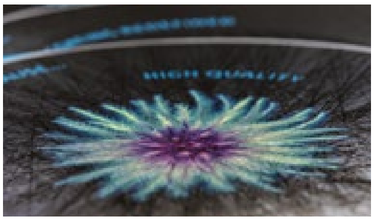
conzzeta

Half-Year Report 2018



Conzzeta at a glance

Conzzeta is a broadly diversified Swiss group of companies. It stands for innovation, market orientation and a long-term perspective. Conzzeta strives for leading positions in its target markets worldwide, above-average growth and long-term value creation. More than 5 000 employees at over 60 locations worldwide are dedicated to offering customers innovative solutions in Sheet Metal Processing, Sporting Goods, Foam Materials, Graphic Coatings and Glass Processing. Conzzeta is listed on SIX Swiss Exchange (SIX:CON).

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 for the graphical industry

Chemical Specialties

Bystronic glass
Systems for processing flat glass

Glass Processing

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Conzzeta with strong business performance

With revenue of CHF 853.3 million (previous year: CHF 623.5 million), the Conzzeta Group achieved 36.8 % growth in the first half of 2018. Adjusted for changes in the scope of consolidation and at constant exchange rates, revenue grew 19.7 %. The operating result (EBIT) increased by 72.9 % to CHF 66.3 million, corresponding to an EBIT margin of 7.6 % (5.8 %).

In the first half-year of 2018, the Conzzeta Group achieved revenue increases close to or clearly 30 % in Europe, the Americas and Asia respectively. Significant double-digit revenue growth was also reported in all segments, with the Chemical Specialties segment benefiting considerably from the acquisition of Otto Bock Kunststoff, which was acquired with effect as of September 2017. Overall, changes in the scope of consolidation contributed CHF 85.0 million and currency effects CHF 21.8 million to revenue. The start of the year was exceptionally strong thanks to the delivery of various large orders in the Glass Processing segment and successful product launches in the Sporting Goods segment. The strong momentum in the Sheet Metal Processing segment continued unabated in the first half of 2018 amid a favorable market environment. The order intake for capital goods in the two segments Sheet Metal Processing and Glass Processing increased on a high level by 14.5 % compared with the previous year.

The significantly higher than proportional increase in the operating result relative to net revenue demonstrates the effectiveness of the ongoing efforts in the first half of the year to achieve a sustained improvement in profitability. Notable progress was achieved in the Sheet Metal Processing, Glass Processing and Sporting Goods segments. In contrast, the pressure on margins in the Chemical Specialties segment was accentuated compared with the previous year's period due to continuing high costs of raw materials, although the high level of prices eased slightly towards the middle of the year. The group result for the first half of 2018 amounted to CHF 51.1 million, up 70.3 % from the previous year. The return on net operating assets (RONOA) was 20.6 % (13.9 %).

The Group generated an operating free cash flow of CHF 39.4 million in the first half-year, following CHF 9.9 million in the previous year. The acquisitions of ISAtec, TTM Laser and Antil in the reporting period strengthen the product portfolios of the growth segments Sheet Metal Processing and Chemical Specialties.

In all business units defined strategic and operating measures are being steadily implemented. They include a dozen initiatives from the Business Excellence Program, which is now established throughout the Group. Innovative customer solutions are also being developed in all business units to further enhance the respective market position in the target markets.

Segments

The **Sheet Metal Processing** segment **(Bystronic)** generated net revenue of CHF 477.3 million in the first half of 2018 (previous year: CHF 364.9 million). On a comparable basis, i.e. at constant exchange rates and excluding the first-time consolidation of TTM Laser, which was taken over on April 12, 2018, net revenue increased by 25.7 %. With significant double-digit growth rates in all regions, revenue growth and order intake were geographically broad-based for the entire first half of the year. The order book rose again at a high level. The operating result amounted to CHF 62.6 million, 57.0 % higher than the previous year (CHF 39.9 million), while the EBIT margin was 12.5 % (10.1 %). The profitable growth was achieved thanks to innovative offer across customer segments and increasing economies of scale. The implementation of the growth strategy requires further efforts and investments in order to enhance market presence and develop new solutions and products, particularly in the area of automation. The highly competetive market environment with continuing pressure on prices, requires ongoing improvements in productivity.

