 Inventories

Raw materials, consumables and purchased parts are valued at the lower of average cost or net realizable value. Semi-finished goods and finished goods are valued at the lower of manufacturing cost or net realizable value. Valuation adjustments are made for obsolete materials and excess stock.

1.12 Trade receivables

Trade receivables are classified as loans and receivables and are stated at amortized cost, which usually equals the original invoice value less any impairment loss. The loss is measured as the difference between the invoiced amount and the expected payment. The allowances are established based on maturity structure and identifiable solvency risks.

1.13 Cash and cash equivalents

Cash and cash equivalents include bank accounts and time deposits with original maturities from the date of acquisition of up to three months.

1.14 Equity

Ordinary shares are classified as equity since the shares are non-redeemable and any dividends are discretionary.

When shares are repurchased, the amount of the consideration paid is recognized as a deduction from equity and presented as a separate component in equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is recognized in retained earnings.

1.15 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are discounted if the impact is significant.

1.16 Income taxes

Income taxes comprise both current and deferred income taxes. Normally income taxes are recognized in the income statement, unless they are linked to a position that is recognized directly in equity or in other comprehensive income. In this case, the income taxes are also recognized directly in equity or in other comprehensive income.

Current income taxes are calculated and accrued on the basis of taxable income for the year. Deferred income taxes on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts determined for local tax purposes are calculated using the liability method. Deferred income taxes are measured at the tax rate expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. Deferred income tax assets and liabilities are offset to the extent that an entity has a legally enforceable right to offset current income taxes, and the deferred income taxes relate to income taxes levied by the same taxation authority and relate to the same taxable entity.

Temporary differences resulting from investments in Group companies are not considered if Autoneum is able to control the timing of the reversal of the temporary differences and if it is probable that these temporary differences will not reverse in future.

The tax impact of losses and deductible temporary differences is capitalized to the extent it appears probable that such losses will be offset in the future by taxable income.

1.17 Employee benefits

Employee pension plans are operated by certain subsidiaries, depending upon the level of coverage provided by the government pension facilities in the various countries in which they are present. Some are provided by independent pension funds. If there is no independent pension fund, the respective obligations are shown in the balance sheet under employee benefit liabilities. As a rule, pensions are funded by employees' and employer's contributions. Pension plans exist on the basis of both defined contribution and defined benefit.

Pension liabilities arising from defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. The discount rate used for the calculation is based on interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Remeasurement gains or losses are recognized in other comprehensive income. Pension cost relating to services rendered in the reporting period are recognized in the income statement as current service cost. Pension cost relating to services rendered in previous periods as a result of new or amended pension benefits are recognized in the income statement as past service cost. The net interest expenses or income on the net defined benefit liability or asset for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. The net interest expenses or income is recognized in financial expenses or income. The fair value of plan assets is deducted from the defined benefit obligations. Any asset resulting from this calculation is only capitalized up to an amount not exceeding benefits from future contribution reductions or refunds.

In the case of defined contribution plans, the contributions are recognized as expense in the period in which they incurred.

1.18 Share-based payments

Share-based payments to members of the Board of Directors, the Executive Board and senior management are measured at fair value at the grant date, and recognized in the income statement over the vesting period. The fair value is assessed based on the current market price and taking into account a discount for dividends that will not be collected by the beneficiary because the transfer of the shares is deferred. For share-based payments that are settled with equity instruments, a corresponding increase in equity is recognized.

1.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating revenue within the Group. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Sales of goods: Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Goods include mainly produced components and systems for optimal protection against noise and heat sold to customers. Revenue is recorded based on the price specified in the sales contracts, net of estimated discounts, sales tax or value-added tax as well as credit notes for goods returned. Accumulated experience is used to estimate and provide for the discounts and returns.

Rendering of services: The Group is involved in the design phase of new models and in the further development of existing vehicles and therefore performs simulations and tests for its customers. Revenue from rendering of services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

1.20 Financing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset are capitalized as a part of the acquisition costs of the qualified asset. All other financing costs are recognized directly in the income statement.

1.21 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as completed sale within one year from the date of classification. The assets must be available for immediate sale in their present condition. Assets held for sale are measured at the lower of their carrying amount at the date of their first recognition as held for sale and fair value less costs to sell. Such assets are no longer depreciated or amortized systematically. A possible impairment is included in profit or loss. A discontinued operation is a substantial component of the Group that either has been disposed of or is classified as held for sale.

1.22 Definition of non-GAAP measures

EBIT as a subtotal includes all income and expenses before addition/deduction of financial income, financial expenses, share of profit of associated companies and income taxes. EBITDA as a subtotal includes EBIT before deduction of depreciation and impairment of tangible assets as well as amortization and impairment of intangible assets.

1.23 Changes in accounting policies

Adopted changes in accounting policies

The adoption of the amendments to IAS 7 (disclosure initiative) resulted in additional disclosures about the Group's financing activities (refer to note 24, page 108). The adoption of the remaining new and revised standards had no effect on the consolidated financial statements 2017.

Future changes in accounting policies

The following new and revised standards and interpretations have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements. However, a preliminary assessment has been conducted by Group Management, and the expected impact of each standard and interpretation is presented in the table on page 86.

IFRS 9 "Financial Instruments" includes revised guidance on the classification and measurement of financial assets and financial liabilities, including a new expected credit loss model for calculating impairment as well as general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group expects no material impact on the consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognized based on a five-step approach. Under IFRS 15, an entity recognizes revenue when control of the promised goods and services is transferred to the customer at an amount that reflects the consideration to which the entity expects to be entitled. It replaces existing revenue recognition guidance, including IAS 18, IAS 11 and IFRIC 13. Autoneum will implement the new standard as of January 1, 2018 and will apply the full retrospective method. The resultant impact of the conversion will be recognized in retained earnings as of January 1, 2018 and the prior year financial information will be restated. Autoneum expects an increase of around CHF 70 millions in retained earnings as of January 1, 2018 resulting from the conversion, which will consist mainly from pre-production costs that will be capitalized as "costs to fulfil a contract". The impact on profit or loss is expected to be minor. Instead of an immediate recognition in the income statement of pre-production costs, these costs will be recognized delayed, over the underlying production term. The impact of the implementation of IFRS 15 to future results depends mainly on the amount of the future new business acquired and the respective pre-production costs.

IFRS 16 “Leases” brings most leases on the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. For lessors, however, the accounting remains largely unchanged. Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if this rate can be readily determined. If the rate cannot be readily determined, the lessee’s incremental borrowing rate should be used. IFRS 16 supersedes IAS 17 “Leases” and related interpretations. The Group expects that the application of IFRS 16 will result in an increase in tangible assets and borrowings based on the existing operating lease agreements (refer to note 28, page 115).

	Effective date	Planned application by Autoneum
New standards and interpretations		
IFRS 15 Revenue from contracts with customers and related clarifications to IFRS 15 Revenue from contracts with customers ¹	January 1, 2018	January 1, 2018
IFRS 9 Financial instruments ³	January 1, 2018	January 1, 2018
IFRIC 22 Foreign currency transactions and advance consideration ³	January 1, 2018	January 1, 2018
IFRS 16 Leases ¹	January 1, 2019	January 1, 2019
IFRIC 23 Uncertainty over income tax treatments ³	January 1, 2019	January 1, 2019
IFRS 17 Insurance contracts ³	January 1, 2021	January 1, 2021
Revisions and amendments of standards and interpretations		
Annual improvements to IFRS standards 2014–2016 cycle ³		
– IFRS 1 First-time adoption of international financial reporting standards	January 1, 2018	January 1, 2018
– IAS 28 Investments in associates and joint ventures	January 1, 2018	January 1, 2018
Classification and measurement of share-based payment transactions (amendments to IFRS 2) ³	January 1, 2018	January 1, 2018
Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts (amendments to IFRS 4) ³	January 1, 2018	January 1, 2018
Transfer of investment property (amendments to IAS 40) ³	January 1, 2018	January 1, 2018
Prepayment features with negative compensation (amendments to IFRS 9) ³	January 1, 2019	January 1, 2019
Long-term interests in associates and joint ventures (amendments to IAS 28) ³	January 1, 2019	January 1, 2019
Annual improvements to IFRS standards 2015–2017 cycle ³		
– IFRS 3 Business combination	January 1, 2019	January 1, 2019
– IFRS 11 Joint arrangements	January 1, 2019	January 1, 2019
– IAS 12 Income taxes	January 1, 2019	January 1, 2019
– IAS 23 Borrowings costs	January 1, 2019	January 1, 2019
Plan amendment, curtailment or settlement (amendments to IAS 19) ³	January 1, 2019	January 1, 2019

¹ The impact on the consolidated financial statements cannot yet be determined with sufficient reliability.

² The impact on the consolidated financial statements is expected to result in additional disclosures or changes in presentation.

³ No impact or no significant impact is expected on the consolidated financial statements.

2 Risk management

Autoneum maintains an Internal Control System with the objective of ensuring effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Internal Control System is an important part of the risk management system.

The process of risk management is governed by the regulation "Autoneum risk management system", which was adopted by the Board of Directors. The regulation defines the main categories of risk, which serve as a basis of the risk management, and the bodies that deal within the Group with the various risk. In addition, the regulation defines the procedures for detecting, reporting and managing risk and the criteria for qualitative and quantitative risk assessment.

The regulation defines the following main risk categories: strategic risk, operational risk, financial risk, capital risk, litigation and other risk (e.g. political, legal, organizational, environmental and work safety risk).

Besides the financial and capital risk (refer to paragraphs 2.1 and 2.2 respectively), the following risks within the main risk categories are a focus of Autoneum:

- Strategic risk: This risk results on the one hand from different markets in which Autoneum is operating (local aspects, legal regulations, degree of maturity of markets). On the other hand, it results from the share of the customers in Autoneum's revenue, as well as from the technical and regulatory requirements on Autoneum products.
- Operational risk: This risk results from the technical development of orders until end of production, from the need for cost-efficient production and the possibility of interruptions in production.
- Environmental and work safety risk.

Strategic risk resulting from developments in the relevant markets and of the products offered therein is assessed as part of the strategic planning and the financial planning processes. Strategic risk and operational risk are regularly reviewed at the monthly meetings within the Business Groups and with the CEO and the CFO of the Group. These meetings also deal with other risks impacting actual performance against budget, in order to identify and implement corrective measures.

Risks resulting from acquisitions, divestments or other major projects are monitored at Group level within the framework of competencies and approvals for the respective project. Quarterly review reports were prepared for the attention of the Board of Directors.

Specific risks are addressed by periodic reports in dedicated bodies. Such reports cover environmental and work safety risk at the various sites, treasury risk and risk from legal actions and compliance.

An aggregate review of all identified risks and of the instruments and measures to address them is performed on a semi-annual basis by the Risk Council, consisting of representatives of all Business Groups and Corporate functions. The review results are reported to the Board of Directors and Group Executive Board.

2.1 Financial risk

As a result of its worldwide activities, Autoneum is exposed to various financial risks, such as credit risk, liquidity risk and market risk (foreign exchange risk, interest rate risk and price risk).

Autoneum's financial risk management aims to minimize the potential adverse impact of the development of the financial markets on the Group's financial performance and to secure its financial stability. This may include the use of derivative financial instruments to hedge certain risk exposures. Financial risks are identified primarily locally and evaluated and managed centrally by Group Treasury in close cooperation with the Group's legal units.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as from exposures to customers, including outstanding receivables and committed transactions. Credit risk may result in a financial loss if one party in a transaction is unable or unwilling to meet its obligations. It is Autoneum's objective to limit the impact of a default. The maximum risk of these positions corresponds to the book values of loans and receivables and derivative financial instruments and is disclosed in note 30 on page 116.

Credit risk of financial counterparties is monitored centrally by Group Treasury. Significant relationships with banks and financial institutions are basically only entered into with counterparties rated not lower than "A" (according to Standard & Poor's). At the date of reporting, management does not expect any losses from non-performance by financial institutions where funds are invested.

Autoneum maintains business relationships with all significant automotive manufacturers and, compared to the industry sector, has a geographically broad, diversified customer portfolio. No customer accounted for more than 16.9% (2016: 19.2%) of Autoneum's revenue. The Group monitors the creditworthiness of its key customers by using independent ratings (if available) and by taking into account their financial position, past experience and other factors. The related credit risk is considered as low at the date of reporting.

The credit quality of financial assets that are neither past due nor impaired at the balance sheet date can be assessed by reference to external credit ratings, if available, or to historical information about counterparty default rates (refer to note 19, page 103).

Liquidity risk

The objective of liquidity risk management is to ensure that sufficient financial resources are available at any point in time in order to be able to completely and timely fulfill all payment obligations of the Group. As part of an integral budgeting and forecasting process, Group Treasury centrally monitors the planned liquidity position of the Group. Group Treasury compares the planned liquidity requirements with the available funds to detect shortages in a timely manner. The liquidity risk management of Autoneum includes the maintenance of sufficient liquidity reserves and the availability of funding through an adequate amount of credit lines.

Beside several smaller bilateral credit facilities with banks, Autoneum maintains a credit agreement for the medium- and long-term financing with a group of banks in the amount of CHF 150.0 million, which expires on December 31, 2022. Furthermore, a bond in the amount of CHF 75.0 million with maturity as of July 4, 2023 and a bond in the amount of CHF 100.0 million with maturity as of December 8, 2025 have been issued, both of which are listed at the SIX Swiss Exchange (refer to note 24, page 108).

The following table shows the contractual maturities of Autoneum's financial liabilities (including interest).

