conzzeta

Half-Year Report 2015

Conzzeta at a glance

Conzzeta AG is an internationally active Swiss industrial holding company with broadly diversified businesses. Its activities are in the areas of machinery, sporting goods, foam materials, graphic coatings, systems engineering and real estate. In the interests of customers, employees and shareholders, Conzzeta develops its businesses with a long-term perspective.

Bystronic
Solutions for the processing of sheet metal and other sheet materials

Sheet Metal Processing

Mammut Sports Group
Clothing and equipment for mountaineering, climbing and winter sports

Sporting Goods

FoamPartner
Foam products for industry and comfort applications

Schmid Rhyner
Print varnishes and laminating adhesives for the graphical industry

Chemical Specialties

Bystronic glass
Systems for processing flat glass

Systems Engineering

Plazza Immobilien
Management of the Conzzeta Group's portfolio of properties

Real Estate

Contents

Stable revenue and improved result

The Conzzeta Group generated net revenue of CHF 544 million in the first half of 2015, 1.9 % lower than the previous year (CHF 554 million). The operating result reached CHF 36.5 million, corresponding to an EBIT margin of 6.6 %.

For Conzzeta, like many export-oriented Swiss companies, the first half of 2015 was characterized by the drastic upheaval in the exchange rates. All the Group's segments – except for Real Estate, which operates exclusively in Switzerland – felt the effects, especially the Sporting Goods and Chemical Specialties segments. Apart from currency translation effects, purchasing restraint on the part of customers and price adjustments also had an impact. Despite these negative factors, the Group's workforce was able to generate net revenue of CHF 543.7 million, 1.9 % down on the figure for the same period of last year (CHF 554.3 million). The organic growth was 4.9 %. While revenues grew in some regions, particularly in the NAFTA area, but also in Europe, declining sales in Asia were evidence of the cooling of the economic climate in China. Against the backdrop of an overall slight decline in revenue, the operating result (EBIT) rose by 24.4 % to CHF 36.5 million. The EBIT margin was 6.6 %. Due to negative currency effects in the financial result and a slight increase in taxes, Group profit was lower than a year ago, reaching CHF 21.2 million (CHF 24.3 million).

The Board of Directors and Executive Committee would like to take this opportunity to express heartfelt thanks to the entire workforce for their commitment during the first half of the year. We are particularly grateful to the employees in Switzerland who quickly accepted the increased working hours to help counteract the effects of the upward valuation of the Swiss franc.

Segments

The **Sheet Metal Processing segment (Bystronic)** achieved net revenue of CHF 265.7 million in the first half of 2015, about the same as in the first half of last year (CHF 265.2 million). EBIT was CHF 26.8 million, giving a margin of 9.5 % (previous year: CHF 22.9 million, 8.2 %). Despite a subdued start to the year, Bystronic generated organic revenue growth of 5.7 %, which was largely offset by the negative currency effect of 5.5 %. Growth was achieved mainly in the American and Northern European markets. In Asia, above all in China, by contrast the signs point to a subdued economic outlook. Bystronic is continuing to see a shift in demand from the CO_2 laser to fiber technology, now also apparent in the high-end performance categories. In the pressbrake product group, the new Xpert 40 is much in demand; the machine is very flexible and can be used in a wide range of applications. In all machinery segments, software and services continue to grow in importance.

In the **Sporting Goods segment (Mammut)**, net revenue fell by 4.2 % to CHF 99.3 million (previous year: CHF 103.7 million). The currency effect on revenue was negative 5.5 %, as opposed to organic growth of 1.2 %. EBIT was negative CHF 5.9 million, corresponding to a margin of negative 6.0 % (previous year: CHF 1.5 million, 1.5 %). In effect, revenue and EBIT in this segment can be subject to marked seasonal variations. The first half is generally weaker than the second. In addition, there has been a general weakening of growth in the outdoor activities market worldwide. Moreover, Mammut has to cope with high pressure on margins due to the impact on revenue of the adverse currency situation, as well as to purchasing chiefly in US dollars. This weakens the starting position of the business in its core markets in the eurozone. A further factor is that customers in the Swiss home market increasingly make their purchases in lower-priced markets abroad, which leads to negative price adjustments at home. In response to these tougher conditions, Mammut is adjusting its cost structures and reducing complexity. The segment further expanded its monobrand stores sales channel.