The **Sporting Goods** segment **(Mammut)** generated net revenue of CHF 111.1 million (previous year: CHF 94.9 million). On a comparable basis, the increase in revenue was 14.2 %, with double-digit growth in Europe and Asia. The operating result amounted to CHF –6.4 million

(CHF – 9.9 million), with an EBIT margin of – 5.8 % (– 10.4 %). The operating loss expected in the seasonally weaker first half of the year was considerably reduced, despite the strategy-driven increase in the cost base by around CHF 2 million. Favorable contributions resulted among other things, from successful product launches for the solid winter season 2017 / 2018 (new generation of the "Eiger Extreme" apparel collection and new version of the "Barryvox" avalanche transceiver) and buoyant development of the online channel. The five-year strategic plan launched in 2016 reached its halfway point in the middle of 2018. Development of the new, critical capabilities continued to progress well in the first half of 2018. The "Delta X" collection launched in Berlin at the beginning of July 2018 will be available from the beginning of 2019, and presales were encouraging. Like "Eiger Extreme", it distinguishes itself by combining performance, quality and functionality. The new urban collection will complete Mammut's range as the premium brand for mountaineering enthusiasts.

The **Chemical Specialties** segment **(FoamPartner** and **Schmid Rhyner)** generated net revenue of CHF 202.8 million (previous year: CHF 114.2 million). On a comparable basis, growth was 3.8 %. The changes in the scope of consolidation reflected here relate to the FoamPartner business unit's takeover of Otto Bock Kunststoff on September 1, 2017, and the sale of the 51 % stake in the US joint venture on July 1, 2017. Net revenue increased in all regions and in all four product segments: Mobility, Specialties, Living & Care and Coatings. The operating result amounted to CHF 9.2 million (CHF 9.9 million), with an EBIT margin of 4.6 % (8.6 %). Significantly higher raw material as well as reorganization costs adversely impacted the operating result by around CHF 5 million. Additional measures to pass on the higher raw material prices were largely realized in the first half of the year, although some of the measures will not have an effect until the second half of the year. The integration of FoamPartner and Otto Bock Kunststoff and the implementation of an organizational model with more of a regional focus, including the merger of the various legal entities, is proceeding according to plan, but as anticipated will require a certain amount of time. Additional initiatives to realize the medium-term margin potential are in preparation.

The **Glass Processing** segment **(Bystronic glass)** generated net revenue of CHF 62.4 million (previous year: CHF 49.7 million), with a double-digit revenue increase achieved in both the architectural and automotive glass markets. All regions contributed to this growth, particularly Asia. The operating result amounted to CHF 2.9 million, up 63.3 % from the previous year (CHF 1.8 million). The EBIT margin as of the middle of the year was 4.6 %, significantly higher than the previous year (3.4 %), but still below the Group's target mid-term range. The measures introduced to improve processes and increase efficiency are continuing, while at the same time further investments continue to be made in innovation projects. The aim here is, among other things, to develop a more consequent platform strategy for architectural glass and to continue to develop the range of products and solutions with a view to achieving a more balanced product mix in the medium term.

Trends and outlook

After strong business performance in the first half of 2018 and significant improvements compared with the same period last year, both revenue and operating result are expected to grow at a slower rate in the second half of 2018 because of base effects. The order intake for investment goods at the beginning of the second half-year showed continued good business developments in Europe and particularly in the US, with a slowing momentum in China. The measures to achieve the necessary further improvements in profitability in the Chemical Specialties, Sporting Goods and Glass Processing segments will take time to be fully implemented. In the currently prevailing environment we expect revenue growth for the financial year 2018 of around 20 % and an EBIT margin (excluding one-off effects) at the lower end of the target mid-term range of 8 % to 10 %.