Financial liabilities at December 31, 2017	Carrying amount	Contractual undiscounted cash flows			
		Less than 1 year	1 to 5 years	More than 5 years	Total cash flow
CHF million					
Bonds	174.4	2.0	7.9	179.2	189.1
Bank debts	85.9	41.1	45.0	-	86.1
Finance leasing obligations	20.8	1.4	6.7	24.0	32.1
Other borrowings	7.6	5.2	0.9	3.0	9.1
Trade payables	261.7	261.7	-	-	261.7
Accrued expenses	59.6	59.6	-	-	59.6
Other payables	19.3	19.3	-	-	19.3
Total	629.4	390.3	60.5	206.2	657.0

Financial liabilities at December 31, 2016	Carrying amount	Contractual undiscounted cash flows			
		Less than 1 year	1 to 5 years	More than 5 years	Total cash flow
CHF million					
Bonds	199.5	131.3	3.4	76.7	211.4
Bank debts	7.1	5.6	1.6	-	7.2
Other borrowings	2.1	0.2	1.6	1.0	2.8
Trade payables	253.8	253.8	-	-	253.8
Accrued expenses	52.3	52.3	-	-	52.3
Other payables	35.4	24.2	11.3	-	35.4
Total	550.2	467.4	17.9	77.6	563.0

Foreign exchange risk

Due to the global nature of its activities, the Group is exposed to foreign exchange risk. Foreign exchange risk arises from investments in foreign subsidiaries (translation risk) as well as from transactions and financial assets or financial liabilities that are denominated in a currency other than the functional currency of a legal unit (transaction risk). In order to hedge transaction risk that cannot be eliminated through offsetting transactions in the same foreign currency (natural hedging), subsidiaries may use forward contracts, which are usually traded with banks via Group Treasury. The transaction risk from foreign currencies is monitored periodically.

The subsidiaries' cash holdings with banks are denominated mostly in the functional currency of the subsidiary. The majority of the business transacted in Autoneum's subsidiaries is also in their functional currency. At the reporting date, the Group held financial instruments which were denominated in currencies other than the functional currency of the respective Group company as follows:

CHF million	Assets 31.12.2017	Liabilities 31.12.2017	Assets 31.12.2016	Liabilities 31.12.2016
EUR	55.4	32.5	40.5	24.6
USD	34.3	11.8	23.2	19.5
Other	0.8	1.0	0.7	2.3
Total	90.5	45.2	64.4	46.4

The Group is exposed to foreign exchange risk mostly against the euro and the US dollar. The currency-related sensitivity of the Group against these two currencies is shown in the following table:

CHF million	Reasonable shift	Impact on net result	Impact on equity
December 31, 2017			
EUR/CHF	+/-10%	+/-10.9	+/-19.6
USD/CHF	+/-10%	+/-9.2	+/-52.3
December 31, 2016			
EUR/CHF	+/-2%	+/-0.6	+/-1.3
USD/CHF	+/-2%	+/-0.8	+/-5.8

The impact on net result is mainly due to foreign exchange gains and losses on trade receivables and trade payables as well as the translation of the profit or loss of foreign subsidiaries into Swiss francs for consolidation purposes. The impact on equity additionally includes currency translation adjustments arising from the translation of the net investment in foreign subsidiaries.

Interest rate risk

The interest rate risk of the Group relates to interest-bearing assets and liabilities. Floating interest rate positions are subject to cash flow interest risk. Fixed-interest positions are subject to fair value interest risk if measured at fair value. In general, Autoneum aims to maintain, in consideration of seasonal fluctuations, a balanced relation between fixed and floating interest-bearing financial liabilities as disclosed in note 24 on page 108. The two bonds issued at fixed interest rates are not subject to any interest rate risk, whereas the long-term credit agreement with floating interest rates is subject to a cash flow interest risk.

The Group analyzes the interest rate risk on a net basis. No hedging of the interest rate risk was performed in the reporting period or in the prior period. Based on the interest-bearing assets and liabilities that existed at December 31, 2017, a 100 basis point higher level of the money market interest rates would lead to a CHF 0.1 million (2016: CHF 0.1 million) lower net result as well as equity of the Group on an annual basis. A 100 basis point lower level of the money market interest rates would impact neither net result nor equity of the Group on an annual basis in both the reporting year and the prior year.

Price risk

Holding marketable securities exposes Autoneum to a risk of price fluctuation. Since Autoneum held neither significant amounts of shares (except for treasury shares) nor options at the end of the reporting period, no sensitivity analysis of fair value risk is prepared.

2.2 Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders, and to maintain an optimally leveraged capital structure in order to reduce the cost of capital. Autoneum aims to maintain a stable investment grade rating as perceived by bank partners and debt investors.

Autoneum Group therefore targets a healthy balance sheet with an adequate portion of equity. In the mid-term, Autoneum aims for an equity ratio above 40%. As of December 31, 2017 the equity ratio equaled 39.6% (2016: 38.4%). For the next few years, the dividend policy will depend on a number of factors, such as net profit and the financial situation of the Group, the demand for capital and liquidity, the general business environment as well as legal and contractual restrictions. Subject to the foregoing, the Group intends to distribute at least 30% of its net profit attributable to shareholders of Autoneum Holding Ltd. Dividends, if any, are expected to be declared and paid in Swiss francs.

3 Change in scope of consolidation and significant transactions

On September 30, 2017 Autoneum sold its production facility in Betim, Brazil, to the automotive supplier STS Group, headquartered in Hallbergmoos, Germany. With this transaction, the Group has adapted its South American production capacity to long-term market demand. STS took over the plant with its 90 employees and has continued to supply the existing customer base. In 2017, during the nine months until disposal, the facility in Betim contributed third-party revenue in the amount of CHF 5.9 million. CHF 0.6 million of the total selling price of CHF 3.3 million has been received in 2017, the remainder is payable in five installments until 2022. The loss from disposal of business in the amount of CHF 0.1 million is recorded in 2017. The disclosed transaction details below are provisional subject to the final acceptance of the post-closing purchase price adjustment.

In 2016, Autoneum's US-American subsidiary UGN Inc. sold its business in Chicago Heights, USA, to an affiliate of Angeles Equity Partners, LLC, headquartered in Los Angeles, USA, on February 2, 2016.

CHF million	Betim September 30, 2017	Chicago Heights February 2, 2016
Tangible assets	1.5	5.8
Other non-current assets	0.2	-
Inventories	0.2	1.2
Trade receivables and other current assets	1.5	4.0
Cash and cash equivalents	0.9	-
Trade payables and other current liabilities	-1.0	-1.8
Net assets disposed of	3.4	9.2
Selling price received	0.6	44.4
Selling price deferred	2.7	-
Net assets disposed of	-3.4	-9.2
Directly attributable costs	-0.1	-2.0
Gain and loss from disposal of subsidiary or business	-0.1	33.2
Proceeds from disposal of subsidiary or business, net of cash disposed of	-0.4	42.4

On January 31, 2017 Autoneum acquired the remaining 40% interest in Autoneum Korea Ltd., Incheon, Korea, for a consideration of CHF 0.4 million from the minority shareholder SH Global Ltd., Iksan, Korea. The subsidiary is now fully owned by Autoneum. The difference between the carrying amount of non-controlling interests and the consideration paid to the minority shareholder was recognized as a decrease in equity attributable to the owners of Autoneum.

On January 31, 2017 Autoneum disposed of its 49% interest in the associated company SHN Co., Ltd., Daegu, Korea to the majority shareholder SH Global Ltd., Iksan, Korea, which liquidated the company. A total consideration of CHF 0.4 million was paid to the majority shareholder and recorded as loss from disposal of associated companies (refer to note 10, page 97).

In 2017, the Group newly established Autoneum Hungary Ltd., Komárom, Hungary; Autoneum (Changsha) Co., Ltd., Changsha, China; Autoneum (Pinghu) Co., Ltd., Pinghu, China; Autoneum (Yantai) Co., Ltd., Yantai, China and Autoneum (Tianjin) Co., Ltd., Tianjin, China.

4 Segment information

Segment information is based on Autoneum Group's internal organization and management structure as well as on the internal financial reporting to the Group Executive Board and the Board of Directors. The chief operating decision maker is the CEO.

Autoneum is the globally leading automobile supplier in acoustic and thermal management for vehicles. Autoneum develops and produces multifunctional and lightweight components and systems for noise and heat protection and thereby enhances vehicle comfort.

The reporting is based on the following four reportable segments (Business Groups): BG Europe, BG North America, BG Asia and BG SAMEA (South America, Middle East and Africa). Corporate and elimination include Autoneum Holding Ltd and the corporate center with its respective legal entities, an operation that produces parts for Autoneum's manufacturing lines, investments in associates, and inter-segment elimination. Transactions between the Business Groups are made on the same basis as with independent third parties.

Segment information 2017

CHF million	BG Europe	BG North America	BG Asia	BG SAMEA	Total segments	Corporate and elimination	Total Group
Third-party revenue	880.9	966.3	235.5	112.4	2 195.0	8.0	2 203.0
Inter-segment revenue	6.4	-	0.4	1.7	8.5	-8.5	-
Revenue	887.2	966.3	235.9	114.1	2 203.5	-0.5	2 203.0
EBITDA	102.2	97.9	37.0	5.0	242.1	13.8	255.9
in % of revenue	11.5%	10.1%	15.7%	4.4%	11.0%	n/a	11.6%
Depreciation, amortization and impairment	-27.3	-34.7	-9.6	-4.1	-75.7	-2.2	-77.9
EBIT	74.9	63.2	27.4	0.9	166.4	11.6	178.0
in % of revenue	8.4%	6.5%	11.6%	0.8%	7.6%	n/a	8.1%
Assets at December 31 ¹	513.8	611.6	210.1	77.1	1 412.6	71.7	1 484.3
Liabilities at December 31	386.4	308.5	101.8	57.7	854.4	42.7	897.1
Additions in tangible and intangible assets	37.6	113.0	33.7	6.4	190.7	7.4	198.1
Employees at December 31 ²	4 163	4 442	2 102	953	11 660	473	12 133

¹ Assets in Corporate and elimination include investments in associated companies in the amount of CHF 14.1 million. In 2017, Autoneum did not increase its investments in associated companies, refer to note 15, page 102.

² Full-time equivalents including temporary employees (excluding apprentices).

Segment information 2016

CHF million	BG Europe	BG North America	BG Asia	BG SAMEA	Total segments	Corporate and elimination	Total Group
Third-party revenue	824.5	1 018.0	210.5	92.8	2 145.8	6.8	2 152.6
Inter-segment revenue	9.0	0.7	0.1	0.7	10.5	-10.5	-
Revenue	833.4	1 018.7	210.7	93.5	2 156.3	-3.7	2 152.6
EBITDA ¹	84.2	148.7	36.1	-4.9	264.0	14.1	278.1
in % of revenue	10.1%	14.6%	17.1%	-5.3%	12.2%	n/a	12.9%
Depreciation, amortization and impairment	-25.4	-29.6	-8.4	-8.4	-71.9	-1.7	-73.6
EBIT ^{1,2}	58.7	119.1	27.7	-13.4	192.1	12.4	204.5
in % of revenue	7.0%	11.7%	13.1%	-14.3%	8.9%	n/a	9.5%
Assets at December 31 ³	425.8	583.6	155.4	74.1	1 238.9	58.9	1 297.8
Liabilities at December 31	325.6	266.3	68.1	49.7	709.7	89.1	798.8
Additions in tangible and intangible assets	32.7	74.7	19.0	6.5	132.9	5.5	138.4
Employees at December 31 ⁴	4 082	4 340	1 848	1 005	11 275	450	11 725

¹ EBITDA and EBIT in BG North America include the gain from disposal of the UGN business in Chicago Heights, USA, in the amount of CHF 33.2 million.

² EBIT in BG SAMEA includes an impairment loss in the amount of CHF 4.3 million due to the adaptation of the South American production capacity.

³ Assets in Corporate and elimination include investments in associated companies in the amount of CHF 11.0 million. In 2016, Autoneum did not increase its investments in associated companies, refer to note 15, page 102.

⁴ Full-time equivalents including temporary employees (excluding apprentices).

Revenue and non-current assets by country

CHF million	Revenue ¹ 2017	Revenue ¹ 2016	Non-current assets ² 31.12.2017	Non-current assets ² 31.12.2016
USA	713.5	748.7	261.2	213.4
China	218.9	195.4	79.5	53.1
Germany	205.4	183.0	22.6	19.4
Great Britain	175.2	179.0	16.8	13.8
Canada	149.1	163.5	9.1	10.2
Spain	140.5	146.3	16.6	13.0
France	133.4	130.5	22.7	22.4
Mexico	103.1	104.7	43.8	22.9
Switzerland ³	0.5	3.0	51.7	46.9
Remaining countries	363.4	298.5	124.3	104.8
Total	2 203.0	2 152.6	648.2	519.9

¹ Revenue is disclosed by location of customers.

² Non-current assets consist of tangible assets, intangible assets and investments in associated companies.

³ Domicile of Autoneum Holding Ltd.

The following customers accounted for more than 10% of annual revenue in 2017 or 2016:

Revenue with major customers	2017	2016
CHF million		
Ford	372.6	412.3
Honda	251.6	245.7
BMW	228.6	192.2

Information on revenue by product group is not available. The major customers generate revenue in all geographic segments.