The **Chemical Specialties segment (FoamPartner and Schmid Rhyner)** generated net revenue of CHF 103.4 million in the first half (previous year: CHF 108.9 million), a decrease of 5 %. EBIT was CHF 8.9 million, corresponding to a margin of 8.6 % (previous year: CHF 13.0 million, 11.8 %). At FoamPartner, marked regional variations are emerging: while the entire foam sector – and that includes FoamPartner – faces difficult conditions in Europe, business in Asia and the USA is somewhat improved. In all regions, business with technical foams is better than comfort foams. Most in demand are foams for sponges, filters and vehicle manufacturing.

In the Graphic Coatings business unit, the market in Europe is very challenging for Schmid Rhyner, above all because there is only restrained growth in the market for UV varnishes, while commercial printing is in decline. A further factor is the impact of the currency fluctuations on this business unit. Schmid Rhyner is countering these developments with a continuing focus on packaging printing, particularly in the beverage, tobacco and food segments. Schmid Rhyner gained new orders in the reporting period mainly in Asia, where forgery protection for packaging is a significant issue. The business unit won over new customers in particular in the beverages and tobacco sector. Digital printing of varnishes, recently introduced in Europe, is a reliable process for serial operations and has aroused a great deal of interest.

The **Systems Engineering segment (Bystronic glass)** generated net revenue of CHF 64.8 million in the first half, 3.1 % less than in the same period of the previous year (CHF 66.9 million). It should be noted that the previous year's revenue figures included CHF 17.3 million from the ixmation business unit. This divestment effect was almost entirely compensated for by organic growth of 35.2 % at Bystronic glass. The negative currency effects amounted to 3.3 %. EBIT for the segment in the first half was CHF 5 million, corresponding to a margin of 8.3 %. The previous year (negative CHF 10.6 million, negative 14.8 %) was adversely affected by restructuring costs of around CHF 3 million. Bystronic glass achieved this positive result through improvements on the cost side and increasing market share in architectural and automotive glass. While the increased revenue in the business with machinery for architectural glass was generated mainly in Europe, growth in automotive glass machinery sales was recorded mainly in the USA. A major order from an automotive supplier which has greatly expanded its production in the USA had a particular impact.

The **Real Estate segment (PLAZZA)** generated net revenue of CHF 9.6 million, which is on a par with the level recorded a year ago (CHF 9.6 million). EBIT was CHF 4.4 million, corresponding to a margin of 45.8 % (previous year: CHF 4.8 million, 50 %). Over the last few months, the work of the Real Estate segment was shaped by preparations for the spin-off and stock market listing of PLAZZA AG. With the approval of the shareholders at an Extraordinary General Meeting of Conzzeta AG, the Real Estate segment was spun off with effect from the end of June 2015 and listed on the SIX Swiss Exchange.

Trends and outlook

For the second half of 2015 Conzzeta is not expecting a significant change in the present economic environment. Although the relevant markets for the Group, such as the USA and Central and Northern Europe, showed an improved performance in the first half, significant uncertainties remain: for instance, the continuing difficulties in the eurozone, the slowdown of growth in China and the strength of the Swiss franc. For the second half of the year, Conzzeta expects the business performance of the Sporting Goods segment to improve thanks to seasonal factors, while the relevant outdoor activities markets will remain subdued. In view of the current order situation, Sheet Metal Processing and particularly Systems Engineering cannot be expected to maintain their growth rates. As a result, the projection for the second half, in a year-on-year comparison, is for lower Group revenue and a decrease in operating result. A further factor to take into account in a year-on-year comparison is that the previous year's figure was boosted in the second half by the reversal of a large provision for inherited liabilities in the amount of around CHF 11 million. Another consideration is that the revenue and operating profit of PLAZZA for the second half will no longer be contributed because of the completed spin-off of the Real Estate segment.

Against this background, the focus of the Group for the second half of the year will be on more intensive market development and cost discipline, as well as the implementation of short- and medium-term measures to further improve profitability. Assuming a continuation of the present currency situation and economic scenarios, Conzzeta is sticking to its original statement regarding the outlook for the year as a whole and expects lower revenues year on year as well as a decline of 70 to 150 basis points in the EBIT margin compared with the 2014 figure, which was 7.7 % after adjustment for special effects.