Conzzeta and all of the business units are concentrating on steadily developing the innovative product and service portfolio further to ensure added value for all stakeholder groups. Our employees deserve special thanks and highest recognition for our significant progress in the first half of the year in terms of growth and productivity. It is only thanks to their tireless efforts that we are able to realize our ambitious plans for our customers throughout the world.

Ernst Bärtschi
Chairman of the Board
of Directors

Michael Willome
Group CEO

Balance sheet

	June 30, 2018	December 31, 2017	June 30, 2017
	CHF m	CHF m	CHF m
Assets			
Cash and cash equivalents	314.1	349.1	451.4
Securities	50.0	50.0	50.0
Trade receivables	221.0	237.0	166.4
Prepayments to suppliers	23.8	18.5	15.6
Other receivables	33.7	39.5	27.4
Prepaid expenses and accrued income	11.8	9.4	13.3
Inventories	335.8	290.1	278.6
Current assets	**990.2**	**993.6**	**1 002.7**
Property, plant and equipment	242.9	243.4	195.6
Financial assets	66.5	70.9	69.7
Intangible assets	14.6	15.4	8.4
Fixed assets	**324.0**	**329.7**	**273.7**
Total assets	**1 314.2**	**1 323.3**	**1 276.4**
Liabilities and shareholders' equity			
Trade payables	110.6	108.8	84.4
Advance payments from customers	85.9	73.6	65.9
Short-term financial liabilities	8.5	7.2	0.1
Other short-term liabilities	27.8	38.1	24.8
Accrued expenses and deferred income	108.2	102.2	82.8
Short-term provisions	37.4	36.8	28.7
Short-term liabilities	**378.4**	**366.7**	**286.7**
Long-term financial liabilities	2.6	2.6	3.1
Other long-term liabilities	0.6	0.7	0.6
Pension fund liabilities	2.7	2.8	1.4
Long-term provisions	46.7	47.6	40.1
Long-term liabilities	**52.6**	**53.7**	**45.2**
Share capital	4.1	4.1	4.1
Capital reserves	98.5	98.8	97.9
Treasury shares	–2.2	–3.9	–2.5
Retained earnings	768.3	785.8	834.6
Shareholders' equity excluding minority interests	**868.7**	**884.8**	**934.1**
Minority interests	14.5	18.1	10.4
Shareholders' equity including minority interests	**883.2**	**902.9**	**944.5**
Total liabilities and shareholders' equity	**1 314.2**	**1 323.3**	**1 276.4**

Income statement

January – June	2018		2017	
	CHF m	%	CHF m	%
Net revenue	**853.3**		**623.5**	
Changes in inventories of finished goods, work in progress and own work capitalized	22.5		35.1	
Total revenue	**875.8**	**100.0**	**658.6**	**100.0**
Other operating income	4.5		2.4	
Cost of materials	– 444.1		– 326.9	
Personnel expenses	– 193.9		– 161.3	
Other operating expenses	– 159.3		– 121.6	
Depreciation on property, plant and equipment and financial assets	– 14.1		– 11.3	
Depreciation on intangible assets	– 2.6		– 1.6	
Operating result (EBIT)	**66.3**	**7.6 %**	**38.3**	**5.8 %**
Financial result	0.1		2.1	
Result before taxes	**66.4**	**7.6 %**	**40.4**	**6.1 %**
Taxes	– 15.3		– 10.4	
Group result	**51.1**	**5.8 %**	**30.0**	**4.5 %**
Attributable to Conzzeta AG shareholders	43.3		26.1	
Attributable to minority interests	7.8		3.9	
Earnings per class A registered share, in CHF	20.94		12.63	
Earnings per class B registered share, in CHF	4.19		2.53	
Diluted earnings per class A registered share, in CHF	20.94		12.63	
Diluted earnings per class B registered share, in CHF	4.19		2.53	