5 Employee expenses

CHF million	2017	2016
Wages and salaries	-441.1	-421.0
Social security expenses	-89.0	-86.7
Pension expenses for defined contribution plans	-9.6	-9.9
Pension expenses for defined benefit plans	-5.7	-4.9
Other personnel expenses	-48.8	-47.4
Total	-594.1	-569.8

Autoneum started a long-term incentive plan (LTI) for the management in 2012. Part of Autoneum's net profit is allocated to beneficiaries defined in advance by granting them shares of Autoneum Holding Ltd. The shares become property of the beneficiaries after a vesting period of 35 months, if the beneficiaries are then still employed by an Autoneum company. Immediate vesting occurs in case of death or retirement of the beneficiary. In case of employment termination, shares not yet vested lapse without compensation. Exceptions are possible at the discretion of the Nomination and Compensation Committee. The first vesting date was in spring 2015. Employee expenses resulting from share-based compensation in course of the LTI are recognized over the vesting period. 2 797 shares (2016: 4 109 shares) valued at CHF 277.75 (2016:

CHF 224.50) were granted in 2017, and expenses of CHF 0.6 million (2016: CHF 0.8 million) were recognized in wages and salaries.

Members of the Board of Directors receive part of their remuneration in Autoneum shares. 3 569 shares (2016: 3 178 shares) valued at CHF 280.50 (2016: CHF 235.87) were granted in 2017, and expenses of CHF 1.0 million (2016: CHF 0.7 million) were recognized in wages and salaries.

Members of the Group Executive Board receive part of their remuneration in Autoneum shares. 6 124 shares (2016: 5 801 shares) valued at a weighted average share price of CHF 291.88 (2016: CHF 266.30) were granted in 2017, and expenses of CHF 1.8 million (2016: CHF 1.5 million) were recognized in wages and salaries.

6 Other expenses

CHF million	2017	2016
Energy, maintenance and repairs	-155.1	-156.6
Marketing and distribution expenses	-58.4	-55.9
Operating leasing expenses	-42.7	-37.9
Audit and consulting expenses	-21.6	-22.5
IT and office expenses	-20.9	-20.1
Insurance and other charges	-17.3	-13.9
Loss from disposal of subsidiary or business	-0.1	-
Miscellaneous expenses	-60.9	-45.7
Total	-377.1	-352.6

7 Other income

CHF million	2017	2016
Gain from disposal of subsidiary or business	-	33.2
Gain from disposal of tangible assets	-	2.9
Rental income	1.3	1.1
Miscellaneous income	28.2	14.6
Total	29.5	51.8

Miscellaneous income contains mainly income generated with by-products arising during the manufacturing process and income from release of unused provisions.

8 Depreciation, amortization and impairment

CHF million	2017	2016
Depreciation of tangible assets	-73.4	-66.7
Impairment of tangible assets	-2.3	-0.7
Amortization of intangible assets	-2.2	-1.9
Impairment of assets of disposal group classified as held for sale ¹	-	-4.3
Total	-77.9	-73.6

¹ Refer to note 21, page 104.

9 Financial income

CHF million	2017	2016
Interest income	2.2	1.5
Dividend income	0.9	0.4
Net foreign exchange gains	1.0	-
Other financial income	0.2	0.2
Total	4.4	2.1

10 Financial expenses

CHF million	2017	2016
Interest expenses ¹	-11.3	-12.5
Net foreign exchange losses	-	-2.8
Loss from disposal of investments in associated companies	-0.4	-
Other financial expenses	-0.2	-0.2
Total	-12.0	-15.5

¹ Thereof CHF 0.2 million (2016: CHF 0.8 million) amortization of transaction costs and CHF 1.6 million (2016: CHF 0.9 million) interest expenses for defined benefit pension plans.

11 Income taxes

CHF million	2017	2016
Current income taxes	-39.2	-63.3
Deferred income taxes	-16.1	2.9
Total	-55.3	-60.4

Reconciliation between expected and actual income tax expenses:

CHF million	2017	2016
Profit before taxes	173.8	194.2
Average applicable income tax rate	27.6%	29.8%
Expected income tax expenses	-48.0	-57.8
Non-taxable income and non-deductible expenses	-1.8	-0.4
Current income taxes from prior periods	2.6	-0.5
Utilization of previously unrecognized tax loss carryforwards	7.2	4.1
Change in value adjustments/first time recognition of temporary differences	-14.3	0.3
Non-recoverable withholding taxes	-4.9	-5.3
Income taxes at other income tax rates or taxable base	1.0	-1.2
Impact of changes in income tax rates	2.1	-0.2
Other effects	0.9	0.6
Income tax expenses	-55.3	-60.4

The change in the average applicable income tax rate is mainly due to the different geographic composition of profit or loss before taxes.

Deferred income tax assets and liabilities pertain to the following balance sheet line items:

CHF million	Deferred income	Deferred income	Deferred income	Deferred income
	tax assets	tax liabilities	tax assets	tax liabilities
	31.12.2017	31.12.2017	31.12.2016	31.12.2016
Non-current assets	5.7	25.4	1.8	16.7
Inventories	3.3	0.8	5.9	0.8
Other assets	2.5	1.7	4.3	11.5
Employee benefit liabilities	2.3	0.9	9.4	-
Provisions	2.9	0.4	3.6	1.3
Other liabilities	5.6	3.3	5.6	5.4
Tax loss carryforwards and tax credits	18.1	-	29.7	-
Subtotal	40.5	32.6	60.2	35.7
Offsetting	-14.8	-14.8	-25.0	-25.0
Total	25.7	17.8	35.2	10.7

The decrease in the net deferred income tax assets by CHF 16.6 million (2016: increase by CHF 3.5 million) relates to the deferred income tax expenses recognized in the consolidated income statement of CHF 16.1 million (2016: deferred income tax income of CHF 2.9 million), to the deferred income tax expenses recognized in other comprehensive income of CHF 1.7 million (2016: deferred income tax income of CHF 1.0 million) and to a currency translation adjustment of CHF 1.2 million (2016: CHF -0.4 million).

No deferred income tax assets have been recognized from deductible temporary differences in the amount of CHF 82.1 million (2016: CHF 66.4 million). At the reporting date, no tax loss carryforwards (2016: nil) are recognized for Group companies that incurred losses in 2017 or 2016 (2016 or 2015) supported by increased future profitability and synergies as a result of restructuring.

The table below discloses tax loss carryforwards by their year of expiry:

CHF million	Recognized ¹	Non-recognized ²	Recognized ¹	Non-recognized ²
	31.12.2017	31.12.2017	31.12.2016	31.12.2016
Less than 3 years	–	1.5	–	1.6
In 3 to 7 years	–	1.5	9.1	8.4
Thereafter	67.8	286.0	39.2	289.2
Total	67.8	288.9	48.3	299.2

¹ Tax loss carryforwards for which deferred income tax assets are recognized.

² Tax loss carryforwards for which no deferred income tax assets are recognized.

The tax loss carryforwards for which no deferred income tax assets were recognized originate from countries with a deferred income tax rate between 17% and 31% (2016: between 17% and 35%).

The table below discloses tax credits by their year of expiry:

CHF million	Recognized ¹	Non-recognized ²	Recognized ¹	Non-recognized ²
	31.12.2017	31.12.2017	31.12.2016	31.12.2016
Less than 3 years	–	–	–	–
In 3 to 7 years	–	–	–	–
Thereafter	3.3	16.3	18.1	–
Total	3.3	16.3	18.1	–

¹ Tax credits for which deferred income tax assets are recognized.

² Tax credits for which no deferred income tax assets are recognized.

12 Earnings per share

		2017	2016
Net profit attributable to shareholders of AUTN ¹	CHF million	91.3	95.8
Average number of shares outstanding	Number of shares	4 656 670	4 648 581
Average number of shares outstanding diluted	Number of shares	4 665 783	4 654 735
Basic earnings per share	CHF	19.61	20.61
Diluted earnings per share	CHF	19.57	20.58

¹ The LTI does not lead to a dilution effect in profit attributable to shareholders of Autoneum Holding Ltd.

The average number of shares outstanding is calculated based on the number of shares issued less the weighted average number of treasury shares held. The shares vested but not yet transferred in course of the management's long-term incentive plan (LTI) and performance related bonus leads to a diluted average number of shares outstanding.

13 Tangible assets

CHF million	Land and buildings	Machinery and plant equipment	Data processing equipment	Vehicles and furniture	Tangible assets under construction	Total
Cost at January 1, 2017	240.6	978.5	12.5	17.5	124.9	1 374.1
Additions	21.5	26.6	1.5	1.4	142.7	193.6
Disposals	-0.4	-9.0	-0.1	-0.6	-	-10.1
Reclassification	6.4	83.9	1.0	5.4	-96.8	-
Currency translation adjustment	8.8	24.1	0.7	0.6	0.7	34.8
Cost at December 31, 2017	277.0	1 104.1	15.6	24.3	171.5	1 592.5
Accumulated depreciation and impairment at January 1, 2017	-130.4	-722.1	-9.3	-12.3	-	-874.1
Depreciation	-8.5	-61.3	-1.5	-2.2	-	-73.4
Impairment	-1.0	-1.2	-	-	-	-2.3
Disposals	0.3	8.7	0.1	0.6	-	9.7
Currency translation adjustment	-5.8	-22.5	-0.6	-0.6	-	-29.5
Accumulated depreciation and impairment at December 31, 2017	-145.4	-798.3	-11.4	-14.5	-	-969.5
Net book value at January 1, 2017	110.2	256.4	3.2	5.2	124.9	500.0
Net book value at December 31, 2017	131.6	305.8	4.2	9.8	171.5	623.0

CHF million	Land and buildings	Machinery and plant equipment	Data processing equipment	Vehicles and furniture	Tangible assets under construction	Total
Cost at January 1, 2016	233.0	909.9	12.0	16.1	98.3	1 269.3
Additions	1.2	12.4	0.7	0.4	122.7	137.5
Disposals	-6.4	-21.5	-1.1	-0.7	-	-29.7
Reclassification	13.8	78.3	0.9	1.7	-94.8	-
Reclassification to assets of disposal group	-1.1	-7.6	-0.1	-0.1	-0.3	-9.2
Currency translation adjustment	0.1	7.0	-	0.1	-1.0	6.2
Cost at December 31, 2016	240.6	978.5	12.5	17.5	124.9	1 374.1
Accumulated depreciation and impairment at January 1, 2016	-128.0	-686.8	-9.3	-11.7	-	-835.8
Depreciation	-8.0	-56.3	-1.2	-1.3	-	-66.7
Impairment	-	-0.7	-	-	-	-0.7
Disposals	5.2	21.3	1.1	0.7	-	28.2
Reclassification to assets of disposal group	0.7	3.4	0.1	0.1	-	4.2
Currency translation adjustment	-0.2	-3.1	-	-	-	-3.2
Accumulated depreciation and impairment at December 31, 2016	-130.4	-722.1	-9.3	-12.3	-	-874.1
Net book value at January 1, 2016	105.0	223.1	2.7	4.4	98.3	433.5
Net book value at December 31, 2016	110.2	256.4	3.2	5.2	124.9	500.0

Additions in tangible assets comprise mainly investments in production facilities.

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Tangible assets with a book value of CHF 20.5 million were financed by long-term leasing contracts as of December 31, 2017 (2016: nil). No borrowing costs were capitalized in both the reporting year and the prior year.

Tangible assets in the amount of CHF 0.8 million (2016: CHF 0.6 million) are pledged as security for financial liabilities.

14 Intangible assets

CHF million	2017	2016
Cost at January 1	14.7	14.0
Additions	4.4	0.9
Currency translation adjustment	0.2	-0.1
Cost at December 31	19.3	14.7
Accumulated amortization at January 1	-5.9	-4.1
Amortization	-2.2	-1.9
Currency translation adjustment	-	0.1
Accumulated amortization at December 31	-8.2	-5.9
Net book value at January 1	8.8	9.8
Net book value at December 31	11.2	8.8

Intangible assets comprise mainly investments in a new ERP system.

No development costs were capitalized in 2017 and 2016. In 2017, an amount of CHF 77.6 million was spent on research and development (2016: CHF 64.5 million). In an increasingly cost-competitive environment, the Autoneum Group invests in innovative materials and products, and in new efficient production technologies to support vehicle manufacturers in meeting challenging targets in acoustic comfort, fuel consumption and environmental emissions. The focus of the Group is in the development of lightweight and acoustically efficient solutions for vehicle engine bay, underbody, interior floor and body treatment.

15 Investments in associated companies

Investments in associated companies comprise the 30% share in SRN Sound Proof Co., Ltd., Chonburi, Thailand, and the 25% share in Wuhan Nittoku Autoneum Sound-Proof Co. Ltd., Wuhan, China. On January 31, 2017 Autoneum disposed of its 49% interest in the associated company SHN Co., Ltd., Daegu, Korea, to the majority shareholder SH Global Ltd., Iksan, Korea (refer to note 3, page 92). The investments in associated companies are measured using the equity method. The net book value of investments in associated companies changed as follows:

CHF million	2017	2016
Net book value at January 1	11.0	8.3
Share of profit of associated companies	3.4	3.1
Dividends received	-0.7	-0.4
Currency translation adjustment	0.5	-0.1
Net book value at December 31	14.1	11.0

16 Financial assets

CHF million	31.12.2017	31.12.2016
Investments in non-consolidated companies	64.3	34.4
Loans	8.0	5.7
Other financial assets	5.7	3.4
Total non-current portion	78.0	43.5
Loans	1.1	0.5
Marketable securities	1.6	-
Time deposits with original maturities between 3 and 12 months	-	1.5
Total current portion	2.8	1.9

17 Other assets

CHF million	31.12.2017	31.12.2016
Other receivables	36.1	46.0
Total non-current portion	36.1	46.0
Non-income tax receivables	29.7	29.0
Deferred expenses	12.5	6.5
Advance payments to suppliers	7.8	4.6
Fair value of derivative financial instruments	1.4	0.3
Accrued income	0.1	-
Other receivables	9.8	22.8
Total current portion	61.3	63.3

18 Inventories

CHF million	31.12.2017	31.12.2016
Raw materials and consumables	32.0	30.1
Purchased parts	1.5	1.6
Finished goods	34.4	25.3
Work in progress	149.1	94.5
Allowance	-3.2	-3.2
Total	213.9	148.2

19 Trade receivables

CHF million	31.12.2017	31.12.2016
Trade receivables nominal	303.8	286.4
Allowance for doubtful trade receivables	-2.4	-10.3
Total	301.4	276.1

The following table summarizes the movement in the allowance for doubtful trade receivables:

CHF million	2017	2016
Allowance at January 1	-10.3	-9.8
Additions	-0.3	-2.5
Utilization	1.5	1.4
Release	0.1	0.8
Reclassification ¹	6.6	-
Currency translation adjustment	0.1	-0.3
Allowance at December 31	-2.4	-10.3

¹ Reclassification of estimated future customer price reductions to other current provisions.

