

Press release dated March 22, 2018

Metall Zug Group: Net income 2017 impacted by extraordinary expenses and investments for the future

Zug, March 22, 2018 – The Metall Zug Group is currently undergoing a period of transformation. Initiatives involving product and process digitization in all Business Units, the strategic modernization of the Zug production site in the Household Appliances Business Unit, further restructuring measures required at Belimed and the structural expansion at Schleuniger resulted in additional expenses. While gross sales remained stable at CHF 959.2 million, operating income (EBIT) fell to CHF 53.0 million in 2017 (previous year: CHF 94.1 million). The financial result climbed to CHF 30.4 million (previous year: CHF 10.3 million). Net income came to CHF 67.7 million in the reporting year (previous year: CHF 84.9 million).

Although the Metall Zug Group generated stable gross sales of CHF 959.2 million (previous year: CHF 960.6 million), sales declined by 1.0% organically and in local currencies, taking into account the impact of acquisitions and currencies of +0.8% and +0.1% respectively.

Various expenses in relation to digitization and Industry 4.0, product development and structural expansion in all three Business Units, and extraordinary expenses for further restructuring measures at Belimed again had a negative impact on the result. The operating income (EBIT) reported by the Metall Zug Group fell to CHF 53.0 million (previous year: CHF 94.1 million). On a like-for-like basis, i.e. leaving aside the extraordinary expense of CHF 20.8 million in connection with the restructuring measures at Belimed, the 2017 figure actually fell to CHF 73.8 million (previous year: CHF 89.0 million, factoring out the CHF 5.1 million gain on the sale of property).

The pleasing performance of securities increased the financial result to CHF 30.4 million (previous year: CHF 10.3 million). This resulted in net income of CHF 67.7 million (previous year: CHF 84.9 million).

The equity ratio rose to 77.4% of total assets (previous year: 76.9%). The net cash position reached CHF 525.1 million at the end of the reporting year (previous year: CHF 543.0 million).

Household Appliances: Sales Present a Mixed Picture

V-ZUG, whose production facilities are mostly based in Switzerland, was able to improve its market position again in a declining domestic market despite recording a slight drop in sales. The selective expansion of its own-brand business abroad led to further strong growth. Business in China and Hong Kong proved particularly successful. The sales generated through the OEM partner in the US failed to match the prior year's high level.

The decline in sales, expenses related to the strategic modernization of the Zug production site and to Industry 4.0, and a wide variety of product development initiatives adversely affected the profitability of the Household Appliances Business Unit.

Gross sales of the Household Appliances Business Unit were down 2.0% to CHF 587.4 million (previous year: CHF 599.2 million). Operating income (EBIT) fell 14.8% to CHF 65.4 million (previous year: CHF 76.8 million).

Infection Control: Further Restructuring in the Life Science Business Area

The Infection Control Business Unit experienced an unexpected downturn in sales in the second half of 2017. Delivery problems among suppliers of core components and production delays following the rollout of SAP in Grosuplje (Slovenia) and Mühlendorf (Germany) meant that various projects in the seasonally important fourth quarter could no longer be delivered on time. Gross sales fell by 6.1% to CHF 193.4 million (previous year: CHF 206.1 million).

Alongside this sales performance, the Life Science Business Area also had a negative impact on the Infection Control Business Unit's operating income. The Medical Business Area had been the focus of the restructuring measures to date; now it is the turn of the Life Science Business Area to undergo comprehensive restructuring.

The operating income (EBIT) of CHF –34.2 million (previous year: CHF –6.3 million including a gain of CHF 5.1 million on the sale of the property in Ballwil) includes the recognition of provisions for restructuring and impairments totaling CHF 18.0 million in the Life Science Business Area. In addition, an impairment of CHF 2.8 million had to be recognized in the Corporate reporting segment for a property used by Belimed.

Wire Processing: High Growth, Expanded Service Range and Strengthened Structures

Schleuniger generated significant growth in sales in the reporting year. The new Software Business Area, featuring DiIT AG (Germany), also contributed to this growth. Schleuniger increased its gross sales by 14.1% to CHF 180.5 million (previous year: CHF 158.2 million). Operating income (EBIT) was down 2.2% at CHF 22.3 million (previous year: CHF 22.8 million) due to the substantial expenses on future growth and integration costs.

In the fourth quarter, Schleuniger signed an agreement to acquire a 60% stake in adaptronic Prüftechnik GmbH (Germany), thereby adding customized testing solutions to its established range of services. On January 4, 2018, Schleuniger completed the acquisition.