Statement of changes in shareholders' equity

	Share capital	Agio/ capital reserves	Treasury shares	Retained earnings			Total excl. minority interests	Minority interests	Total incl. minority interests
				Currency translation effects	Other retained earnings	Value fluctuation financial instruments			
	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m	CHF m
Shareholders' equity									
At 12/31/2016	4.1	98.3	−1.1	−100.1	933.3	0.1	934.6	6.9	941.5
Group result 2017					26.1		26.1	3.9	30.0
Dividends					−22.8		−22.8		−22.8
Changes resulting from hedging transactions						0.1	0.1		0.1
Purchase of treasury shares			−2.9				−2.9		−2.9
Share-based payments									
Contribution for 2016		−1.1	1.5				0.4		0.4
Allocation for 2017		0.7					0.7		0.7
Currency translation effects				−2.1			−2.1	−0.4	−2.5
At 6/30/2017	**4.1**	**97.9**	**−2.5**	**−102.2**	**936.6**	**0.2**	**934.1**	**10.4**	**944.5**
At 12/31/2017	4.1	98.8	−3.9	−91.5	877.4	−0.1	884.8	18.1	902.9
Group result 2018					43.3		43.3	7.8	51.1
Dividends					−33.1		−33.1	−11.5	−44.6
Changes resulting from hedging transactions						−0.2	−0.2		−0.2
Recognition of goodwill with equity					−27.2		−27.2		−27.2
Share-based payments									
Contribution for 2017		−1.2	1.7				0.5		0.5
Allocation for 2018		0.9					0.9		0.9
Currency translation effects				−0.3			−0.3	0.1	−0.2
At 6/30/2018	**4.1**	**98.5**	**−2.2**	**−91.8**	**860.4**	**−0.3**	**868.7**	**14.5**	**883.2**

Cash flow statement

January – June	2018	2017
	CHF m	CHF m
Group result	51.1	30.0
Depreciation of property, plant and equipment and amortization of intangible assets	16.6	12.6
Impairments	0.1	0.3
Gain on disposal of fixed assets	– 0.3	– 1.5
Change in provisions and pension fund liabilities	– 1.9	1.7
Other non-cash items	1.9	0.8
Cash flow from operating activities before change in working capital	**67.5**	**43.9**
Change in inventories	– 40.4	– 42.9
Change in trade receivables	18.6	9.6
Change in prepayments to suppliers	– 5.3	– 2.2
Change in other receivables, prepaid expenses and accrued income	2.9	– 14.5
Change in trade payables	– 2.5	– 5.6
Change in advance payments from customers	9.4	16.2
Change in other liabilities, accrued expenses and deferred income	– 4.6	7.8
Cash flow from operating activities	**45.6**	**12.3**
Investment in property, plant and equipment	– 14.3	– 8.2
Divestment of property, plant and equipment	0.2	0.7
Investment in financial assets	– 0.6	– 0.2
Divestment of financial assets	10.3	6.7
Investment in intangible assets	– 1.8	– 1.4
Acquisition of business activities	– 27.4	
Cash flow from investing activities	**– 33.6**	**– 2.4**
Cash flow from operating and investing activities	**12.0**	**9.9**
Purchase of treasury shares		– 2.9
Dividends paid to shareholders Conzzeta AG	– 33.1	– 22.8
Dividends paid to minority shareholders	– 11.5	
Change in short-term financial liabilities	– 1.3	– 0.7
Change in long-term financial liabilities	– 0.2	– 0.2
Cash flow from financing activities	**– 46.1**	**– 26.6**
Effect of currency translation on cash and cash equivalents	– 0.9	– 1.7
Change in cash and cash equivalents	**– 35.0**	**– 18.4**
Cash and cash equivalents at 1 / 1	349.1	469.8
Cash and cash equivalents at 6 / 30	314.1	451.4

Principles of consolidated accounting

The unaudited interim consolidated financial statements as of June 30, 2018, conform to the existing guidelines of Swiss GAAP FER in general and Swiss GAAP FER 31 ("Supplementary Recommendation for Listed Companies") in particular.

This half-year report should be read in conjunction with the annual report 2017. The consolidation, accounting and valuation principles set out in the annual report 2017 have been applied consistently in preparing the half-year report.

From 2017, Other operating income will be shown separately. In the previous year, CHF 2.4 million in net revenue was reclassified under Other operating income.