The table below sets forth the aging of trade receivables and the allowance for doubtful trade receivables, showing amounts that are not yet due as well as an analysis of overdue amounts. Trade receivables that are neither due nor impaired are expected to be settled within the agreed payment terms.

CHF million	Nominal	Allowance	Nominal	Allowance
	31.12.2017	31.12.2017	31.12.2016	31.12.2016
Not due	269.9	-0.2	253.6	-7.6
Overdue 1 to 89 days	29.5	-0.6	29.1	-0.8
Overdue 90 to 179 days	1.7	-0.2	1.0	-0.3
Overdue 180 to 359 days	1.1	-0.2	1.0	-0.3
Thereafter	1.6	-1.2	1.7	-1.4
Total	303.8	-2.4	286.4	-10.3

Trade receivables comprise receivables due from customers with the following credit rating (Standard & Poor's long-term issuer rating):

CHF million	31.12.2017	31.12.2016
A- or higher	91.7	76.4
BBB- to BBB+	132.5	101.5
BB+ or lower	40.2	87.1
Not rated	37.0	11.1
Total	301.4	276.1

At December 31, 2017 no trade receivables are pledged as security for financial liabilities (2016: nil). Trade receivables with a book value of CHF 1.4 million (2016: CHF 0.5 million) were sold to third parties based on factoring agreements and no material risks remain with Autoneum.

20 Cash and cash equivalents

CHF million	31.12.2017	31.12.2016
Cash at banks	103.8	148.6
Time deposits with original maturities up to 3 months	-	1.2
Total	103.8	149.8

21 Assets and liabilities of disposal group classified as held for sale

On September 30, 2017 Autoneum sold its production facility in Betim, Brazil, to the automotive supplier STS Group, headquartered in Hallbergmoos, Germany. With this transaction, the Group adapted its South American production capacity to long-term market demand. The related assets and liabilities were classified as held for sale as of December 31, 2016.

CHF million	31.12.2016
Tangible assets	0.7
Non-current assets	0.7
Inventories	0.3
Trade receivables	0.7
Current assets	0.9
Assets of disposal group classified as held for sale	1.6
Trade payables	0.5
Other liabilities	0.1
Current liabilities	0.7
Liabilities of disposal group classified as held for sale	0.7

There were no cumulative income or expenses included in other comprehensive income relating to the assets and liabilities of the disposal group classified as held for sale.

22 Shareholders' equity

Since the founding of Autoneum Holding Ltd on December 2, 2010 the number of registered shares has remained unchanged at 4 672 363, each with a nominal value of CHF 0.05 per share. The share capital amounts to CHF 233 618 and is composed as follows:

		31.12.2017	31.12.2016
Shares outstanding	Number of shares	4 653 918	4 652 535
Treasury shares	Number of shares	18 445	19 828
Total shares issued	Number of shares	4 672 363	4 672 363
Nominal value per share	CHF	0.05	0.05
Share capital	CHF	233 618	233 618

Share capital

The holders of shares are entitled to receive dividends and are entitled to one vote per share at general meetings of the Company.

Conditional share capital

For issuing convertible bonds, warranty bonds, and for granting shareholder options, the share capital can be increased by a maximum of 700 000 fully paid-up registered shares with a par value of CHF 0.05 up to a maximum value of CHF 35 000. Furthermore, for the issuance of shares to employees of subsidiaries, the share capital can be increased by a maximum of 250 000 fully paid-up registered shares with a par value of CHF 0.05 up to a maximum value of CHF 12 500.

Treasury shares

The following transactions with treasury shares were performed during the financial year:

	2017 in shares	2017 in CHF million	2016 in shares	2016 in CHF million
Treasury shares at January 1	19 828	2.4	37 612	4.3
Purchase of treasury shares	9 382	2.3	530	0.1
Transfer of treasury shares	-10 765	-1.3	-18 314	-2.1
Treasury shares at December 31	18 445	3.3	19 828	2.4

Capital reserves

Capital reserves originate from the contribution of the Autoneum companies to the Group in the course of the separation in 2011.

Available for sale reserves

The available for sale reserves contain changes in the fair value of non-consolidated investments. The reserves will be reclassified to the income statement at disposal.

Retained earnings

Retained earnings include accumulated earnings since the Group was established in December 2010.

Currency translation adjustment

The currency translation adjustment comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities included in the consolidated financial statements.

Changes resulting from other comprehensive income

The table below discloses changes resulting from other comprehensive income to each component of equity:

Other comprehensive income 2017

CHF million	Available for sale reserves	Retained earnings	Currency transl. adjustm.	Total	Attributable to non-controlling interests	Total equity
Currency translation adjustment	–	–	2.4	2.4	–3.3	–0.9
Change in fair value of financial instruments available for sale	15.2	–	–	15.2	–	15.2
Income taxes	–	–	–	–	–	–
Total items that will be reclassified to income statement	15.2	–	2.4	17.6	–3.3	14.3
Remeasurement of defined benefit pension plans	–	7.4	–	7.4	–	7.4
Income taxes	–	–1.7	–	–1.7	–	–1.7
Total items that will not be reclassified to income statement	–	5.7	–	5.7	–	5.7
Total	15.2	5.7	2.4	23.3	–3.3	20.0

Other comprehensive income 2016

CHF million	Available for sale reserves	Retained earnings	Currency transl. adjustm.	Total	Attributable to non-controlling interests	Total equity
Currency translation adjustment	–	–	6.3	6.3	0.2	6.5
Change in fair value of financial instruments available for sale	13.3	–	–	13.3	–	13.3
Income taxes	–	–	–	–	–	–
Total items that will be reclassified to income statement	13.3	–	6.3	19.6	0.2	19.8
Remeasurement of defined benefit pension plans	–	–5.1	–	–5.1	–	–5.1
Income taxes	–	1.0	–	1.0	–	1.0
Total items that will not be reclassified to income statement	–	–4.2	–	–4.2	–	–4.2
Total	13.3	–4.2	6.3	15.4	0.2	15.6

23 Non-controlling interests

The non-controlling interests derive from UGN Inc., USA; Autoneum Erkurt Otomotive AS, Bursa, Turkey; Tianjin Autoneum Nittoku Sound-Proof Co. Ltd., Tianjin, China; Autoneum Nittoku (Guangzhou) Sound-Proof Co. Ltd., Guangzhou, China; Autoneum Nittoku Sound Proof Products India Pvt. Ltd., Chennai, India; Autoneum Feltex (Pty) Ltd., Durban, South Africa; Autoneum Portugal Lda., Setúbal, Portugal; and Autoneum Korea Ltd., Incheon, Korea (until acquisition of the remaining 40% interest from the minority shareholder on January 31, 2017, refer to note 3 on page 92). Due to disclosure restrictions in shareholder agreements, information on significant non-controlling interests is only disclosed on an aggregated level.

The table below sets out aggregated financial information of the subsidiaries with non-controlling interests:

CHF million	31.12.2017	31.12.2016
Non-current assets	221.4	184.2
Current assets	167.9	171.3
Non-current liabilities	-55.7	-36.7
Current liabilities	-110.7	-104.0
Net assets	222.9	214.7
Thereof non-controlling interests	107.9	104.7
	2017	2016
Revenue	570.0	564.6
Net profit	59.7	79.7
Other comprehensive income	-6.1	0.3
Total comprehensive income	53.5	80.0
Thereof non-controlling interests	23.9	38.2
Cash flows from operating activities	75.3	71.8
Cash flows (used in)/from investing activities	-41.8	2.8
Cash flows used in financing activities	-46.5	-68.4
Net change in cash and cash equivalents	-13.1	6.2

24 Borrowings

CHF million	Bonds	Bank debts	Finance lease obligations	Other borrowings	Total
Borrowings at January 1, 2017	199.5	7.1	–	2.1	208.7
Proceeds	99.7	91.9	–	5.6	197.1
Repayment	-125.0	-13.1	–	-0.1	-138.2
Cash flows	-25.3	78.8	–	5.5	59.0
Additions	–	–	20.9	–	20.9
Increase in present value	0.2	–	0.2	–	0.4
Currency translation adjustment	–	–	-0.2	–	-0.2
Non-cash changes	0.2	–	20.8	–	21.1
Borrowings at December 31, 2017	174.4	85.9	20.8	7.6	288.8
Thereof non-current	174.4	45.0	20.5	2.6	242.5
Thereof current	–	40.9	0.3	5.0	46.2

CHF million	Bonds	Bank debts	Finance lease obligations	Other borrowings	Total
Borrowings at January 1, 2016	124.6	58.3	0.5	1.5	184.9
Proceeds	74.6	27.0	–	0.7	102.3
Repayment	–	-79.5	-0.5	-0.1	-80.1
Cash flows	74.6	-52.6	-0.5	0.6	22.2
Additions	–	–	–	–	–
Increase in present value	0.2	0.5	–	–	0.8
Currency translation adjustment	–	0.8	–	–	0.8
Non-cash changes	0.2	1.4	–	–	1.6
Borrowings at December 31, 2016	199.5	7.1	–	2.1	208.7
Thereof non-current	74.7	1.6	–	2.1	78.4
Thereof current	124.8	5.5	–	–	130.3

On December 14, 2012 Autoneum Holding Ltd issued a fixed-rate bond with a nominal value of CHF 125.0 million, which was listed on the SIX Swiss Exchange (AUT12, ISIN: CH0196770439). The bond carried a coupon rate of 4.375% and had a term of five years with a final maturity on December 14, 2017. On December 31, 2016 the market value of the bond was CHF 129.6 million.

On July 4, 2016 Autoneum Holding Ltd issued a fixed-rate bond with a nominal value of CHF 75.0 million, which is listed on the SIX Swiss Exchange (AUH16, ISIN: CH0326213904). The bond carries a coupon rate of 1.125% and has a term of seven years with a final maturity on July 4, 2023. On December 31, 2017 the market value of the bond was CHF 76.5 million (2016: CHF 75.4 million).

On December 8, 2017 Autoneum Holding Ltd issued a fixed-rate bond with a nominal value of CHF 100.0 million, which is listed on the SIX Swiss Exchange (AUT17, ISIN: CH0373476032). The bond carries a coupon rate of 1.125% and has a term of eight years with a final maturity on December 8, 2025. On December 31, 2017 the market value of the bond was CHF 100.9 million.

Autoneum maintains a long-term credit agreement with a banking syndicate in the amount of CHF 150.0 million, whereof CHF 45.0 million was drawn at year-end (2016: nil). The line of credit may partly be used as a guarantee facility. On December 7, 2017 the long-term credit agreement was amended and the final maturity date extended from December 31, 2019 to December 31, 2022. The interest rate is based on the LIBOR rate plus an applicable margin, which is determined based on the ratio of net debt to EBITDA. The credit agreement contains customary financial covenants, which include the ratio of net debt to EBITDA and a minimum economic equity. Compliance with financial covenants is checked quarterly and reported to the banking syndicate. In fiscal years 2017 and 2016, the financial covenants were met at all times.

In addition to the aforementioned bonds and the long-term credit agreement, local credit limits and borrowings with individual customary market conditions exist in several countries.

The borrowings are denominated in the following currencies:

CHF million	31.12.2017	31.12.2016
CHF	257.8	199.1
USD	22.4	4.7
CNY	5.2	1.2
Other	3.4	3.7
Total	288.8	208.7

25 Employee benefits

CHF million	31.12.2017	31.12.2016
Post-employment benefit liabilities	27.9	34.7
Other long-term employee benefits	6.0	2.3
Employee benefit liabilities	33.9	37.0

In the reporting period, total expenses for pensions in the amount of CHF 16.8 million have been recognized as employee expenses and interest expenses (2016: CHF 15.6 million).

Some employees participate in defined contribution plans whose insurance benefit results solely from the paid contributions and the return on investment on the plan asset. The other employees participate in defined benefit plans that are based upon direct benefits of the Autoneum Group.

Defined contribution plans

The expenses for defined contribution plans totaled CHF 9.6 million in the current reporting period (2016: CHF 9.9 million).

Defined benefit plans

Autoneum maintains defined benefit pension plans in Switzerland, Great Britain, the USA, Canada and the Netherlands. The most significant pension plans are those in Switzerland and the USA. Those plans sum up to 78.5% (2016: 79.3%) of the Group's defined benefit obligation and to 78.4% (2016: 79.4%) of the Group's plan assets.