Ernst Bärtschi
Chairman of the Board of Directors and CEO ad interim

Balance sheet

	June 30, 2015	June 30, 2014[1]	December 31, 2014
	CHF m	CHF m	CHF m
Assets			
Cash and cash equivalents	353.8	434.7	609.0
Securities	134.0	41.3	8.2
Trade receivables	152.8	160.6	163.2
Prepayments to suppliers	9.2	6.8	8.5
Other receivables	26.3	29.9	25.2
Prepaid expenses and accrued income	7.0	9.8	4.4
Inventories	254.8	280.9	256.2
Current assets	**937.9**	**964.0**	**1 074.7**
Property, plant and equipment	202.0	316.6	314.2
Financial assets	51.0	48.1	53.5
Intangible assets	8.3	7.8	8.7
Fixed assets	**261.3**	**372.5**	**376.4**
Total assets	**1 199.2**	**1 336.5**	**1 451.1**
Liabilities and shareholders' equity			
Trade payables	85.3	86.0	87.3
Advance payments from customers	40.4	47.5	41.2
Short-term financial liabilities	6.3	8.5	5.7
Other short-term liabilities	25.1	26.4	20.8
Accrued expenses and deferred income	67.5	68.0	76.1
Short-term provisions	17.6	24.5	21.8
Short-term liabilities	**242.2**	**260.9**	**252.9**
Long-term financial liabilities	6.3	7.3	6.8
Other long-term liabilities	0.9	0.8	1.0
Pension fund liabilities	1.0	0.4	1.2
Long-term provisions	38.5	63.3	56.4
Long-term liabilities	**46.7**	**71.8**	**65.4**
Share capital	4.1	46.0	5.2
Capital reserves	96.8	0.1	123.7
Retained earnings	809.4	957.7	1 003.9
Shareholders' equity	**910.3**	**1 003.8**	**1 132.8**
Total liabilities and shareholders' equity	**1 199.2**	**1 336.5**	**1 451.1**

[1] In the interim reporting for 2014, the goodwill acquired was capitalized and amortized. As of the end of 2014, goodwill is offset against equity. Last year's figures were adjusted accordingly (cf. Principles of Consolidated Accounting).

Income statement

January–June	2015		2014[1]	
	CHF m	%	CHF m	%
Net revenue	**543.7**		**554.3**	
Changes in inventory and own work capitalized	9.9		21.2	
Total revenue	**553.6**	**100.0**	**575.5**	**100.0**
Cost of materials	– 264.1		– 273.0	
Personnel expenses	– 141.5		– 155.3	
Other operating expenses	– 96.7		– 102.4	
Depreciation on property, plant and equipment and financial assets	– 13.2		– 13.9	
Depreciation on intangible assets	– 1.6		– 1.5	
Operating result	**36.5**	**6.6 %**	**29.4**	**5.1 %**
Financial result	– 4.3		1.0	
Ordinary result before taxes	**32.2**	**5.8 %**	**30.4**	**5.3 %**
Extraordinary result	– 0.6		2.5	
Result before taxes	**31.6**	**5.7 %**	**32.9**	**5.7 %**
Taxes	– 10.4		– 8.6	
Group result	**21.2**	**3.8 %**	**24.3**	**4.2 %**
Earnings per registered share A, in CHF[2]	10.25		12.61	
Earnings per registered share B, in CHF[2]	2.05		2.52	
Diluted earnings per registered share A, in CHF[2]	10.25		12.61	
Diluted earnings per registered share B, in CHF[2]	2.05		2.52	

[1] In the interim reporting for 2014, the goodwill acquired was capitalized and amortized. As of the end of 2014, goodwill is offset against equity. Last year's figures were adjusted accordingly (cf. Principles of Consolidated Accounting).

[2] The par value of registered share A is CHF 2 and registered share B CHF 0.40. In the previous year, registered share A and registered share B were issued with par values of CHF 100 and CHF 20 respectively. For better comparability, the average number of shares was adjusted retroactively.

