
Content

Compensation Report

31	Compensation Report	
	Introductory remarks	32
	Authority and determination of compensation	32
	Compensation, shareholdings, loans to corporate bodies	34
	Auditor's Report	37

Compensation Report

1. Introductory remarks

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

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

2. Authority and determination of compensation

2.1 General

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

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

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

2.2 Board of Directors

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

2.3 Group Management

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

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

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

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

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

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

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

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

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

3. Compensations, shareholdings, and loans to governing bodies

3.1 Members of the Board of Directors

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

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

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

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

3.2 Former members of the Board of Directors

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

3.3 Shareholdings of the Board of Directors

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

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

3.4. Members of the Group Management²

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

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

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

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

³The shares are subject to a three-year blocking period.

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

3.5 Former members of the Group Management

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

3.6 Closely linked third parties

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

3.7 Shares held by the Group Management

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

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

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

² Werner Waldburger resigned from the Group Management effective December 31, 2016.

3.8. Long-Term Incentive Programm

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



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

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

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

*PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch*

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Opinion

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

PricewaterhouseCoopers AG

A handwritten signature in blue ink, appearing to read 'D. Ketterer', written in a cursive style.

Daniel Ketterer
Audit expert
Auditor in charge

A handwritten signature in blue ink, appearing to read 'N. Bertschinger', written in a cursive style.

Nicole Bertschinger
Audit expert

Zurich, 27 February 2018