The status of the defined benefit plans at year-end was as follows:

CHF million	2017	2016
Switzerland		
Fair value of plan assets at December 31	125.1	113.9
Present value of defined benefit obligation at December 31	-129.9	-121.6
Deficit at December 31	-4.8	-7.6
USA		
Fair value of plan assets at December 31	28.4	30.8
Present value of defined benefit obligation at December 31	-42.7	-48.0
Deficit at December 31	-14.3	-17.1
Other countries		
Fair value of plan assets at December 31	42.3	37.7
Present value of defined benefit obligation at December 31	-47.2	-44.1
Deficit at December 31	-4.9	-6.5
Total deficit at December 31	-24.0	-31.2
Recognized in the balance sheet		
as employee benefit assets	3.8	3.4
as employee benefit liabilities	27.9	34.7

Swiss pension plans

Pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). The Group's pension plans are administered by separate legal foundations, which are funded by regular employee and company contributions. Plan participants are insured against the financial consequences of old age, disability and death. The most senior governing body of the pension plan is the Board of Trustees. The Board of Trustees is responsible for the investment of the plan assets. All investment decisions made by the Board of Trustees need to conform to the guidelines set out in a long-term investment strategy. This

strategy is based on legal requirements, expected future contributions and expected future obligations and is reassessed at least once a year. All governing and administration bodies have an obligation to act in the interests of the plan participants. The final benefit is contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plans are treated as defined benefit plans for the purposes of these IFRS financial statements, although they have many characteristics of defined contribution plans. Retirement benefits are based on the accumulated savings capital, which can either be drawn as a lifelong pension or as a lump-sum payment. The pension is calculated by multiplying the balance of the savings capital with the applicable conversion rate. The plan is exposed to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk. In case of an underfunding, the Board of Trustees is required to take the necessary measures to ensure that full funding can be expected to be restored within a reasonable period. The measures may include increasing employee and company contributions, lowering the interest rate on retirement account balances or reducing prospective benefits.

US pension plans

Autoneum maintains five defined benefit pension plans in the USA. Four of those plans are funded and one plan is unfunded. The defined benefit plans in the USA have been closed to new members. New employees in the USA now join defined contribution plans. The defined benefit plans are subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), which defines minimum standards such as the statutory minimum funded status.

Pension plans in other countries

Autoneum maintains defined benefit plans in Canada, Great Britain and in the Netherlands. The pension plan in Canada is open for all Canadian employees. The plan is funded, and the majority of the contributions are paid by the employer. The pension plan in Great Britain is funded and has been closed to new members. New employees join a defined contribution plan. The plan in the Netherlands is funded and has been closed to new members.

The movement in the defined benefit obligation over the year was as follows:

CHF million	2017	2016
Defined benefit obligation at January 1	213.7	207.6
Current service cost	6.7	6.9
Past service cost	-	-2.1
Interest expenses	4.1	4.5
Remeasurement gains and losses	5.6	7.5
Employee contributions	3.3	3.2
Settlements	-5.5	-3.8
Benefits paid	-7.7	-12.2
Currency translation adjustment	-0.5	2.0
Defined benefit obligation at December 31	219.8	213.7

The movement in the fair value of plan assets over the year was as follows:

CHF million	2017	2016
Fair value of plan assets at January 1	182.4	180.9
Interest income	2.5	3.6
Return on plan assets excluding interest income	13.1	2.4
Employer contributions	6.5	6.6
Employee contributions	3.3	3.2
Settlements	-4.4	-3.8
Benefits paid	-7.7	-12.2
Currency translation adjustment	-	1.8
Fair value of plan assets at December 31	195.8	182.4

The major categories of plan assets were as follows:

CHF million	31.12.2017	31.12.2016
Equity	88.4	79.1
Debt	58.9	61.5
Real estate	29.9	24.4
Cash	11.3	8.3
Other	7.2	9.2
Total	195.8	182.4

All equity and debt instruments are listed on a stock exchange.

The amounts recognized in the income statement were as follows:

CHF million	2017	2016
Current service cost	-6.7	-6.9
Past service cost	-	2.1
Gain on settlements	1.1	-
Net interest expenses	-1.6	-0.9
Pension expenses for defined benefit plans	-7.2	-5.7
Recognized in the income statement:		
as employee expenses	-5.7	-4.9
as interest expenses	-1.6	-0.9

Prior year past service cost stems from amendments of Swiss pension plans.

The amounts recognized in the income statement result from plans in the following regions:

CHF million	2017	2016
Expenses for defined benefit plans in Switzerland	-5.5	-2.8
Expenses for defined benefit plans in the USA	-0.6	-1.5
Expenses for defined benefit plans in other countries	-1.2	-1.4
Total	-7.2	-5.7

The expected employer contributions for the Group's defined benefit pension plans for 2018 amount to CHF 6.8 million. The expected benefit payments for 2018 are CHF 6.2 million.

The effect from remeasurement of the defined benefit pension plans recognized in other comprehensive income is as follows:

CHF million	2017	2016
Remeasurement gains and losses		
from changes in demographic assumptions	0.6	2.1
from changes in financial assumptions	-2.6	-9.0
from experience adjustment	-3.6	-0.6
Return on plan assets excluding interest income	13.1	2.4
Total	7.4	-5.1

The table below discloses the main actuarial assumptions at year-end:

Weighted average of all pension plans		31.12.2017	31.12.2016
Discount rate	in %	1.8	2.0
Expected future salary growth	in %	0.6	0.6
Expected future pension growth	in %	0.1	0.1
Life expectancy for females at age of 65	in years	23.8	23.8
Life expectancy for males at age of 65	in years	21.8	21.7

At December 31, 2017 the weighted average duration of the defined benefit obligation was 16.4 years (2016: 16.7 years).

The table below shows the results of the sensitivity analysis. It was analyzed how expected changes in the discount rate, in future salary and pension growth, and in the life expectancy would impact the defined benefit obligation. Changes in these parameters would have the following effect on the defined benefit obligation:

CHF million	31.12.2017	31.12.2016
Increase in discount rate by 0.25 percentage point	-8.7	-8.6
Decrease in discount rate by 0.25 percentage point	9.3	9.2
Increase in future salary growth by 0.5 percentage point	2.3	3.2
Decrease in future salary growth by 0.5 percentage point	-2.4	-3.2
Increase in future pension increase by 0.25 percentage point	3.2	3.0
Decrease in future pension increase by 0.25 percentage point	-3.0	-2.8
Increase in life expectancy by one year	6.3	5.5
Decrease in life expectancy by one year	-5.8	-5.1

26 Provisions

CHF million	Guarantee and warranty	Litigation and tax risk	Environmental	Other	Total
Provisions at January 1, 2017	4.4	42.4	11.0	19.2	77.0
Additions	0.3	13.3	0.2	11.7	25.5
Utilization	-0.3	-9.9	-0.1	-10.2	-20.5
Release	-4.0	-4.3	-3.4	-5.4	-17.1
Reclassification	-	1.9	-	1.9	3.8
Currency translation adjustment	-	1.4	0.8	0.5	2.7
Provisions at December 31, 2017	0.3	44.9	8.5	17.7	71.4
Thereof non-current	-	23.1	8.3	6.0	37.4
Thereof current	0.3	21.8	0.2	11.7	34.0

Guarantee and warranty provisions are related to the production and supply of goods or services and are based on experience. The non-current guarantee and warranty provisions are expected to be used in one to two years.

Litigation and tax risk provisions comprise provisions for expected costs resulting from investigations and proceedings of government agencies, provisions for court cases, such as claims brought up by workers for health- or accident-related incidents, and provisions for tax risks. The majority of litigation and tax risk provisions are expected to be used within the next two to three years.

Environmental provisions contain the estimated costs for the cleanup of contaminated sites due to past industrial operations. The majority of provisions stem from legal entities within Business Group Europe. Long-term environmental provisions are expected to be used mainly over the next five to ten years.

Other provisions are made for contracts where the unavoidable costs to fulfill the obligation are greater than the expected economic benefits, as well as for other constructive or legal liabilities of Group companies. The disclosed reclassification mainly comprises estimated customer price reductions in the amount of CHF 6.6 million which were reclassified from the allowance for doubtful trade receivables to other current provisions (refer to note 19, page 103) and other long-term employee benefits in the amount of CHF 2.6 million which were reclassified to employee benefit liabilities (refer to note 25, page 109). The majority of other non-current provisions are expected to be used in two to three years.

27 Other liabilities

CHF million	31.12.2017	31.12.2016
Advance payments from customers	19.7	20.2
Deferred income	0.6	-
Other payables	0.6	11.3
Total non-current portion	20.9	31.5
Advance payments from customers	70.3	55.4
Accrued expenses	59.6	52.3
Accrued holidays and overtime	14.0	13.3
Non-income tax payables	15.7	19.3
Deferred income	1.9	-
Fair value of derivative financial instruments	0.8	-
Other payables	18.7	24.2
Total current portion	181.1	164.5

28 Other commitments

Some Group companies rent tangible assets under finance and operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future, cumulated minimum lease payments for operating leases and for finance leases are due as follows:

CHF million	Operating lease 31.12.2017	Finance lease 31.12.2017	Operating Lease 31.12.2016	Finance lease 31.12.2016
Less than 1 year	28.2	1.4	29.2	-
1 to 5 years	68.3	6.7	74.4	-
Thereafter	94.0	24.0	69.8	-
Total	190.5	32.1	173.4	-

In the reporting period, CHF 42.7 million was charged to the income statement as operating leasing expenses (2016: CHF 37.9 million).

At year-end, open commitments for investments in tangible assets summed up to CHF 32.6 million (2016: CHF 38.2 million).

29 Contingent liabilities

There are no single matters pending that Autoneum expects to be material in relation to the Group's business, financial position or results of operations.

30 Financial instruments

The following tables summarize all financial instruments classified by categories according to IAS 39:

CHF million	31.12.2017	31.12.2016
Marketable securities ¹	1.6	–
Fair value of derivative financial instruments ²	1.4	0.3
Total financial assets at fair value through profit or loss	3.1	0.3
Cash at banks	103.8	148.6
Time deposits with original maturities up to 3 months	–	1.2
Time deposits with original maturities between 3 and 12 months	–	1.5
Loans	9.2	6.1
Trade receivables	301.4	276.1
Other receivables	45.9	68.9
Accrued income	0.1	–
Other financial assets	5.7	3.4
Total loans and receivables	466.1	505.8
Investments in non-consolidated companies ¹	64.3	34.4
Total available-for-sale financial assets	64.3	34.4
Total	533.5	540.5
CHF million	31.12.2017	31.12.2016
Borrowings	288.8	208.7
Trade payables	261.7	253.8
Accrued expenses	59.6	52.3
Other payables	19.3	35.4
Total financial liabilities at amortized cost	629.4	550.2
Fair value of derivative financial instruments ²	0.8	–
Total financial liabilities at fair value through profit or loss	0.8	–
Total	630.1	550.2

¹ Measured at fair values that are based on quoted prices in active markets (level 1).

² Measured at fair values that are calculated based on observable market data (level 2).

Borrowings comprise two bonds with a total net book value of CHF 174.4 million (2016: CHF 199.5 million) and a total fair value of CHF 177.3 million (2016: CHF 204.9 million) based on quoted prices in active markets. Refer to note 24 on page 108 for further information. The book values of other financial instruments measured at amortized cost correspond to their fair values.

31 Related parties

Related parties are members of the Board of Directors and the Executive Board or close members of that person's family, pension funds, associated companies as well as companies controlled by significant shareholders. At December 31, 2017 Artemis Beteiligungen I Ltd, Hergiswil, Switzerland, Centinox Holding Ltd, Hergiswil, Switzerland, and Michael Pieper, Hergiswil, Switzerland, held 20.52% (2016: 20.29%) of the shares of the Company and PCS Holding Ltd, Warth-Weiningen, Switzerland, and Peter Spuhler, Weiningen, Switzerland, held 17.19% (2016: 17.18%) of the shares of the Company.

The pension fund of an Autoneum Group entity granted a loan to the Company. The loan bears an interest rate of 0.35% and is due within six days upon cancellation of the agreement by either the lender or the borrower.

The following transactions were carried out with related parties:

CHF million	2017	2016
Consulting expenses to the law firm of the Chairman of the Board of Directors	-	0.1
Interest expenses to pension funds	-	-
Total	-	0.1

The total remuneration to the Board of Directors and to the Group Executive Board was as follows:

CHF million	2017	2016
Short-term benefits	4.4	4.8
Share-based payments	2.9	2.6
Post-employment benefits	0.1	0.1
Total	7.5	7.5

The compensation of the Board of Directors and of the Group Executive Board is disclosed in the Remuneration Report on pages 124–128.

Year-end balances were as follows:

CHF million	31.12.2017	31.12.2016
Current borrowings due to pension funds	5.0	-
Bonus accruals for Group Executive Board	2.7	2.4
Total	7.7	2.4

32 Net debt

CHF million	31.12.2017	31.12.2016
Cash and cash equivalents	-103.8	-149.8
Time deposits with original maturities between 3 and 12 months	-	-1.5
Marketable securities	-1.6	-
Borrowings	288.8	208.7
Net debt	183.3	57.4

33 Exchange rates for currency translation

CHF	ISO code	Units	Average rate 2017	Average rate 2016	Year-end rate 2017	Year-end rate 2016
Argentine peso	ARS	100	5.92	6.70	5.17	6.42
Brazilian real	BRL	1	0.31	0.28	0.29	0.31
Canadian dollar	CAD	1	0.76	0.75	0.78	0.76
Chinese yuan	CNY	100	14.58	14.89	14.99	14.67
Czech koruna	CZK	100	4.23	4.03	4.58	3.97
Euro	EUR	1	1.11	1.09	1.17	1.07
Pound sterling	GBP	1	1.27	1.34	1.32	1.25
Indian rupee	INR	100	1.51	1.47	1.53	1.50
Mexican peso	MXN	100	5.20	5.32	4.95	4.93
Polish zloty	PLN	100	26.14	25.01	28.02	24.35
United States dollar	USD	1	0.99	0.99	0.98	1.02

34 Events after balance sheet date

There were no events between December 31, 2017 and March 6, 2018 which would necessitate adjustments to the book value of the Group's assets or liabilities, or which require additional disclosure in the consolidated financial statements.