Visible Transformation of V-ZUG's Main Site

In parallel with completion of the move into the new "Mistral" production, assembly and development building, various preparations were made for the next stage in the site's strategic transformation. A construction permit was granted for the first build-out phase of the new "Zephyr Hangar" production facility. The strategic site planning lays the foundations for the company's long-term growth, which V-ZUG is seeking to achieve through its selective internationalization strategy. Before the transformation of the company's main site into an urban center for technology and innovation – the planned Technology Cluster Zug – can continue, a legally binding development plan still needs to be approved. This plan was able to overcome important political hurdles in 2017.

New Business Unit: Medical Devices

On February 28, 2018, the Metall Zug Group completed the acquisition of a 70% stake in Haag-Streit Holding AG as announced in December 2017. Haag-Streit is a leading medtech company in the fields of ophthalmology (diagnostics and surgical microscopy), pneumology and precision optics. The company has become the fourth Business Unit of the Metall Zug Group: Medical Devices.

The Haag-Streit Group generated sales of around CHF 192 million and operating income (EBIT) of almost CHF 27 million in the 2016 financial year. In the coming years, Metall Zug will invest in organic growth initiatives and structures at Haag-Streit, as well as look for growth by acquisitions. Integration costs in the amount of mid-single-digit millions are expected in the current financial year.

Stable Dividend Distribution

As in the previous year, the Board of Directors will propose to the General Meeting of Shareholders of May 4, 2018, a dividend in the amount of CHF 7.00 gross per type A registered share and CHF 70.00 gross per type B registered share.

Outlook

The Metall Zug Group is currently undergoing a period of great transformation. With the groundbreaking ceremony for the new “Zephyr Hangar” building at the V-ZUG production site in Zug, the imminent restructuring measures in the Infection Control Business Unit and the additional costs in relation to Industry 4.0 and product development, the financial year 2018 can be regarded as another period of transition. The present currency constellation and the rapidly changing operating conditions brought about by digitalization present additional challenges. At the same time, the first-time consolidation of Haag-Streit as the fourth Business Unit will lead to a growth spurt. Although there are various challenges in 2018, the Metall Zug Group has reason to be confident and cautiously optimistic about the financial year. Assuming that the business environment remains unchanged, and including Haag-Streit’s contribution to the result as of March 1, 2018, onwards, the Metall Zug Group expects the 2018 operating income to be significantly above the previous year’s adjusted operating income (EBIT) of CHF 73.8 million.

Key figures of Metall Zug Group

Income Statement

CHF million	2017	2016
Gross sales	959.2	960.6
Net sales	936.7	939.5
Operating income (EBIT)	53.0	94.1
<i>In % of gross sales</i>	5.5	9.8
Adj. operating income	73.8	89.0
Financial result	30.4	10.3
Net income	67.7	84.9
<i>In % of gross sales</i>	7.1	8.8

Statement of Cash Flows

Cash flow from operating activities	90.1	95.4
Cash flow from investing activities	-71.2	-50.6
<i>Thereof investments (excl. financial assets)</i>	-61.5	-60.8
Cash flow from financing activities	-26.6	-29.8
Employees (FTE)	4 015	3 919

Balance sheet (Assets)

CHF million	31.12.2017	31.12.2016
Current assets	842.0	827.7
<i>Thereof cash and cash equivalents</i>	250.8	259.3
<i>Thereof securities</i>	274.6	284.2
Tangible assets	286.1	274.0
Financial assets	43.5	41.4
Intangible assets	16.1	9.5
Fixed assets	345.6	324.9
Total assets	1 187.7	1 152.7

Balance Sheet (Liabilities and Shareholders' Equity)

Current liabilities	219.6	226.2
Non-current liabilities	48.5	40.1
Total liabilities	268.1	266.4
Shareholders' equity	919.6	886.3
<i>In % of total assets</i>	77.4	76.9
Total liabilities and shareholders' equity	1 187.7	1 152.7

About the Metall Zug Group

Metall Zug is an industrial group of companies headquartered in Zug, comprises four Business Units with the acquisition of the Haag-Streit Group, and has a workforce of around 5,000 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 Haag-Streit Group forms the new Medical Devices 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

The 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 is binding.

Key dates

May 4, 2018

August 20, 2018

Ordinary General Meeting of Shareholders

Publication of results for the first half of 2018

Further information

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This press release (www.metallzug.ch/en/medien/medienmitteilungen) and the 2017 annual report (www.metallzug.ch/en/investoren/geschaeftsberichte-praesentationen) are available at www.metallzug.ch/en/.

The invitation to the 2018 General Meeting of Shareholders is available in digital format at www.metallzug.ch/en/investoren/generalversammlung.