

Annual results 2019

Margin expansion in a challenging environment – proposal for a dividend with special distribution

- Net revenue CHF 1,573.2 million, -11.7%, or -4.9% on a comparable¹ basis
- Operating result (EBIT) CHF 167.2 million, +13.9%, or stable on a comparable¹ basis
- Adjusted² EBIT margin 8.7%, +50 basis points with improvement in all segments
- Group result CHF 136.8 million, +19.2%
- Sale of Schmid Rhyner
- Proposal for a dividend of CHF 42.00, incl. special distribution of CHF 24.00 (class A shares)

Group in CHF m	2019	2018	Change
Net revenue	1,573.2	1,782.2	-11.7%
comparable ¹			-4.9%
Total revenue	1,579.1	1,796.7	-12.1%
Operating result (EBIT)	167.2	146.8	13.9%
adjusted ²	137.3	146.8	-6.5%
as a % of total revenue, adjusted ²	8.7%	8.2%	50 bp
Group result	136.8	114.8	19.2%
as a % of total revenue	8.7%	6.4%	230 bp
Minority interests	11.1	18.2	-39.1%
Free cash flow from operating activities	40.6	83.4	-51.3%
Cash, cash equivalents and securities	300.9	389.6	-22.8%
Total assets	1,266.0	1,366.2	-7.3%
Shareholders' equity	880.1	926.9	-5.0%
as a % of total assets	69.5%	67.8%	170 bp
Net operating assets (NOA)	550.7	520.1	5.9%
Return on average net operating assets (RONOA) ²	20.0%	23.1%	-310 bp
Number of employees on December 31	5,026	5,259	-4.4%
Earnings per class A share, in CHF	60.85	46.76	30.1%
Dividend per class A share, in CHF	42.00 ³	18.00	133.3%
Dividend per class B share, in CHF	8.40 ³	3.60	133.3%

¹ At constant exchange rates and adjusted for changes in the scope of consolidation.

² 2019 excluding capital gain of CHF 29.9 million from the sale of the Glass Processing segment.

³ As proposed by the Board of Directors, including special distribution of CHF 24.00 (class A shares) and CHF 4.80 (class B shares), respectively. Furthermore, a special dividend was paid in 2019, i.e. CHF 30.00 (class A shares) and CHF 6.00 (class B shares).

Zurich, March 17, 2020 – In a challenging environment, Conzzeta in 2019 was able to increase its EBIT margin by 50 basis points to 8.7%, adjusted for the capital gain of CHF 29.9 million from the sale of the Glass Processing segment. At constant exchange rates and adjusted for changes in the scope of consolidation, net revenue declined by 4.9% primarily due to market factors, while the corresponding operating result was maintained. The Group result was CHF 136.8 million, 19.2% above the previous year's level, and earnings per class A share amounted to CHF 60.85 (+30.1%) after lower deductions for minority interests.

With the inflow of funds from the sale of the Schmid Rhyner business unit, which was completed at the end of February 2020, Conzzeta again has an excess cash position. After an overall assessment, taking into account the operating margin expansion in the 2019 financial year and the uncertain environment for 2020 on one hand, and the aforementioned inflow of funds after the balance sheet date on the other, the Board of Directors proposes to the Annual General Meeting a dividend with a special distribution in the amount of CHF 86.9 million. This comprises a dividend at the previous year's level of CHF 37.3 million and the distribution of excess liquidity reserves of CHF 49.7 million. Subject to the approval of the Annual General Meeting, CHF 42.00 will thus be paid out for each class A registered share and CHF 8.40 for each class B registered share.