35 Proposal of the Board of Directors

For the year ended December 31, 2017 the Board of Directors proposes to the Annual General Meeting on March 28, 2018 a dividend of CHF 6.50 per share entitled to dividends. This represents a total distribution up to CHF 30.4 million. In 2017, a total dividend of CHF 30.3 million (CHF 6.50 per share entitled to dividends) was distributed to the shareholders of Autoneum Holding Ltd.

36 Subsidiaries, associated companies and non-consolidated investments

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			Nominal capital in million	Subsidiaries	Associated companies	Non-cons. investments	Voting & capital rights	Research & development	Sales/trading	Production	Service/financing
Switzerland	Autoneum Holding Ltd, Winterthur	CHF	0.2	•			100%				•
	Autoneum International Ltd, Winterthur	CHF	7.0	•			100%				•
	Autoneum Management Ltd, Winterthur	CHF	1.3	•			100%	•			•
	Autoneum Switzerland Ltd, Sevelen	CHF	0.3	•			100%	•	•	•	
Argentina	Autoneum Argentina SA, Córdoba	ARS	22.5	•			100%	•	•		
Belgium	Autoneum Belgium N.V., Genk	EUR	8.0	•			100%	•	•		
Brazil	Autoneum Brasil Têxteis Acústicos Ltda., São Paulo	BRL	201.6	•			100%	•	•	•	
Canada	Autoneum Canada Ltd., Tillsonburg	CAD	-	•			100%				•
China	Autoneum (Chongqing) Sound-Proof Parts Co. Ltd., Chongqing	CNY	49.3	•			100%		•	•	
	Autoneum (Shenyang) Sound-Proof Parts Co. Ltd., Shenyang	CNY	49.2	•			100%		•	•	
	Autoneum (Shanghai) Management Co. Ltd., Shanghai	CNY	13.2	•			100%	•	•		•
	Autoneum (Yantai) Sound-Proof Parts Co. Ltd., Yantai ¹	CNY	34.5	•			100%		•	•	
	Autoneum (Changsha) Management Co. Ltd., Changsha ¹	CNY	34.5	•			100%		•	•	
	Autoneum (Pinghu) Co. Ltd., Pinghu ¹	CNY	39.9	•			100%		•	•	
	Autoneum (Tianjin) Co. Ltd., Tianjin ¹	CNY	17.0	•			100%		•	•	
	Autoneum Nittoku (Guangzhou) Sound-Proof Co. Ltd., Guangzhou	CNY	75.8	•			51%		•	•	
Tianjin Autoneum Nittoku Sound-Proof Co. Ltd., Tianjin	CNY	47.2	•			51%		•	•		
Wuhan Nittoku Autoneum Sound-Proof Co. Ltd., Wuhan	CNY	89.6	•			25%		•	•		
Czech Republic	Autoneum CZ s.r.o., Choceň	CZK	206.2	•			100%				•
France	Autoneum Holding France SAS, Lyon	EUR	39.8	•			100%				•
	Autoneum France SAS, Aubergenville	EUR	8.0	•			100%	•	•	•	
Germany	Autoneum Germany GmbH, Rossdorf	EUR	11.2	•			100%	•	•	•	
Great Britain	Autoneum Great Britain Ltd., Stoke-on-Trent	GBP	41.8	•			100%		•	•	
Hungary	Autoneum Hungary Ltd., Komárom ¹	EUR	-	•			100%				•
India	Autoneum India Pvt. Ltd., New Delhi	INR	571.4	•			100%		•	•	
	Autoneum Nittoku Sound Proof Products India Pvt. Ltd., Chennai	INR	220.0	•			51%		•	•	
Indonesia	PT Tuffindo Nittoku Autoneum, Jakarta	IDR	90 370.0	•			9%		•	•	
Italy	Porfima Uno S.r.l., Torino	EUR	-	•			100%				•
Japan	Nihon Tokushu Toryo Co. Ltd., Tokyo	JPY	4 753.0	•			13%	•	•	•	•
Korea	Autoneum Korea Ltd., Incheon	KRW	264.0	•			100%				•
Mexico	Autoneum Mexico, S. de R.L. de C.V., Hermosillo	MXN	-	•			100%				•
	Autoneum Mexico Operations, S. de R.L. de C.V., San Luis Potosí	MXN	196.0	•			100%				•
	Autoneum Mexico Servicios, S. de R.L. de C.V., San Luis Potosí	MXN	3.1	•			100%				•
	UGN de Mexico, S. de R.L. de C.V., Silao	MXN	0.1	•			50%		•	•	
	Servicios de Acoustical Solutions, S. de R.L. de C.V., Silao	MXN	0.1	•			50%		•		
Netherlands	Autoneum Netherland B.V., Weert	EUR	-	•			100%				•
Poland	Autoneum Poland Sp.z.o.o., Katowice	PLN	20.8	•			100%	•	•	•	
Portugal	Autoneum Portugal Lda., Setúbal	EUR	0.6	•			87%				•
Russia	Autoneum Rus LLC, Ryazan	RUB	0.8	•			100%		•	•	
South Africa	Autoneum Feltex (Pty) Ltd., Durban	ZAR	-	•			51%		•	•	
Spain	Autoneum Spain S.A.U., Terrassa	EUR	5.8	•			100%				•
Thailand	SRN Sound Proof Co., Ltd., Chonburi	THB	100.0	•			30%		•	•	
	Summit & Autoneum (Thailand) Co., Ltd., Chonburi	THB	16.0	•			51% ²		•		
Turkey	Autoneum Erkurt Otomotive AS, Bursa	TRY	2.5	•			51%		•	•	
USA	Autoneum America Corporation, Farmington Hills	USD	-	•			100%				•
	Autoneum North America Inc., Farmington Hills	USD	-	•			100%	•	•	•	
	UGN Inc., Tinsley Park	USD	-	•			50%	•	•	•	

¹ The company was established in 2017.

² Autoneum has 49% of the capital rights.



Statutory Auditor's Report

To the General Meeting of Autoneum Holding Ltd, Winterthur

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Autoneum Holding Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 72 to 119) give a true and fair view of the consolidated financial position of the Group as at December 31, 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) 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, as well as the IESBA Code of Ethics for Professional Accountants, 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.

Key Audit Matters



Deferred Tax Assets

Key audit matters are those matters that, in our professional judgment, 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.



Deferred Tax Assets

Key Audit Matter

The deferred tax assets recorded by the Group amounted to CHF 25.7 million as of December 31, 2017. The tax loss carryforwards not recognized as deferred tax assets amount to CHF 288.9 million.

The recognition of deferred tax assets depends on several assumptions and estimates in respect of the probability of sufficient future taxable profits, future reversals of existing taxable temporary differences, tax rates, tax law changes and the ongoing tax planning strategies.

Our response

Our audit procedures included, amongst others, challenging the Group's assumptions, including evaluating the tax planning strategies and the availability of future taxable profits. In this context, we involved our own local and international tax specialists.

We compared key inputs used by the Group in forecasting future profits to externally available data, such as economic forecasts. We also analyzed the accuracy of the Group's own historical forecast data and performance and assessed the sensitivity of the outcomes to reasonably possible changes in assumptions. We paid particular attention to the tax planning strategies and to forecasts of future profitability in those jurisdictions with the most significant tax loss carryforwards.

Furthermore, we assessed whether the Group's disclosures appropriately reflect its tax position.

For further information on deferred tax assets refer to the following:

- Significant accounting judgments, estimates and assumptions relating to income taxes, Note 1.2
- Significant accounting policies, Note 1.16 Income taxes
- Note 11, Income taxes

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility 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 IFRS 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, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

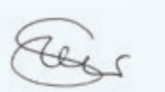
Report on Other Legal and Regulatory Requirements

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In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG



Kurt Stocker
Licensed Audit Expert
Auditor in Charge



Kathrin Schünke
Licensed Audit Expert

Zurich, March 6, 2018

Remuneration Report

Authority and definition process

The basic features of the remuneration policy are elaborated by the Compensation Committee (COC) and approved by the Board of Directors, which also approves the executive bonus plan and the long-term incentive plan (LTI). The Board of Directors fixes annually the remuneration of the Directors and of the members of the Group Executive Board, based on suggestions of the COC and within the limits approved by the shareholders. The Directors, whose remuneration is decided on, also participate in the meeting. The Board of Directors reviews annually the main features of the remuneration policy, approves the fixed portion of the remuneration of the Group Executive Board members and defines the targets for the executive bonus plan as well as the parameters for the LTI. The Board of Directors has not engaged third-party consultants for the elaboration of the salary policy or the compensation programs. The Board of Directors annually submits the proposal for the maximum aggregate total compensation of the members of the Board of Directors and the Group Executive Board to the Annual General Meeting for prospective approval by the shareholders. For a detailed description of the rules on the vote on pay at the Annual General Meeting, reference is made to §14 of the Articles of Association¹.

For the rules in the Articles of Association¹ on the principles applicable to performance-related pay and to the allocation of equity securities as well as the additional amount for payments to new members of the Group Executive Board appointed after the vote on pay at the Annual General Meeting as well as on loans, credit facilities and post-employment benefits for members of the Board of Directors and the Group Executive Board, reference is made to §24 and §25 of the Articles of Association¹.

Remuneration of the Board of Directors

The remuneration of the Board of Directors consists of an annual fee. The remuneration is determined at the discretion of the Board of Directors, taking into consideration the remuneration at companies with comparable size, industry and globalization. In addition, the members of the Board of Directors receive an annual lump sum payment for representation expenses.

The members of the Board of Directors may opt to obtain all or part of their remuneration in cash or in Autoneum shares. The cash component is paid out in December of the related business year. The shares are delivered in the respective year and blocked for three years. The share price applicable for the conversion of the remuneration into shares is based on the average trading price of the ten trading days following the dividend payment, discounted to reflect a three-year blocking period.

¹ www.autoneum.com/investor-relations/corporate-governance

Remuneration of the Group Executive Board

Remuneration of the Group Executive Board consists of a fixed component, a performance-related bonus and the participation in the long-term incentive plan (LTI). Remuneration is determined at the discretion of the Board of Directors, taking into consideration function, responsibility and experience, as well as remuneration at comparable industrial companies for which information is publicly available or known to the Directors from their experience or office at similar companies. Industrial companies are considered comparable with Autoneum if they are similar in terms of business sector, structure, size and international activity.

The Board of Directors may define an additional portion of the basic salary which shall be paid in Autoneum shares. The number of shares is calculated considering the average trading price of the first ten trading days of the respective year. The granted shares are delivered in December of the respective year and blocked for three years.

The members of the Group Executive Board may reach a performance-related remuneration of up to 80% of their basic salary, subject to the achievement or exceeding of defined minimum profitability and liquidity targets of the Group or of the Business Groups (BG), as well as to the achievement of agreed individual targets. The targets for the CEO and the CFO refer to the Group net profit margin (weighted with 52.5%), Group RONA (22.5%) and individual targets (25%). For the Heads of the BG the targets refer to the Group net profit margin (17.5%), Group RONA (7.5%), BG EBIT margin (35%), BG free cash flow (15%)¹ and individual targets (25%). Minimum and maximum limits are defined for the weighted targets. Achievement of the minimum limit is a condition for the bonus, while maximum bonus is achieved at the maximum limit. Bonus develops linearly between the two limits. Irrespective of the other targets, a bonus is only earned in case of a positive Group net profit. At least 40% of the bonus is paid in shares of Autoneum. Each member of the Group Executive Board can opt for receiving up to 100% of the bonus in shares and for receiving either restricted shares with a blocking period of three years or an entitlement to shares with a deferred transfer after a period of three years. The calculated bonus is multiplied by 1.4 and then converted into shares considering the average trading price of the first ten trading days in January of the following year.

The long-term incentive plan (LTI) allows the Board of Directors to allocate part of the Group's net profit to the beneficiaries defined in advance. Beneficiaries are the upper management of the Group, including the Group Executive Board. An allocation is only granted if Group net profit is positive and exceeds a defined threshold. The total amount of Group net profit dedicated to the LTI is converted into Autoneum shares and the shares are allocated to the beneficiaries at fixed percentage rates, corresponding to the internal function levels. The shares become property of the beneficiaries after a vesting period of 35 months, if the beneficiaries are then still employed by an Autoneum company. Due to the 35 month vesting period, the value of the LTI is in strong correlation to the Autoneum share price performance. Immediate vesting occurs in case of death or retirement of a beneficiary. In case of employment termination, shares not yet vested lapse without compensation. Exceptions are possible at the discretion of the COC. For the year 2017, 1% of Group net profit has been allocated (2016: 1%).

There are no share options or share purchase plans.

¹ For 2018 and onwards, the Board of Directors has revised the BG free cash flow target. The calculation of the free cash flow for bonus target purposes is based on the monthly average net working capital instead of the net working capital of the year-end closing. The bonus plan is amended accordingly.

Remuneration to the members of the Board of Directors and Group Executive Board in 2017

CHF	Fixed remuneration		Other ²	Total
	in cash	in shares ¹		
Board of Directors				
Hans-Peter Schwald Chairman	-	369 138	22 147	391 285
Rainer Schmückle Vice Chairman	120 000	95 090	-	215 090
Norbert Indlekofer	66 000	37 307	7 267	110 574
Michael W. Pieper	-	118 932	5 479	124 411
This E. Schneider	-	178 398	11 300	189 698
Peter Spuhler	-	118 932	7 420	126 352
Ferdinand Stutz	120 000	83 309	14 151	217 460
Total	306 000	1 001 106	67 764	1 374 870

CHF	Fixed remuneration		Variable remuneration		LTI ⁵	Other ⁶	Total
	in cash	in shares ³	in cash	in shares ⁴			
Group Executive Board							
All members	2 627 877	57 191	529 791	1 730 268	261 692	1 008 739	6 215 557
Thereof Martin Hirzel, CEO	668 000	57 191	154 338	504 064	83 132	193 343	1 660 068

¹ The fixed remuneration in shares is calculated by the number of shares granted multiplied by the average trading price for the ten days following the dividend payment in 2017 (CHF 280.50). The transfer took place after deduction of applicable social security contributions and withholding taxes.

