



Press release dated August 21, 2017

Metall Zug Group: Higher Net Income and Investments in the Future

Zug, August 21, 2017 – The Metall Zug Group posted gross sales of CHF 445 million in the first half of 2017, an increase of 0.9%. Substantial expenses relating to future growth had a negative impact on operating profitability. At CHF 28.2 million, operating income (EBIT) was 10.8% lower than in the same period of the previous year. Net income rose 41.4% to CHF 33.8 million thanks to the improved financial result.

The Metall Zug Group increased gross sales by 0.9% in the first half of 2017 to CHF 445 million (H1 2016: CHF 441 million). This is equivalent to organic growth in local currencies of 0.3%. Acquisitions contributed 0.8% to growth in sales and currency effects –0.2%. The Infection Control and Wire Processing business units increased their gross sales whereas the Household Appliances Business Unit did not match the high level of the previous year.

The Metall Zug Group generated operating income (EBIT) of CHF 28.2 million (H1 2016: CHF 31.6 million), equivalent to a decline of 10.8%. The operating margin (EBIT in % of gross sales) came to 6.3% (H1 2016: 7.2 %). Investments in the modernization of the production facilities and in structures, in the digitization of processes and products and in preparatory work for the Technology Cluster Zug all had a negative impact on operating profitability in the first six months of 2017.

The financial result made a positive contribution of CHF 14.4 million (H1 2016: CHF 0.6 million). This is primarily attributable to the performance of the investments in securities.

The Metall Zug Group achieved net income of CHF 33.8 million in the reporting period (H1 2016: CHF 23.9 million), a rise of 41.4% compared with the prior-year period.

The net cash position was CHF 504 million as at June 30, 2017, and therefore CHF 38.8 million below December 31, 2016 (CHF 543 million), following the distribution of a dividend of CHF 31.4 million, the advance payment of taxes and an increase of net working capital. The Metall Zug Group has a solid balance sheet with equity of CHF 881 million (December 31, 2016: CHF 886 million) and an equity ratio of 77.8% (December 31, 2016: 76.9%).

The first half of 2017 was characterized by investments in the future: The Household Appliances Business Unit made concluding investments in the new “Mistral” production, assembly and development building at V-ZUG’s main site. Preparatory work for a new production building in Zug got underway. The Infection Control Business Unit entered the fast-growing low-temperature sterilization market by acquiring STERIFAST Sterilization & Disinfection Systems Lda. (STERIFAST), a company based in Portugal. The Wire Processing Business Unit increased its shareholding in the German company DiIT AG from 35% to 100%, thus gaining direct access to one of the leading providers of manufacturing execution system (MES) solutions – a key element of the “Industry 4.0” for the wire processing industry.

Household Appliances: Wide Range of Initiatives and Future Projects

The Household Appliances Business Unit generated gross sales of CHF 275 million, representing a decrease of 3.7% on the prior-year period (CHF 286 million). The currency effect was negligible and there were no acquisition effects. The organic decline in local currencies therefore also came to 3.7%. The Business Unit generated operating income (EBIT) of CHF 26.5 million (a decrease of 19.4% compared with the prior-year period at CHF 32.9 million).

The decrease in operating income is primarily attributable to lower sales and substantial expenses for future organic growth. The strategic modernization of the Zug production site entailed wide-ranging preparatory and planning work for the new plant. In addition, V-ZUG invested in a variety of digitization initiatives. V-ZUG is also rolling out two new core applications – SAP S/4HANA Enterprise Management (ERP) and mLogistics (FSM-Field Service Management) – in 2017, allowing many existing subsystems to be replaced. These new applications will enable the company to undergo a full-scale digital transformation.

The Household Appliances Business Unit further expanded its market share in the declining Swiss home market. It reported a mixed performance in the international markets.

Infection Control: Performance of Segments Varies

Gross sales of the Infection Control Business Unit (Belimed Group) increased 5.2% to CHF 87.3 million (H1 2016: CHF 83.1 million). Given the currency effect of –0.8% and an acquisition effect of 0.3%, this resulted in organic growth in local currencies of 5.6%. As expected, the generally seasonally weaker first semester meant that the company posted a loss at operating income (EBIT) level. At CHF –10.1 million, this figure was 22.5% better than in the prior-year period (H1 2016: CHF -13.0 million).

Gross sales of the largest segment Medical in the first semester were down on the previous year, while order intake picked up considerably in the last few months. The relocation of production to Slovenia proceeded according to plan and has now been concluded. However, the progress made was obscured by further additional expenses: specifically, a routine inspection at Belimed AG in Zug by the U.S. health authority (FDA), and the rollout of SAP in Grosuplje, Slovenia, in the first half of 2017 entailed a significant drain on resources.

While efforts have concentrated on the two largest segments, Medical and Service, so far, the focus must now shift to the Life Science segment, which has fallen short of expectations and has not fully exploited the existing market potential. The SAP rollout at the production site in Mühldorf, Germany, creates an important basis for profitable growth, enabling existing third-party systems to be replaced. The restructuring of the Life Science segment is taking longer than originally planned and will entail additional costs to optimize processes and structures.