The Group's annual results for 2019 were strongly impacted by the sale of the Glass Processing segment, which was completed on April 1, 2019. The segment did not contribute to revenue and results for three quarters, and the sale did give rise to the aforementioned capital gain. Reflected in the Group's net revenue were the adverse impacts of changes in the scope of consolidation of CHF 91.2 million and from exchange rate fluctuations of CHF 29.7 million. As expected, there was a slowdown in the Sheet Metal Processing and Chemical Specialties segments, while the Outdoor segment continued to grow. The continued focus on innovative solutions and operational improvements paid off in all areas of activity. The challenges in the 2019 financial year included trade disputes, geopolitical uncertainty, disruptive changes in important industrial sectors and increasing competitive pressure.

Free cash flow from operating activities reached CHF 40.6 million in 2019, down from CHF 83.4 million in the previous year. The decrease was primarily the result of the lower business volume and the increase of net operating assets, particularly within net working capital. Investments in property, plant and equipment and intangible assets amounted to CHF 69.8 million, after CHF 72.2 million in the previous year.

According to Michael Willome, Conzzeta Group CEO: "All segments contributed to the margin expansion. As announced, we are preparing a comprehensive strategy for accelerated medium-term growth in the Sheet Metal Processing segment, which we are expecting to present at a Capital Markets' Day in fall. Despite the progress made, earnings in the Chemical Specialties and Outdoor segments are still too low, which is why we are continuing to work on operational improvements notwithstanding the announced strategic focusing. I thank our employees for their efforts and support during this challenging transformation process."

Trends and outlook: With the announced strategic reorientation, 2020 will be a transition year for Conzzeta. The timing of the sale of both the FoamPartner and Mammuth business units remains to be seen. Conzzeta anticipates a difficult economic development due to the consequences of the coronavirus epidemic and is taking appropriate actions. In the current situation it is not possible to provide a concrete financial outlook for 2020. With regard to the continuing business, Conzzeta expects Bystronic to outperform the relevant market development thanks to its innovative portfolio of products and services.

Please see page 3 for segment reporting.

Segments in CHF m		2019	2018	Change
Sheet Metal Processing	Order intake	929.4	1,002.9	-7.3%
	comparable ¹			-6.5%
	Net revenue	936.0	1,013.2	-7.6%
	comparable ¹			-6.4%
	Total revenue	941.3	1,032.5	-8.8%
Chemical Specialties (discontinued segment)	Operating result (EBIT)	121.1	132.5	-8.6%
	as a % of total revenue	12.9%	12.8%	10 bp
	Net revenue	346.6	382.9	-9.5%
	comparable ¹			-7.9%
	Total revenue	341.8	383.0	-10.8%
Outdoor (discontinued segment)	Operating result (EBIT)	14.2	5.8	144.3%
	as a % of total revenue	4.2%	1.5%	270 bp
	Net revenue	268.4	253.4	5.9%
	comparable ¹			6.8%
	Total revenue	268.4	253.4	5.9%
Outdoor (discontinued segment)	Operating result (EBIT)	7.5	5.2	42.0%
	as a % of total revenue	2.8%	2.1%	70 bp

¹ At constant exchange rates and adjusted for changes in the scope of consolidation.

The Sheet Metal Processing segment (Bystronic) generated net revenue of CHF 936.0 million in 2019 (previous year CHF 1,013.2 million). On a comparable basis, i.e. at stable exchange rates, revenue declined by 6.4%. The operating result amounted to CHF 121.1 million (CHF 132.5 million), yielding an EBIT margin of 12.9% (12.8%). Factors that contributed to the improved EBIT margin despite the lower sales volume included not only the innovative range of products and services, but also process improvements, active cost management and certain non-recurring special factors in the amount of CHF 6.7 million. The significant decline in revenue in Asia was partially compensated for by sustained growth in America, while revenue in Europe was slightly weaker. Net revenue in the “Cutting” product segment was lower than in the previous year, while revenue increased in the “Bending” and “Service” segments. In a competitive market subject to constant pricing pressure, investments to enhance market presence continued to be made and the organization was strengthened in preparation for structural growth opportunities. The modernization of a factory hall at the Niederönz site was completed on time in December. The assembly plant and the experience centers in the USA, where visitors can gain on-site insight into the future of smart factories, are scheduled to be opened by the middle of 2020. New sales and service companies were established in South Africa and Thailand over the course of the reporting year. As part of the company’s growth plans in Asia, in 2019 the equity interest in the Chinese company DNE Laser was increased from 51% to 70% and a project was launched to build an experience center and a new office building in South Korea.