² Other remuneration includes the employer's portion of social insurance contributions.

³ The applicable share price during the defined period was CHF 268.50.

⁴ The part of the bonus opted to be paid out in shares (at least 40%) is multiplied by the factor 1.4 and then converted into shares using the average trading price for the first ten days in January 2018 (CHF 292.72).

⁵ The rights allocated in April 2018 will vest end of February 2021.

⁶ Other remuneration includes the employer's portion of social insurance contributions, the employer's portion of contributions to pension funds and other fringe benefits.

At the Annual General Meeting 2016 a total remuneration to the Board of Directors of CHF 1450 000 and a total remuneration to the Group Executive Board of CHF 7 000 000 was approved for the financial year 2017. The total remuneration to the Board of Directors and to the Group Executive Board for 2017 is within the approved limit.

Remuneration to former members of the Board of Directors and of the Group Executive Board

There has been no remuneration to former members of the Board of Directors or of the Group Executive Board.

Directorships at other companies

The Board of Directors decides on directorships of members of the Group Executive Board or senior management at other companies. When the directorship is exercised outside the contractual working time, the director's remuneration received must not be surrendered to Autoneum.

Remuneration to the members of the Board of Directors and Group Executive Board in 2016

CHF	Fixed remuneration		Other adjusted ²	Total
	in cash	in shares adjusted ¹		
Board of Directors				
Hans-Peter Schwald Chairman	–	333 284	19 848	353 132
Rainer Schmückle Vice Chairman	120 000	83 262	–	203 262
Michael W. Pieper	–	118 879	5 108	123 987
This E. Schneider	–	154 730	9 387	164 117
Peter Spuhler	100 000	–	7 371	107 371
Ferdinand Stutz	120 000	59 439	12 119	191 558
Total	340 000	749 594	53 833	1 143 427

CHF	Fixed remuneration		Variable remuneration		LTI ⁵	Other ⁶	Total
	in cash	in shares ³	in cash	in shares ⁴			
Group Executive Board							
All members	2 570 480	32 081	911 739	1 512 729	160 295	924 996	6 112 319
Thereof Martin Hirzel, CEO	668 000	32 081	163 800	535 121	70 079	150 551	1 619 630

¹ The fixed remuneration in shares is calculated by the number of shares granted multiplied by the average trading price for the ten days following the dividend payment in 2016 (CHF 235.87). The transfer took place after deduction of applicable social security contributions and withholding taxes. In the prior year Remuneration Report, the fixed remuneration in shares was valued based on tax values. The disclosure was adjusted accordingly.

² Other remuneration includes the employer's portion of social insurance contributions. In the prior year Remuneration Report, Other remuneration included lump-sum remuneration for representation expenses. The disclosure was adjusted accordingly.

³ The applicable share price during the defined period was CHF 192.10.

⁴ The part of the bonus opted to be paid out in shares (at least 40%) is multiplied by the factor 1.4 and then converted into shares using the average trading price for the first ten days in January 2017 (CHF 268.50).

⁵ The rights allocated in April 2017 will vest end of February 2020.

⁶ Other remuneration includes the employer's portion of social insurance contributions, the employer's portion of contributions to pension funds and other fringe benefits.

Total remuneration to the Group Executive Board contains remuneration to Dr Uwe Trautmann, who resigned from the Group Executive Board in 2016 and had the bonus settled in cash.

Loans to directors or officers

No loans have been granted to members of the Board of Directors or the Group Executive Board.

Other remuneration and payments to related parties

There have been no further payments or remuneration to members of the Board of Directors or Group Executive Board in 2017 or in 2016. In 2017, CHF 44 040 (2016: CHF 67 415) of fees were paid to the law firm managed by the Chairman of the Board of Directors, for legal services provided.



Statutory Auditor's Report

To the General Meeting of Autoneum Holding Ltd, Winterthur

Report on the Audit of the Remuneration Report

We have audited the accompanying remuneration report of Autoneum Holding Ltd for the year ended December 31, 2017.

The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the tables “Remuneration to the members of the Board of Directors and Group Executive Board in 2017” and “Remuneration to the members of the Board of Directors and Group Executive Board in 2016” on pages 126 to 127 of the remuneration report.

Responsibility of the Board of Directors

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 judgment, 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.

Opinion

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

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

Kathrin Schünke
Licensed Audit Expert

Zurich, March 6, 2018

Income statement of Autoneum Holding Ltd

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CHF million	Notes	2017	2016
Income			
Dividend income		81.7	67.8
Financial income	(2)	32.0	14.6
License income		6.2	6.0
Total income		119.8	88.4
Expenses			
Financial expenses	(3)	-47.7	-21.7
Administration expenses		-6.0	-4.7
Extraordinary expenses	(4)	-13.6	-
Taxes		-0.7	-0.2
Total expenses		-68.0	-26.6
Net profit		51.9	61.8

Balance sheet of Autoneum Holding Ltd

CHF million	Notes	31.12.2017	31.12.2016
Assets			
Cash and cash equivalents		13.6	19.9
Loans and financial receivables	(5)	82.6	54.4
Accrued income and deferred expenses	(6)	8.5	7.5
Current assets		104.6	81.8
Loans and financial receivables	(5)	281.9	258.7
Investments	(7)	407.0	361.9
Non-current assets		688.9	620.5
Assets		793.6	702.3
Liabilities and shareholders' equity			
Borrowings	(8)	58.2	173.5
Other liabilities	(9)	16.0	0.4
Deferred income and accrued expenses	(10)	7.2	5.4
Current liabilities		81.4	179.2
Borrowings	(8)	243.4	75.0
Non-current liabilities		243.4	75.0
Liabilities		324.8	254.2
Share capital	(11)	0.2	0.2
Legal capital reserves	(11)	350.0	350.0
Retained earnings			
Balance brought forward		70.0	38.5
Net profit		51.9	61.8
Treasury shares	(11)	-3.3	-2.4
Shareholders' equity		468.7	448.1
Liabilities and shareholders' equity		793.6	702.3

1 Principles

General

Autoneum Holding Ltd was incorporated on December 2, 2010 as a Swiss corporation domiciled in Winterthur. The Company does not have any employees.

The financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Loans and financial receivables

Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded but unrealized gains are not recognized. In the case where the currency effect of loans is hedged, both unrealized losses and gains are recognized.

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a sale, the gain or loss is recognized in the income statement as financial income or financial expenses.

Bonds and bank debts

Borrowings are recognized in the balance sheet at nominal value. The issue costs for the bonds and for finance agreements are recognized as accrued income and deferred expenses due from third parties and amortized on a straight-line basis over the maturity period.

Investments

Investments are valued using the single-item approach.

2 Financial income

CHF million	2017	2016
Interest income	15.9	14.0
Net foreign exchange gains	2.0	-
Reversal of valuation adjustments on investments	12.9	-
Other financial income	1.2	0.7
Total	32.0	14.6

3 Financial expenses

CHF million	2017	2016
Interest expenses	-7.5	-8.1
Net foreign exchange losses	-	-5.3
Increase of valuation adjustments on loans due to subsidiaries	-39.9	-7.5
Other financial expenses	-0.3	-0.8
Total	-47.7	-21.7

4 Extraordinary expenses

Extraordinary expenses in 2017 include the loss from the disposal of the production facility in Betim, Brazil, of CHF 4.8 million and expenses in relation with the settlement of a liability from a former subsidiary of CHF 8.8 million.

5 Loans and financial receivables

CHF million	31.12.2017	31.12.2016
Loans due from subsidiaries	70.3	34.7
Loans due from third parties	1.3	0.4
Cash pool receivables due from subsidiaries	11.0	19.3
Total current portion	82.6	54.4
Loans due from subsidiaries	273.9	253.0
Loans due from third parties	8.0	5.7
Total non-current portion	281.9	258.7

6 Accrued income and deferred expenses

CHF million	31.12.2017	31.12.2016
Accrued income and deferred expenses due from subsidiaries	6.4	6.7
Accrued income and deferred expenses due from third parties	2.1	0.8
Total	8.5	7.5

7 Investments

The subsidiaries, associated companies and non-consolidated investments are listed in note 15 on page 136. They are owned directly or indirectly by Autoneum Holding Ltd.

8 Borrowings

CHF million	31.12.2017	31.12.2016
Bonds	-	125.0
Loans due to subsidiaries	4.1	-
Cash pool liabilities due to subsidiaries	40.5	48.5
Bank debts	8.6	-
Loans due to related parties	5.0	-
Total current portion	58.2	173.5
Bonds	175.0	75.0
Loans due to subsidiaries	23.4	-
Bank debts	45.0	-
Total non-current portion	243.4	75.0

Loans due to related parties comprise a loan of CHF 5.0 million that was granted by the pension fund of an Autoneum Group entity to the Company. The loan bears an interest rate of 0.35% and is due within six days upon cancellation of the agreement by either the lender or the borrower.

On December 14, 2012 Autoneum Holding Ltd issued a fixed-rate bond with a nominal value of CHF 125.0 million, which was listed on the SIX Swiss Exchange (AUT12, ISIN: CH0196770439). The bond carried a coupon rate of 4.375% and had a term of five years with a final maturity on December 14, 2017.

On July 4, 2016 Autoneum Holding Ltd issued a fixed-rate bond with a nominal value of CHF 75.0 million, which is listed on the SIX Swiss Exchange (AUH16, ISIN: CH0326213904). The bond carries a coupon rate of 1.125% and has a term of seven years with a final maturity on July 4, 2023.

On December 8, 2017 Autoneum Holding Ltd issued a fixed-rate bond with a nominal value of CHF 100.0 million, which is listed on the SIX Swiss Exchange (AUT17, ISIN: CH0373476032). The bond carries a coupon rate of 1.125% and has a term of eight years with a final maturity on December 8, 2025.

Autoneum maintains a long-term credit agreement with a banking syndicate in the amount of CHF 150.0 million, whereof CHF 45.0 million was drawn at year-end (2016: nil). The line of credit may partly be used as a guarantee facility. On December 7, 2017 the long-term credit agreement was amended and the final maturity date extended from December 31, 2019 to December 31, 2022. The interest rate is based on the LIBOR rate plus an applicable margin, which is determined based on the ratio of net debt to EBITDA. The credit agreement contains customary financial covenants, which include the ratio of net debt to EBITDA and a minimum economic equity. Compliance with financial covenants is checked quarterly and reported to the banking syndicate. In fiscal years 2017 and 2016, the financial covenants were met at all times.

9 Other liabilities

CHF million	31.12.2017	31.12.2016
Other liabilities due to subsidiaries	7.7	0.3
Other liabilities due to third parties	8.3	0.1
Total	16.0	0.4

10 Deferred income and accrued expenses

CHF million	31.12.2017	31.12.2016
Deferred income and accrued expenses due to subsidiaries	2.5	2.0
Deferred income and accrued expenses due to third parties	4.7	3.3
Total	7.2	5.4

11 Shareholders' equity

Share capital

The share capital amounts to CHF 233 618.15. It is divided into 4 672 363 fully paid registered shares with a par value of CHF 0.05 each.

Conditional share capital

For issuing convertible bonds, warranty bonds and for granting shareholder options, the share capital can be increased by a maximum of 700 000 fully paid-up registered shares with a par value of CHF 0.05 up to a maximum value of CHF 35 000. Furthermore, for the issuance of shares to employees of subsidiaries, the share capital can be increased by a maximum of 250 000 fully paid-up registered shares with a par value of CHF 0.05 up to a maximum value of CHF 12 500.

Legal capital reserves

These reserves include an amount of CHF 0.1 million (2016: CHF 0.1 million) whose distribution as dividends is not subject to income taxes in Switzerland and can be effected free of Swiss withholding tax. The remaining part of the legal capital reserve does not benefit from the Swiss capital contribution principle.

Treasury shares

The following transactions with treasury shares were performed during the financial year:

	2017 in shares	2017 in CHF million	2016 in shares	2016 in CHF million
Treasury shares at January 1	19 828	2.4	37 612	4.3
Purchase of treasury shares	9 382	2.3	530	0.1
Sale of treasury shares	-7 662	-0.9	-15 466	-1.8
Transfer of treasury shares	-3 103	-0.4	-2 848	-0.3
Treasury shares at December 31	18 445	3.3	19 828	2.4

12 Guarantees and collateral provided

Autoneum Holding Ltd has guaranteed CHF 24.1 million (2016: CHF 19.4 million) to financial institutions for granting credit facilities to direct and indirect subsidiaries and CHF 28.7 million (2016: CHF 26.9 million) to other third parties for securing transactions they entered into with direct and indirect subsidiaries and other third parties. Furthermore, a financing commitment in the amount of CHF 8.2 million was given in favor of a subsidiary (2016: nil).

13 Shares allocated to the Board of Directors

Part of the remuneration of the Board of Directors is paid in shares of Autoneum Holding Ltd. In 2017, 3 569 shares (2016: 3 178 shares) with a total value of CHF 1 001 106 (2016: CHF 749 594) were allocated and 3 103 shares (2016: 2 848 shares) were transferred to the members of the Board of Directors. The remaining shares were withheld by the Company to account for the beneficiaries part of social security contributions and withholding taxes.