Notes to the consolidated financial statements

1 Segment information

January – June	2018		2017	
	CHF m	%	CHF m	%
Net revenues by segment				
Sheet Metal Processing	477.3	55.9	364.9	58.5
Sporting Goods	111.1	13.0	94.9	15.2
Chemical Specialties	202.8	23.8	114.2	18.3
Glass Processing	62.4	7.3	49.7	8.0
Net revenues as per segment reporting	**853.6**		**623.7**	
Other	−0.3		−0.2	
Net revenues as per income statement	**853.3**	**100.0**	**623.5**	**100.0**

January – June	2018		2017	
	CHF m	%	CHF m	%
Total revenues by segment				
Sheet Metal Processing	500.1	57.1	394.9	60.0
Sporting Goods	111.1	12.7	94.9	14.4
Chemical Specialties	201.4	23.0	116.1	17.6
Glass Processing	63.5	7.2	52.9	8.0
Total revenues as per segment reporting	**876.1**		**658.8**	
Other	−0.3		−0.2	
Total revenues as per income statement	**875.8**	**100.0**	**658.6**	**100.0**

January – June	2018		2017	
Operating result by segment	CHF m	in % TR	CHF m	in % TR
Sheet Metal Processing	62.6	12.5	39.9	10.1
Sporting Goods	–6.4	–5.8	–9.9	–10.4
Chemical Specialties	9.2	4.6	9.9	8.6
Glass Processing	2.9	4.6	1.8	3.4
Operating result as per segment reporting	**68.3**		**41.7**	
Other	–2.0		–3.4	
Operating result as per income statement	**66.3**	**7.6**	**38.3**	**5.8**

	June 30, 2018		December 31, 2017	
Net operating assets (NOA) by segment	CHF m	%	CHF m	%
Sheet Metal Processing	177.6	35.4	173.0	35.3
Sporting Goods	115.3	23.0	116.5	23.7
Chemical Specialties	188.3	37.6	186.9	38.1
Glass Processing	22.7	4.5	23.1	4.7
NOA as per segment reporting	**503.9**		**499.5**	
Other	–2.6		–8.8	
NOA as per balance sheet	**501.3**	**100.0**	**490.7**	**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).

2 Changes in the scope of consolidation

Schmid Rhyner acquired a 100 % stake in ISAtec GmbH in Wohlenschwil, Switzerland, effective March 23, 2018, and the Bystronic business unit took over 100 % of TTM Laser S.p.A. in Cazzago San Martino, Italy, on April 12, 2018. In the first half of 2018, the acquired companies contributed a total of CHF 4.5 million to Group revenue. On July 2, 2018 the business unit Bystronic acquired the automation specialist Antil S.p.A. (see Events after the balance sheet date on page 14).

FoamPartner made one sale and one acquisition in the second half of 2017. The 51 % joint venture stake in Woodbridge FoamPartner Company in Chattanooga, TN, USA, was sold with effect as of July 1, 2017. For the purposes of comparison with the previous year, the revenue reported for the first half of 2017 was adjusted by CHF 5.1 million. The foam business of Otto Bock in Duderstadt, Germany, was taken over on September 1, 2017, which included all of the shares in the 50 / 50 joint venture operated by Otto Bock and FoamPartner in China since 2005. In the first half of 2018, Otto Bock Kunststoff contributed CHF 85.6 million to Group revenue. The impact of the transactions set out above are recognized as acquisition and divestment effects. Figures given on a comparable basis take into account currency translation, acquisition and divestment effects.

3 Seasonality

Due to the fact that business is stronger in the winter season, it is possible that the Sporting Goods segment will generate higher revenue and higher margins in the second half of the year than in the first half. This also has a proportionate impact on Group revenue and the Group operating result. The other segments are not subject to any regular seasonal influences. However, more pronounced fluctuations in raw material prices and exchange rates, as well as cyclical shifts in demand, can have an impact on business performance.