Wire Processing: Increased Growth Momentum

The Wire Processing Business Unit (Schleuniger Group) posted a 13.5% rise in gross sales to CHF 84.0 million in the first six months of 2017 (H1 2016: CHF 74.0 million). Excluding the acquisition effect of 4.4% and currency effect of –0.3%, organic growth in local currencies amounted to 9.4%. Operating income (EBIT) fell by 6.9% from CHF 11.9 million in the prior-year period to CHF 11.1 million. The lower profitability is directly linked to the ongoing structural development required to implement the “Strategy 2025” that was defined in 2016. On the back of the steady growth of past years and as part of the structural buildup, the Schleuniger Group strengthened its Management Committee in the first half of the year to include a Head of Business Segment Solutions and Software and a Head of Business Segment Products.

The Cut & Strip / Semi-Automatic, Test Automation and Process Automation segments and the D-A-CH (Germany, Austria and Switzerland) and NAFTA market regions grew year on year. The Cut, Strip & Terminate segment did not match expectations in the reporting period.

Investments in Zug as a Sustainable, Modern and Urban Location for Industry

The strategic modernization of the V-ZUG production site is intended to ensure that Zug remains a competitive location. New production concepts such as the “vertical factory” will double manufacturing capacity and at the same time reduce the floor space required to one third. Together with process improvements, this will lead to a significant increase in floor productivity. The freed-up floor space will enable the Technology Cluster Zug to develop. This ecosystem of companies engaged in innovative production and their partners from trade, commerce and science is an important element in building a successful future for V-ZUG and for Zug itself as a location for industry.

The transformation of the site is a long-term project. The cantonal planning and construction law requires a development plan. The draft plan is now ready for approval by the city council after undergoing several rounds of modifications in talks between the city authorities, V-ZUG AG and V-ZUG Immobilien AG, and also being revised by the City and the Canton. As things stand today, the development plan should be approved by mid-2018.

In June 2017, V-ZUG AG requested building permission for a new production plant under the current zoning rules, taking into account the requirements specified under the above-mentioned development plan. V-ZUG intends to manufacture the next generation of fundamentally redesigned household appliances in this new production plant that will house new machinery.

The main site of V-ZUG AG has been used for industrial purposes for over 100 years. Given its history, the site has been listed in the register of contaminated sites for some time. As part of the extensive and careful preparations for developing the Zug Technology Cluster, the contamination is under investigation during 2017 to provide a meaningful overall picture of the contamination situation at an early stage. The Metall Zug Group currently assumes that reliable results of these investigations will not be available before the late fall. The impact on construction projects already under way and any subsequent costs can only be estimated after that time.

Outlook

Performance in the second half of 2017 is likely to vary across the business units of the Metall Zug Group and the segments in which they operate.

If there is no significant change in the business environment and currency situation and no special events occur, the Metall Zug Group expects operating income (EBIT) for 2017 as a whole to be slightly lower than in the previous year (CHF 94.1 million). This will require the second half of the year to be seasonally stronger, supported by the good order backlog at mid-year. The financial result for 2017 depends on how the financial markets and currency rates develop going forward.

Key figures of Metall Zug Group

Income Statement

CHF million	1. HJ 2017	1. HJ 2016
Gross sales	445.4	441.4
Net sales	436.9	432.3
Operating income (EBIT)	28.2	31.6
<i>In % of gross sales</i>	6.3	7.2
Financial result	14.4	0.6
Income before taxes	42.6	32.3
Net income	33.8	23.9
<i>In % of gross sales</i>	7.6	5.4

Balance Sheet (Assets)

CHF million	06.30.2017	12.31.2016
Current assets	804.9	827.7
<i>Thereof cash and cash equivalents</i>	206.2	259.3
<i>Thereof securities</i>	298.7	284.2
Tangible assets	276.1	274.0
Financial assets	39.8	41.4
Intangible assets	11.6	9.5
Fixed assets	327.5	324.9
Total assets	1 132.4	1 152.7

Statement of Cash Flows

Cash flow from operating activities	-0.4	2.6
Cash flow from investing activities	-24.6	-16.2
<i>Thereof investments (excl. financial assets)</i>	-25.2	-19.6
Cash flow from financing activities	-28.4	-29.3

Employees (FTE)	3 984	3 876
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Balance Sheet (Liabilities and Shareholders' Equity)

Current liabilities	209.1	226.2
Non-current liabilities	41.7	40.1
Total liabilities	250.9	266.4
Shareholders' equity	881.5	886.3
<i>In % of total assets</i>	77.8	76.9
Total liabilities and shareholders' equity	1 132.4	1 152.7

About the Metall Zug Group

Metall Zug is an industrial group of companies headquartered in Zug, comprises three business units and has a workforce of around 4 000 employees. The Household Appliances Business Unit includes the Swiss market leader V-ZUG AG with its foreign subsidiaries and V-ZUG Kühltechnik AG, SIBIRGroup AG and Gehrig Group AG. The Infection Control Business Unit is represented by the Belimed Group, and the Schleuniger Group makes up the Wire Processing Business Unit. The holding company Metall Zug AG is listed in the Swiss Reporting Standard of SIX Swiss Exchange in Zurich (type B registered shares: securities number 3 982 108, ticker symbol METN).

Disclaimer

Please note that any expectations expressed in this press release are based on assumptions. Actual results may vary from those anticipated. This press release is published in German and English. The German version shall be binding.

Key dates

March 22, 2018

Publication Annual Results 2017

May 4, 2018

Annual General Meeting 2018

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Press release (www.metallzug.ch/en/media/press-releases/) and half-year report (www.metallzug.ch/en/publications/half-year-report-2017/) are available at www.metallzug.ch