Statement of changes in shareholders' equity

	Share capital	Agio/capital reserves	Retained earnings			Total
			Currency translation effects	Other retained earnings	Value fluctuation financial instruments	
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Shareholders' equity						
At 12/31/2013 before adjustments	46.0	0.1	–83.6	1 048.4		1 010.9
Adjustments to goodwill accounting				–2.1		–2.1
At 12/31/2013 after adjustments[1]	46.0	0.1	–83.6	1 046.3	–	1 008.8
Group result 2014				24.3		24.3
Recognition of goodwill with equity				–28.5		–28.5
Currency translation effects			–0.8			–0.8
At 06/30/2014[1]	**46.0**	**0.1**	**–84.4**	**1 042.1**	**–**	**1 003.8**
At 12/31/2014	5.2	123.7	–75.3	1 079.2		1 132.8
Group result 2015				21.2		21.2
Dividend payment				–25.9		–25.9
Spin-off PLAZZA	–1.1	–26.9		–154.3		–182.3
Changes resulting from hedging transactions					–0.2	–0.2
Recognition of goodwill with equity				–0.8		–0.8
Currency translation effects			–34.5			–34.5
At 06/30/2015	**4.1**	**96.8**	**–109.8**	**919.4**	**–0.2**	**910.3**

[1] In the interim reporting for 2014, the goodwill acquired was capitalized and amortized. As of the end of 2014, goodwill is offset against equity. Last year's figures were adjusted accordingly (cf. Principles of Consolidated Accounting).

Cash flow statement

January–June	2015	2014[1]
	CHF m	CHF m
Group result	21.2	24.3
Depreciation	14.6	15.2
Impairments	0.2	0.2
Gain on disposal of fixed assets and business activities	–0.2	–3.5
Change in provisions and pension fund liabilities	–1.2	0.7
Other non-cash items	–0.8	–2.8
Cash flow from operating activities before change in working capital	**33.8**	**34.1**
Change in inventories	–13.6	–34.7
Change in trade receivables	–2.1	20.1
Change in prepayments to suppliers	–0.9	0.8
Change in other receivables, prepaid expenses and accrued income	–6.9	–2.8
Change in trade payables	1.0	2.5
Change in advance payments from customers	2.2	1.6
Change in other liabilities, accrued expenses and deferred income	2.6	1.7
Cash flow from operating activities	**16.1**	**23.3**
Investment in property, plant and equipment	–7.9	–9.6
Divestment of property, plant and equipment	0.4	4.1
Investment in financial assets and securities	–130.4	–0.7
Divestment of financial assets and securities	6.7	17.5
Investment in intangible assets	–1.2	–1.6
Acquisition of business activities	–0.5	–46.6
Divestment of business activities	–5.1	
Cash flow from investing activities	**–138.0**	**–36.9**
Cash flow from operating and investing activities (free cash flow)	**–121.9**	**–13.6**
Dividends	–25.9	
Spin-off PLAZZA	–103.3	
Change in short-term financial liabilities	0.9	–1.1
Change in long-term financial liabilities	–0.5	–0.6
Cash flow from financing activities	**–128.8**	**–1.7**
Effect of currency translation on cash and cash equivalents	–4.5	–0.4
Change in cash and cash equivalents	**–255.2**	**–15.7**
Cash and cash equivalents at 1/1	609.0	450.4
Cash and cash equivalents at 06/30	353.8	434.7

[1] In the interim reporting for 2014, the goodwill acquired was capitalized and amortized. As of the end of 2014, goodwill is offset against equity. Last year’s figures were adjusted accordingly (cf. Principles of Consolidated Accounting).

Principles of consolidated accounting

The unaudited interim consolidated financial statements at June 30, 2015, conform to the existing guidelines of Swiss GAAP FER in general and Swiss GAAP FER 31 (Complementary Recommendation for Listed Companies) in particular. This half-year report should be read in conjunction with the annual report 2014. The group accounting policies set out in the annual report 2014 have been applied consistently in preparing the interim report.

With the exception of goodwill accounting, the interim report for 2015 applied the same accounting and valuation policies as the previous year's interim report. As of the annual financial statements at December 31, 2014, the Group changed its goodwill accounting policy retroactively from capitalization and amortization to offsetting against equity. The figures for the first half of 2014 were adjusted accordingly.

Notes to the consolidated financial statements

1 Segment information and discontinuing operations

January–June	2015	2015	2014	2014
	CHF m	%	CHF m	%
Net revenues by segment				
Sheet Metal Processing	265.7	48.9	265.2	47.9
Sporting Goods	99.3	18.3	103.7	18.7
Chemical Specialties	103.4	19.0	108.9	19.6
Systems Engineering	64.8	11.9	66.9	12.1
Real Estate	9.6	1.8	9.6	1.7
Net revenues as per segment reporting	**542.8**		**554.3**	
Other	0.9			
Net revenues as per income statement	**543.7**	**100.0**	**554.3**	**100.0**