4 Balance sheet

Cash and cash equivalents

Cash and cash equivalents decreased by CHF 35.0 million or 10.0 % in the reporting period. Operating free cash flow (cash flow from operating activities and investments before acquisitions) increased from CHF 9.9 million last year to CHF 39.4 million. Acquisitions and the payment of dividends resulted in cash outflows of CHF 27.4 million and CHF 44.6 million respectively.

Inventories

Inventories were CHF 335.8 million, 15.8 % higher than the total at the end of 2017. This rise is due to the strong growth and high order book level in the Sheet Metal Processing segment.

Property, plant and equipment

Property, plant and equipment amounted to CHF 242.9 million, remaining at the same level as of the end of 2017. Investments amounted to CHF 14.3 million, while depreciation stood at CHF 14.0 million. Major investments were made in the Sporting Goods segment to fit out a showroom and renovate office space, and in the Chemical Specialties segment to expand production facilities.

Shareholders' equity

Compared with the end of 2017, equity decreased by CHF 19.7 million to CHF 883.2 million. The decline is attributable to dividends of CHF 44.6 million and the goodwill of CHF 27.2 million arising from acquisitions and offset against Group equity. This is offset by the Group result of CHF 51.1 million. Since the end of 2017, the equity ratio has fallen by one percentage point to 67.2 %; thus, the Group continues to have a solid financial base.

5 Income statement

Net revenue

Net revenue was CHF 853.3 million, up 36.8 % on the previous year. After taking into account the impact of acquisitions and divestments (13.7 %) and the positive currency effect of 3.4 %, the Group reported growth of 19.7 % on a comparable basis. The Sheet Metal Processing segment generated net revenue of CHF 477.3 million and reported strong business performance in the first half of 2018, with growth of 25.7 % on a comparable basis. With significant double-digit growth rates in all regions, revenue growth was geographically broad-based for the entire first half of the year. The Sporting Goods segment generated net revenue of CHF 111.1 million. On a comparable basis, the increase in revenue was 14.2 %, with double-digit growth reported in Europe and Asia. The Chemical Specialties segment generated net revenue of CHF 202.8 million, resulting in comparable growth of 3.8 %. Net revenue increased in all regions and in all four product segments: Mobility, Specialties, Living & Care and Coatings. The Glass Processing segment generated net revenue of CHF 62.4 million. Growth was 22.7 % on a comparable basis, with a double-digit revenue increase achieved in both the architectural and automotive glass markets. All regions contributed to this growth, particularly Asia.

Changes in inventories of finished goods, work in progress and own work capitalized

Changes in inventories of finished goods, work in progress and own work capitalized amounted to CHF 22.5 million, CHF 12.6 million lower than in the same period last year. The change is related to the higher level of inventories at the end of 2017 and the increased volume of machinery deliveries in the first half of 2018 in the Sheet Metal Processing segment.

Cost of materials

The cost of materials was CHF 444.1 million, 35.9 % up on the previous year. The ratio of material costs to total revenue (materials ratio) was 50.7 %, which was 1.1 percentage points higher than the previous year. The materials ratio is influenced mainly by changes in inventories of semifinished products, work in progress and finished products. Adjusted for this effect, it is 2.6 percentage points higher than the previous year. The change is largely attributable to significantly higher raw material prices in the Chemical Specialties segment.

Personnel expenses

Personnel expenses were CHF 193.9 million, a year-on-year increase of 20.2 %. Included are an acquisition and divestment effect of 7.9 % and a currency effect of 2.7 %. On a comparable basis the increase was 9.6 %. The increase is predominantly due to the growth in the Sheet Metal Processing segment as well as set-up costs in connection with the strategic plan in the Sporting Goods segment. Compared with the previous year, the ratio of personnel expenses to total revenue improved by 2.4 percentage points to 22.1 %.

Other operating expenses

Other operating expenses were CHF 159.3 million, 30.9 % higher than the previous year. Included are an acquisition and divestment effect of 9.6 % and a currency effect of 2.8 %. On a comparable basis the increase was 18.5 %. Compared with the previous year, the ratio of other operating expenses to total revenue decreased slightly by 0.3 percentage points to 18.2 %.