The Chemical Specialties segment (FoamPartner and Schmid Rhyner) generated net revenue of CHF 346.6 million in 2019 (previous year CHF 382.9 million). On a comparable basis, i.e. at stable exchange rates, revenue declined by 7.9%. The operating result amounted to CHF 14.2 million (CHF 5.8 million), yielding an EBIT margin of 4.2% (1.5%). Net revenue declined in all regions and market segments. Thanks to notably lower raw material costs and internal profitability improvements in the FoamPartner business unit, the EBIT margin increased despite the decline in

revenue. Against this, raw material costs in the Schmid Rhyner business unit were higher than in the previous year, which, coupled with an unfavorable trend in the product mix, weighed on the operating result. In the FoamPartner business unit, work continued steadily on the implementing of the multi-layered measures to realize the medium-term margin potential, with some of those measures having already been defined in 2017 and 2018 following the takeover of Otto Bock Kunststoff and the streamlining of the joint venture structures in Asia and America. The measures include the optimization of business processes, modernization of management systems and the investment program to improve the production infrastructure in Europe. At the Duderstadt site in Germany, construction work began on a new processing center, which will be opened during the first half of 2020. On the product front, considerable efforts were made to enhance the profile by means of customized “Best in Foam” solutions. Such efforts included the widespread launch of OBoSky® products in the largest market segment, “Mobility”. These products combine high-quality surfaces for vehicle roof lining with the lowest emission levels. The efforts also included the development of new acoustically effective and thermo-insulating solutions, also for electro-mobility.

The Outdoor segment (Mammut Sports Group) generated net revenue of CHF 268.4 million in 2019 (previous year CHF 253.4 million). On a comparable basis, i.e. at stable exchange rates, revenue increased by 6.8%. The operating result amounted to CHF 7.5 million (CHF 5.2 million), yielding an EBIT margin of 2.8% (2.1%). The result includes a weak delivery performance in the third quarter with declining sales and loss of earnings due to the processing of defective textiles by a supplier as well as internal difficulties in providing the largely renewed collection across the enlarged number of sales channels. Despite this, revenue for the year increased in the regions of Europe, America and Asia. The high level of acceptance of the newly launched products as well as the development of digital sales channels as part of the five-year strategic plan started in 2016 had a favorable impact. Measures taken in 2019 to expand the scalable business models included progress in linking consumer-relevant content with commercial offers. To this end, 120 products were fitted with “Mammut Connect” at the end of 2019, which, through NFC technology, allows customers to access comprehensive product information on demand, use additional services or be part of a digital social network. The online store was available in 19 markets at the end of 2019. With innovative products, a consistent pricing strategy and a reduction in the number of styles, the Group managed to further increase the gross margin in 2019. The launch of the “Photics” jacket, for example, represented the launch of the world’s first laser-fused and therefore waterproof down jacket with welded seam sealed chambers, which received the “ISPO Winner Award”.

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Links

Please visit www.conzzeta.com for further information.

The Annual Report is published digitally: report.conzzeta.com.

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About Conzzeta

Conzzeta is a diversified Swiss group of companies. It stands for innovation, market orientation and an entrepreneurial approach. About 5,000 employees at more than 60 locations worldwide work in the Sheet Metal Processing, Chemical Specialties and Outdoor segments. In December 2019, Conzzeta announced the strategic focusing on the Sheet Metal Processing segment and its plan to divest all of its other activities. Conzzeta AG is listed on the SIX Swiss Exchange (SIX:CON).