January–June	2015	2015	2014	2014
	CHF m	%	CHF m	%
Total revenues by segment				
Sheet Metal Processing	280.5	50.7	280.6	48.7
Sporting Goods	99.1	17.9	103.4	18.0
Chemical Specialties	103.0	18.6	110.3	19.2
Systems Engineering	60.6	10.9	71.6	12.4
Real Estate	9.6	1.7	9.6	1.7
Total revenues as per segment reporting	**552.8**		**575.5**	
Other	0.8			
Total revenues as per income statement	**553.6**	**100.0**	**575.5**	**100.0**

January–June	2015	2015	2014	2014
	CHF m	in % TR	CHF m	in % TR
Operating result by segment				
Sheet Metal Processing	26.8	9.5	22.9	8.2
Sporting Goods	– 5.9	– 6.0	1.5	1.5
Chemical Specialties	8.9	8.6	13.0	11.8
Systems Engineering	5.0	8.3	– 10.6	– 14.8
Real Estate	4.4	45.8	4.8	50.0
Operating result as per segment reporting	**39.2**		**31.6**	
Other	– 2.7		– 2.2	
Operating result as per income statement	**36.5**	**6.6**	**29.4**	**5.1**

	June 30, 2015	June 30, 2015	December 31, 2014	December 31, 2014
	CHF m	%	CHF m	%
Net operating assets (NOA) by segment				
Sheet Metal Processing	159.3	37.9	166.5	32.2
Sporting Goods	129.8	30.9	131.9	25.5
Chemical Specialties	110.7	26.3	116.4	22.5
Systems Engineering	27.2	6.5	30.5	5.9
Real Estate	–	–	80.3	15.5
NOA as per segment reporting	**427.0**		**525.6**	
Other	– 6.4		– 8.2	
NOA as per balance sheet	**420.6**	**100.0**	**517.4**	**100.0**

Net operating assets (NOA) include the operating current and fixed assets (not including cash, cash equivalents and securities, non-operating financial assets and deferred tax assets) less operating liabilities (not including financial liabilities and deferred tax liabilities).

	Continuing operations		Discontinuing operations		Total Group	
January–June	2015	2014	2015	2014	2015	2014
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Net revenue	534.3	527.5	9.4	26.8	543.7	554.3
Total revenue	544.2	547.4	9.4	28.1	553.6	575.5
Operating result	31.5	27.9	5.0	1.5	36.5	29.4
Operating result in % total revenue	5.8 %	5.1 %	53.2 %	5.3 %	6.6 %	5.1 %
Group result	17.8	21.3	3.4	3.0	21.2	24.3
Group result in % total revenue	3.3 %	3.9 %	36.2 %	10.7 %	3.8 %	4.2 %

2 Changes in the scope of consolidation

The Sporting Goods business unit acquired the business activities of "Bergschule Uri" (Switzerland) as of June 1, 2015. As of April 1, 2014, the Foam Materials business unit purchased the Benien Group in Delmenhorst (Germany), and as of July 1, 2014, Conzzeta AG sold the Automation Systems business unit. Compared with the same period of 2014, the net negative acquisition and divestment effect on revenue is CHF 12.4 million.

At Conzzeta AG's Extraordinary General Meeting of Shareholders held on June 22, 2015, shareholders approved the spin-off of the Real Estate business unit into the newly formed PLAZZA AG. PLAZZA AG's shares are listed on the SIX Swiss Exchange. As a result of this transaction, carried out on June 26, 2015, liquid funds of CHF 103.3 million, other net operating assets of CHF 80.3 million and equity of CHF 182.3 million were spun off. The business unit recorded half-year revenues of CHF 9.6 million and EBIT of CHF 4.4 million.

3 Seasonality

As a result of the higher level of activities with winter collections in the second half of the year, it is possible that the Sporting Goods business unit can generate generally higher revenues with higher margins than in the first half. This is reflected on a pro-rata basis in the Group revenue and operating result. The other business units are not subject to any regular half-year seasonal influences. However, more pronounced fluctuations in raw material prices and exchange rates, as well as cyclical shifts in demand, can have an impact.

4 Balance sheet

Total assets fell compared with the end of 2014 by CHF 251.9 million to CHF 1 199.2 million. In addition to the spin-off of PLAZZA, which accounted for CHF 197.7 million, the decrease is also attributable to the appreciation of the Swiss franc. The translation effect, applying the previous year's exchange rates, is negative CHF 53.9 million. Inventories, an essential item of net working capital, showed an increase, adjusted for currency effects, at the end of 2014.