Operating result

The operating result (EBIT) amounted to CHF 66.3 million, 72.9 % higher than the previous year. Included are currency effects of 2.4 % and an acquisition and divestment effect of 11.9 %. Adjusted for these effects, EBIT increased by 58.6 %. The EBIT margin was 7.6 % and reflected a 1.8 percentage point improvement over the same period last year. The Sheet Metal Processing segment generated an operating profit of CHF 62.6 million, which was 57.0 % higher than the previous year. The segment's profitable growth was due to the development of innovative offers for the customer segments it services, and increasing economies of scale. The Sporting Goods segment reported an operating result of CHF –6.4 million. The operating loss expected in the first half of the year, which is weaker for seasonal reasons, was reduced by 35.2 % compared to the previous year, despite the strategy-driven increase in the cost base. The operating result in the Chemical Specialties segment was CHF 9.2 million, 7.4 % lower than the previous year. Significantly higher raw material and restructuring costs put a strain on the operating result. The Glass Processing segment improved its operating result to CHF 2.9 million, which was 63.3 % higher than the previous year. The improvement is primarily attributable to revenue growth and a further increase in efficiency.

Financial result

The financial result was CHF 0.1 million, down CHF 2.0 million on the previous year's figure. Financial income amounted to CHF 2.2 million (previous year: CHF 3.4 million) and financial expenses were CHF 2.1 million (CHF 1.3 million). The level of financial income in the first half of 2017 reflected a valuation gain on employer contribution reserves, which was offset in the first half of 2018 by a book loss due to financial market developments.

Income taxes and Group result

The tax expense increased by CHF 4.9 million to CHF 15.3 million. The effective tax rate of 23.0 % was 1.7 percentage points lower than the previous year, having benefited from lower tax rates in the USA and a tax reduction at a Group company in China.

Group profit before minority interests was 70.3 % higher than the previous year at CHF 51.1 million. The Group result allocable to Conzzeta AG shareholders was CHF 43.3 million, exceeding the previous year's figure by 65.6 %. This results in earnings per class A registered share of CHF 20.94 (CHF 12.63) and per class B registered share of CHF 4.19 (CHF 2.53).

6 Cash flow statement

Cash flow from operating activities in the reporting period amounted to CHF 45.6 million and improved as a result of the higher Group result and a less pronounced increase of CHF 33.3 million in net working capital.

Cash flow from investing activities amounted to CHF – 33.6 million (previous year: CHF –2.4 million). This figure reflects a CHF 6.6 million increase in net investments in property, plant and equipment and a CHF 3.6 million increase in divestments of financial assets, mainly attributable to the repayment of a loan. CHF 27.4 million was spent on the acquisition of business activities.

Cash flow from operating and investing activities therefore amounted to CHF 12.0 million in the reporting period, CHF 2.1 million higher than the previous year.

Cash flow from financing activities amounted to CHF – 46.1 million. Cash outflow was CHF 19.5 million higher than in the previous year, mainly due to higher dividend payments.

7 Events after the balance sheet date

The consolidated financial statements were approved for publication by the Board of Directors on August 9, 2018.

With effect as of July 2, 2018, the Bystronic business unit acquired a 70 % majority stake in the Italian automation specialists Antil S.p.A. based in San Giuliano Milanese, Italy. In 2017 the company generated net revenue of around EUR 18 million, and employed around 100 people as of the end of 2017.

8 Currency translation rates

			Half-year-end exchange rates 2018	Half-year-end exchange rates 2017	Half-year average rates 2018	Half-year average rates 2017
			CHF	CHF	CHF	CHF
Euro area	1	EUR	1.16	1.09	1.17	1.07
USA	1	USD	0.99	0.96	0.96	1.00
Great Britain	1	GBP	1.31	1.24	1.33	1.26
Sweden	100	SEK	11.07	11.34	11.54	11.22
China	100	CNY	14.99	14.12	15.13	14.51
South Korea	100	KRW	0.09	0.08	0.09	0.09
Japan	100	JPY	0.90	0.86	0.89	0.89

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Further information about the company, calendar dates and contacts can be found at www.conzzeta.com.

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