14 Shares held by the members of the Board of Directors or Group Executive Board

The following shares were held by members of the Board of Directors or the Group Executive Board, including parties related to them (Art. 663c Swiss Code of Obligations):

Number of shares	31.12.2017	31.12.2016
Hans-Peter Schwald, Chairman	38 000	36 500
Rainer Schmückle, Vice Chairman	1 390	1 136
Norbert Indlekofer ¹	91	n/a
Michael Pieper	958 657	948 251
This E. Schneider	5 226	4 789
Peter Spuhler	803 269	802 871
Ferdinand Stutz	2 628	2 349
Total Board of Directors	1 809 261	1 795 896
Martin Hirzel, CEO	10 092	7 578
Dr Martin Zwyszig	2 272	1 472
Matthias Holzammer	3 224	3 312
John T. Lenga	601	902
Andreas Kolf	405	-
Fausto Bigi	-	-
Total Group Executive Board	16 594	13 264

¹ Norbert Indlekofer was newly elected to the Board of Directors at the Annual General Meeting on March 30, 2017.

15 Subsidiaries, associated companies and investments

			Nominal capital in million	Directly owned	Indirectly owned	Voting and capital rights ¹	Research & development	Sales/trading	Production	Service/financing
Switzerland	Autoneum International Ltd, Winterthur	CHF	7.0	•		100%				•
	Autoneum Management Ltd, Winterthur	CHF	1.3	•		100%	•			•
	Autoneum Switzerland Ltd, Sevelen	CHF	0.3	•		100%	•	•	•	
Argentina	Autoneum Argentina SA, Córdoba	ARS	22.5	•		100%	•	•		
Belgium	Autoneum Belgium N.V., Genk	EUR	8.0	•		100%	•	•		
Brazil	Autoneum Brasil Têxteis Acústicos Ltda., São Paulo	BRL	201.6	•		100%	•	•	•	
Canada	Autoneum Canada Ltd., Tillsonburg	CAD	-	•		100%				•
China	Autoneum (Chongqing) Sound-Proof Parts Co. Ltd., Chongqing	CNY	49.3	•		100%		•	•	
	Autoneum (Shenyang) Sound-Proof Parts Co. Ltd., Shenyang	CNY	49.2	•		100%		•	•	
	Autoneum (Shanghai) Management Co. Ltd., Shanghai	CNY	13.2	•		100%	•			•
	Autoneum (Yantai) Sound-Proof Parts Co. Ltd., Yantai ²	CNY	34.5	•		100%		•	•	
	Autoneum (Changsha) Management Co. Ltd., Changsha ²	CNY	34.5	•		100%		•	•	
	Autoneum (Pinghu) Co. Ltd., Pinghu ²	CNY	39.9	•		100%		•	•	
	Autoneum (Tianjin) Co. Ltd., Tianjin ²	CNY	17.0	•		100%		•	•	
	Autoneum Nittoku (Guangzhou) Sound-Proof Co. Ltd., Guangzhou	CNY	75.8	•		51%		•	•	
	Tianjin Autoneum Nittoku Sound-Proof Co. Ltd., Tianjin	CNY	47.2	•		51%		•	•	
Wuhan Nittoku Autoneum Sound-Proof Co. Ltd., Wuhan	CNY	89.6	•		25%		•	•		
Czech Republic	Autoneum CZ s.r.o., Choceň	CZK	206.2	•		100%				•
France	Autoneum Holding France SAS, Lyon	EUR	39.8	•		100%				•
	Autoneum France SAS, Aubergenville	EUR	8.0	•		100%	•	•	•	
Germany	Autoneum Germany GmbH, Rossdorf	EUR	11.2	•		100%	•	•	•	
Great Britain	Autoneum Great Britain Ltd., Stoke-on-Trent	GBP	41.8	•		100%		•	•	
Hungary	Autoneum Hungary Ltd., Komárom ²	EUR	-	•		100%				•
India	Autoneum India Pvt. Ltd., New Delhi	INR	571.4	•		100%		•	•	
	Autoneum Nittoku Sound Proof Products India Pvt. Ltd., Chennai	INR	220.0	•		51%		•	•	
Indonesia	PT Tuffindo Nittoku Autoneum, Jakarta	IDR	90 370.0	•		9%		•	•	
Italy	Porfima Uno S.r.l., Torino	EUR	-	•		100%				•
Japan	Nihon Tokushu Toryo Co. Ltd., Tokyo ³	JPY	4 753.0	•		13%	•	•	•	•
Korea	SHN CO., Ltd., Daegu ⁴	KRW	2 640.0			0%		•	•	
	Autoneum Korea Ltd., Incheon ⁵	KRW	264.0	•		100%				•
Mexico	Autoneum Mexico, S. de R.L. de C.V., Hermosillo	MXN	-	•		100%				•
	Autoneum Mexico Operations, S. de R.L. de C.V., San Luis Potosí	MXN	196.0	•		100%				•
	Autoneum Mexico Servicios, S. de R.L. de C.V., San Luis Potosí	MXN	3.1	•		100%				•
	UGN de Mexico, S. de R.L. de C.V., Silao	MXN	0.1	•		50%		•	•	
	Servicios de Acoustical Solutions, S. de R.L. de C.V., Silao	MXN	0.1	•		50%		•		
Netherlands	Autoneum Netherland B.V., Weert	EUR	-	•		100%				•
Poland	Autoneum Poland Sp.z.o.o., Katowice	PLN	20.8	•		100%	•	•	•	
Portugal	Autoneum Portugal Lda., Setúbal	EUR	0.6	•		87%				•
Russia	Autoneum Rus LLC, Ryazan	RUB	0.8	•		100%		•	•	

			Nominal capital in million	Directly owned	Indirectly owned	Voting and capital rights	Research & development	Sales/trading	Production	Service/financing
South Africa	Autoneum Feltex (Pty) Ltd., Durban	ZAR	-	•		51%	•	•		
Spain	Autoneum Spain S.A.U., Terrassa	EUR	5.8	•		100%			•	
Thailand	SRN Sound Proof Co., Ltd., Chonburi	THB	100.0	•		30%	•	•		
	Summit & Autoneum (Thailand) Co., Ltd., Chonburi	THB	16.0	•		51% ⁶	•			
Turkey	Autoneum Erkurt Otomotive AS, Bursa	TRY	2.5	•		51%	•	•		
USA	Autoneum America Corporation, Farmington Hills	USD	-	•		100%				•
	Autoneum North America Inc., Farmington Hills	USD	-	•		100%	•	•	•	
	UGN Inc., Tinley Park	USD	-	•		50%	•	•	•	

¹ Unless otherwise noted, voting and capital rights have not changed compared to prior year.

² The companies were established in 2017.

³ The Company acquired additional 4% of voting and capital rights in 2017.

⁴ The Company sold its voting and capital rights of 49% in 2017.

⁵ The Company acquired the remaining 40% of voting and capital rights in 2017.

⁶ Autoneum has 49% of the capital rights.

16 Significant shareholders

At December 31 Autoneum knew that the following shareholders had more than 3% of the Company voting rights (in accordance with Art. 663c of the Swiss Code of Obligations):

	31.12.2017	31.12.2016
Artemis Beteiligungen I Ltd, Hergiswil, Switzerland; Centinox Holding Ltd, Hergiswil, Switzerland; and Michael Pieper, Hergiswil, Switzerland ¹	20.52%	20.29%
PCS Holding Ltd, Warth-Weiningen, Switzerland; and Peter Spuhler, Weiningen, Switzerland ¹	17.19%	17.18%
Norges Bank (the Central Bank of Norway), Oslo, Norway ²	3.04%	3.00%

¹ Voting rights according to the Company's records at December 31.

² Voting rights according to last notification via SIX Swiss Exchange, published on December 20, 2017.

Details of the disclosures can be found at:

www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html

17 Events after balance sheet date

There were no events between December 31, 2017 and March 6, 2018 that would necessitate adjustments to the book value of the Company's assets or liabilities, or that require additional disclosure in the financial statements.

Dividend proposal

for the appropriation of available earnings

CHF	2017
Balance brought forward	69 999 069
Net profit	51 868 469
At the disposal of the Annual General Meeting	121 867 538
Proposal	
Distribution of a dividend ¹	30 370 360
Carried forward to new account	91 497 178
Total	121 867 538

¹ Shares held by Autoneum Holding Ltd at the time of dividend distribution are not entitled to dividends. The amount distributed will be reduced accordingly at the time of distribution.

The Board of Directors proposes that a dividend of CHF 6.50 be paid per registered share entitled to dividends.

Statutory Auditor's Report

To the General Meeting of Autoneum Holding Ltd, Winterthur

Report on the Audit of the Financial Statements

Opinion

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

In our opinion the financial statements (pages 129 to 137) for the year ended December 31, 2017, comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Investments and loans due from subsidiaries

Key audit matters are those matters that, in our professional judgment, 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.



Investments and loans due from subsidiaries

Key Audit Matter

The financial statements of Autoneum Holding Ltd as at December 31, 2017 include investments in the amount of CHF 407.0 million, current loans due from subsidiaries in the amount of CHF 70.3 million and non-current loans due from subsidiaries in the amount of CHF 273.9 million.

The Company annually reviews investments and loans due from subsidiaries for impairment on an individual basis.

The impairment assessment of investments and loans due from subsidiaries requires significant management judgment, in particular in relation to the forecast earnings and growth rates as well as discount rates, and is therefore a key area that our audit was concentrated on.

For further information on investments and loans due from subsidiaries refer to the following:

- Note 5, Loans and receivables due from subsidiaries
- Note 7, Investments

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests as well as the appropriateness of management's assumptions.

This comprised:

- Agreeing forecasts used in the impairment tests to current expectations of management.
- Challenging the robustness of key assumptions on a sample basis, based on our understanding of the commercial prospects of the respective entities.

In relation to evaluating the discount rates used, our internal valuation specialists assisted us by comparing the relevant inputs to industry and economic forecasts.

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG



Kurt Stocker
Licensed Audit Expert
Auditor in Charge



Kathrin Schünke
Licensed Audit Expert

Zurich, March 6, 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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Review 2013 – 2017

Consolidated income statement

CHF million	2017	2016	2015	2014 ¹	2013
Revenue	2 203.0	2 152.6	2 085.9	1 954.7	2 053.3
BG Europe	887.2	833.4	833.2	803.3	901.6
BG North America	966.3	1 018.7	977.9	882.7	892.4
BG Asia	235.9	210.7	180.9	145.3	128.3
BG SAMEA ²	114.1	93.5	94.3	123.9	138.4
EBITDA	255.9	278.1	191.5	201.6	184.3
in % of revenue	11.6%	12.9%	9.2%	10.3%	9.0%
EBIT	178.0	204.5	126.5	135.1	79.2
in % of revenue	8.1%	9.5%	6.1%	6.9%	3.9%
Net profit	118.5	133.8	68.7	102.8	36.2
in % of revenue	5.4%	6.2%	3.3%	5.3%	1.8%
Return on net assets in % (RONA)	16.2%	21.5%	12.7%	20.3%	10.3%
Return on equity in % (ROE)	21.8%	29.9%	17.4%	29.6%	12.5%

Consolidated balance sheet at December 31

Non-current assets	791.8	648.0	553.6	536.2	440.7
Current assets	692.5	649.8	561.1	563.0	549.9
Equity attributable to shareholders of AUTN	479.2	394.3	301.3	303.5	232.9
Equity attributable to non-controlling interests	107.9	104.7	96.2	89.0	69.1
Total shareholders' equity	587.2	499.0	397.5	392.5	302.0
Non-current liabilities	352.5	220.7	284.8	276.8	234.9
Current liabilities	544.6	578.1	432.3	430.0	453.8
Total assets	1 484.3	1 297.8	1 114.7	1 099.3	990.6
Net debt	183.3	57.4	106.1	54.6	92.9
Shareholders' equity in % of total assets	39.6%	38.4%	35.7%	35.7%	30.5%

Consolidated statement of cash flows

Cash flows from operating activities	145.2	194.1	111.7	138.2	165.7
Cash flows used in investing activities	-195.7	-92.8	-123.1	-108.8	-98.6
Cash flows used in financing activities	5.4	-28.6	-43.5	-15.0	-20.7

Employees at December 31 ³	12 133	11 725	11 423	10 681	10 816
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¹ Restated.² Including South America, Middle East and Africa.³ Full-time equivalents including temporary employees (excluding apprentices).

Information for investors

CHF million	2017	2016	2015	2014	2013
Number of issued shares	4 672 363	4 672 363	4 672 363	4 672 363	4 672 363
Share capital of Autoneum Holding Ltd	0.2	0.2	0.2	0.2	0.2
Net profit of Autoneum Holding Ltd	51.9	61.8	19.8	11.9	13.4
Market capitalization at December 31	1 306.6	1 243.4	938.1	783.0	633.3
in % of revenue	59.3%	57.8%	45.0%	40.1%	30.8%
in % of equity attr. to shareholders of AUTN	272.6%	315.4%	311.3%	258.0%	271.9%

Data per share (AUTN)

CHF	2017	2016	2015	2014	2013	
Basic earnings per share	19.61	20.61	9.12	17.03	3.12	
Dividend per share ¹	6.50	6.50	4.50	4.50	1.30	
Shareholders' equity per share ²	102.98	84.74	65.01	65.71	50.24	
Share price at December 31	280.75	267.25	202.40	169.50	136.60	
Share price development during the year	High	298.00	290.00	226.40	209.30	140.00
	Low	228.80	185.00	148.40	129.10	43.30

¹ As proposed by the Board of Directors and subject to the approval of the Annual General Meeting.

² Equity attributable to shareholders of Autoneum Holding Ltd per share outstanding at December 31.