Cash, cash equivalents and securities

Liquid assets fell by around 42 % in the reporting period. The main drivers were, on the one hand, a cash investment of CHF 130 million with a notice period of more than 90 days, which was a consequence of the introduction of negative interest, leading to reclassification under securities. On the other hand, the spin-off of PLAZZA resulted in the renewed outflow of a net sum of CHF 103.3 million from the cash contribution effected upon merger with Tegula in 2014. In addition, dividends totaling CHF 25.9 million were paid out to shareholders. Operating free cash flow was a positive amount, reaching CHF 9.6 million.

Inventories

Inventories in terms of Swiss francs were CHF 254.8 million, on a par with the level at the end of 2014. The currency-adjusted seasonal increase of CHF 15.2 million in the Sheet Metal Processing and Sporting Goods business units was offset by the currency effect amounting to CHF 16.6 million.

Property, plant and equipment

Property, plant and equipment fell by 36 % to CHF 202 million in the first half of 2015. The decrease was attributable to the spin-off of PLAZZA, which accounted for CHF 93 million, a currency effect of CHF 13.7 million, as well as moderate investment activity. In addition to the construction project in Switzerland – the residential development in Wallisellen – in the Real Estate business unit, as well as major expenditure for monobrand stores and the development of a web shop in the Sporting Goods business unit, the majority of the activity comprised replacement investments.

Shareholders' equity

Equity decreased by CHF 222.5 million to CHF 910.3 million compared with the end of 2014. The reduction is due, on the one hand, to the spin-off of PLAZZA, accounting for CHF 182.3 million, the dividend payment totaling CHF 25.9 million, as well as negative currency effects from the translation of equity of foreign subsidiaries, which amounted to CHF 34.5 million. These factors were offset by the positive Group result of CHF 21.2 million. The equity ratio fell by 2.2 percentage points to 75.9 %, so the Group continues to have a solid financial base.

5 Income statement

Net revenue

Net revenues amounted to CHF 543.7 million, 1.9 % lower than the previous year. After taking into account the net negative effect from acquisitions and divestments of 2.2 % and the negative currency effect of 4.6 %, the adjusted figure for growth came to 4.9 %. The Machinery and Systems Engineering segments, which recorded growth figures on an adjusted basis, made key contributions to this positive development. The Sheet Metal Processing segment generated growth of 5.7 %, in particular thanks to the good performance in the USA, the UK and Germany, as well as brisk demand for fiber lasers. In the Systems Engineering segment, the Glass Processing business unit generated growth of 35.2 % thanks to the healthy order book from the previous year and completion of a major order from an automotive supplier in the USA. This growth was partly offset by the divestment effect of the Automation Systems business unit.

Changes in inventory and own work capitalized

Changes in inventory and own work capitalized, at CHF 9.9 million, were CHF 11.3 million lower than in the comparable period of 2014. This is attributable to the higher level of systems delivered by the Systems Engineering segment.

Cost of materials

The cost of materials was slightly lower than the previous year at CHF 264.1 million. The cost of materials in relation to total revenue (material rate) is significantly influenced by changes in inventories of semifinished products, work in progress and finished products. Adjusted for this effect, the ratio of materials is 1.4 percentage points up on the previous year. In addition to negative currency effects, the deterioration is also attributable to material-intensive projects in the Systems Engineering business.

Personnel expenses

Personnel expenses amounted to CHF 141.5 million, a year-on-year decrease of 8.9 %. This figure contains a negative acquisition and divestment effect of 6 % and a negative currency effect of 4 %. The adjusted growth in personnel expenses in the reporting period was 1.1 %. Savings from economy measures and from the restructuring measures implemented the previous year partly offset the increase in personnel costs, which are contingent on business performance.

Other operating expenses

Other operating expenses were CHF 96.7 million, a year-on-year decrease of 5.6 %. This figure contains a negative acquisition and divestment effect of 2.1 % and a negative currency effect of 3.7 %. Despite organic growth, other operating expenses, on an adjusted basis, were maintained at the same level as the previous year by means of economy measures.

Operating result

The operating result (EBIT) rose by 24.4 % to CHF 36.5 million. This contains a negative translation effect of 3 % as well as an effect from the change in the scope of consolidation of 15.2 %. Adjusted for these effects, EBIT increased in the first half by CHF 3.6 million, equivalent to a rise of 12.2 %. The EBIT margin was 6.6 % (previous year: 5.1 %). An important contribution to this positive development was made by the Systems Engineering segment, in which the high level of deliveries and the restructuring measures implemented the previous year resulted in a marked operational improvement. In the previous year, restructuring costs of around CHF 3 million and projects with poor margins had an adverse impact on this segment's result. The decision of the Swiss National Bank on January 15, 2015, to discontinue the minimum euro rate resulted in a one-time valuation effect on net working capital of around CHF 9 million that was recognized in the income statement as well as a narrowing of the revenue base – particularly in the export-oriented subsidiaries. While the two business units of the Machinery and Systems Engineering segments were able to mitigate this unfavorable situation through purchasing in the eurozone and a good performance in the American market, the Sporting Goods and Graphic Coatings business units were most strongly affected by the negative exchange rate correlations. In the Sporting Goods segment, the half-year result was affected by a weakening in the outdoor activities market, as well as greater pressure on prices. Conzzeta responded immediately with short-term economy measures across the entire Group, which compensated for around 2/3 of the one-time valuation effect. Adjusted for the above-mentioned one-time effects and economy measures, this resulted in a comparable EBIT margin of 7 %, which was 6.5 % the previous year, equivalent to an adjusted EBIT increase of 8.9 %.

Financial result

The negative financial result of CHF 4.3 million is attributable to currency losses from the valuation of liquid assets, short-term loans between Group companies and other financial assets which date from the revaluation of the Swiss franc in the balance sheet of January 2015.

Extraordinary result

The extraordinary result comprises the reversal of provisions no longer required and accruals and deferrals from the sale of the Automation Systems business unit of CHF 0.9 million as well as the transaction costs for the spin-off of PLAZZA of negative CHF 1.5 million. The previous year's extraordinary result comprised a gain from the sale of two non-operational properties in La Chaux-de-Fonds and Necker (Switzerland).

Income taxes and Group result

The income tax expense is accrued on the basis of estimated average effective tax rates in the current year. As a result of expenditure not deductible for tax purposes at Conzzeta AG and tax effects from adjustment of capitalized losses carried forward, the effective tax rate for the ordinary result rose to 32.2 % and is 7.5 percentage points above the expected tax rate. For the business year as a whole, positive tax effects are expected to result in a lower tax rate. The Group result decreased by 12.6 % to CHF 21.2 million. This results in a profit per registered share A 18.7 % lower at CHF 10.25 (previous year: CHF 12.61) and per registered share B of CHF 2.05 (CHF 2.52). Earnings per share showed a somewhat more marked decline than the Group result because additional shares were issued in the second half of 2014 in the framework of the merger with Tegula AG. The decline was mitigated by the subscription price of CHF 2 160, which was lower than the share price at the time. Shareholders who did not wish to participate in the capital increase were able to sell their subscription rights on the stock exchange.

6 Cash flow statement

Free cash flow was negative CHF 121.9 million. The previous year's figure was negative CHF 13.6 million. The difference was mainly attributable to a cash investment of CHF 130 million with a notice period of more than 90 days, which led to reclassification from cash and cash equivalents to securities.

7 Events after the balance sheet date

The consolidated financial statements were approved for publication by the Board of Directors on August 11, 2015.

8 Currency translation rates

			Half-year-end exchange rates 2015	Half-year-end exchange rates 2014	Half-year average rates 2015	Half-year average rates 2014
			CHF	CHF	CHF	CHF
Euro area	1	EUR	1.04	1.22	1.06	1.22
USA	1	USD	0.93	0.89	0.95	0.89
Great Britain	1	GBP	1.46	1.52	1.44	1.49
Sweden	100	SEK	11.30	13.25	11.31	13.64
China	100	CNY	15.01	14.35	15.22	14.45
South Korea	100	KRW	0.08	0.09	0.09	0.08
Japan	100	JPY	0.76	0.88	0.79	0.87

Publication details

Publisher Conzzeta AG, Zürich
Concept and design Prime Communications AG, Zürich
Photography Sebastian Derungs, Jolanda Flubacher Derungs, Rainer Wolfsberger u.a.
Translation Hill Johnson Associates GmbH, Zürich
Printing Staffel Medien AG, Zürich
Publishing system ns.publish by Multimedia Solutions AG
Prepress Neidhart + Schön AG

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