



Press release dated March 21, 2019

Metall Zug Group: increased sales and EBIT – start of transformation to strategic anchor shareholder

Zug, March 21, 2019 – The Metall Zug Group has continued its strategic transformation. The Group increased its gross sales by 25.1% to CHF 1,199.9 million, primarily thanks to the acquisition of the Haag-Streit Group and growth in the Wire Processing Business Unit. Operating income (EBIT) rose to CHF 89.3 million. This figure includes additional negative impacts associated with the transformation. Net income came to CHF 63.6 million.

Through the strategic transformation process, Metall Zug AG intends to confine itself in the next few years to the role of strategic anchor shareholder with regard to certain of its investments. To this end, Metall Zug is looking into spinning off the Household Appliances Business Unit as an independent company, possibly by floating it on the stock market. This is not likely to happen before the second quarter of 2020. The first step will see the Senior Management of Metall Zug AG reduced in size to the CEO and CFO, effective June 1, 2019.

2018 was a challenging year for the Metall Zug Group. Thanks to the organic growth experienced by all the Business Units and the acquisition of both the Haag-Streit Group and adaptronic Prüftechnik GmbH, gross sales climbed 25.1% to CHF 1,199.9 million (previous year: CHF 959.2 million). Organic growth amounted to 3.3%.

The resolute implementation of the planned transformation will entail additional expenditure. The Metall Zug Group aims to stay fit for the future and keep its Swiss production sites competitive by making investments in digitization, Industry 4.0, state-of-the-art production facilities and product development.

The operating income (EBIT) improved by CHF 36.3 million to stand at CHF 89.3 million (previous year: CHF 53.0 million). On a like-for-like basis, i.e. adjusted for the EBIT from the acquisition of the Haag-Streit Group and adaptronic Prüftechnik GmbH, EBIT came to CHF 63.1 million (previous year: CHF 73.8 million without the exceptional charges of CHF 20.8 million). The reduction in cash and cash equivalents and securities required to finance the acquisition of the Haag-Streit Group helped to offset the poor performance of the financial markets in 2018. The financial result thus came to CHF -3.5 million (previous year: CHF 30.4 million). This resulted in net income of CHF 63.6 million (previous year: CHF 67.7 million).

The offsetting of goodwill from the acquisitions that were made against retained earnings reduced the equity ratio to 69.3% of total assets (previous year: 77.4%). The net cash position declined to CHF 221.7 million at the end of 2018 (previous year: CHF 525.1 million), primarily due to the two acquisitions and investments of CHF 86.9 million (previous year: CHF 58.2 million) in the industrial development of the company's main site in Zug, among other things.

Household Appliances: Challenging Transformation and Modernization

Gross sales of V-ZUG, whose production facilities are mostly based in Switzerland, rose 1.0% to CHF 593.5 million in the reporting year (previous year: CHF 587.4 million). Expenditures in relation to the strategic modernization of the Zug production site and migration to SAP, and spending on strategic product development projects adversely affected the Business Unit's profitability. In addition, personnel resources were temporarily increased to speed up projects. Operating income (EBIT) came to CHF 48.3 million (previous year: CHF 65.4 million). More than half of the decline compared with 2017 is attributable to currency effects.

Infection Control: Gradual Improvement

The Belimed Group raised gross sales by 5.3% in 2018 to CHF 203.6 million (previous year: CHF 193.4 million). Sales in the Medical Business Area were up 9.5%. The much smaller Life Science Business Area stopped assembling washers in Mühldorf, Germany, and relocated operations to Grosuplje in Slovenia. An amicable solution was reached with the works council in Mühldorf. A conscious decision was taken to forego certain sales revenues during the relocation process. Sales in this Business Area therefore fell by 17.2%. Despite the preparatory work involved in splitting the Business Unit Infection Control into two independent Business Units and the investments made in digitization projects, the Business Unit's operating income (EBIT) improved to CHF -10.5 million (previous year: CHF -34.2 million or CHF -16.2 million, leaving aside the provisions and impairments for restructuring).

Wire Processing: Strong Growth

Schleuniger Group experienced strong growth in sales again in the reporting year. Alongside organic growth, the integration of adaptronic Prüftechnik GmbH was the main contributor. Schleuniger increased its gross sales by 23.2% to CHF 222.3 million (previous year: CHF 180.5 million). The company made further investments in product development in the year under review. The project to roll-out SAP S/4 HANA across all Schleuniger Group companies got underway in 2018. Operating income (EBIT) of CHF 28.9 million (previous year: CHF 22.3 million) represents a significant increase year on year.

Medical Devices: New Business Unit following Acquisition of Haag-Streit Group

Metall Zug AG acquired a 70% stake in Haag-Streit Holding AG on March 1, 2018. The Haag-Streit Group forms the new Medical Devices Business Unit. Haag-Streit is a leading medtech company in the field of ophthalmology (diagnostics and surgical microscopy). Its reporting standards were brought into line with those of Metall Zug in the reporting year. Work began on various digitization and R&D projects. The Medical Devices Business Unit generated gross sales of CHF 182.3 million and operating income (EBIT) of CHF 21.6 million from March 1 to December 31, 2018.

Visible Transformation of Main Site in Zug

The development plan for the Technology Cluster Zug became legally binding following its approval by the cantonal authorities at the end of 2018 and can now be realized as planned. The first stage in constructing the 'vertical factory' has begun and the building shell is already quite advanced. Alongside the Technology Cluster Zug, the site will also become home to a technology-driven 'smart city', accessible to third-party users.

Sharpening the Focus

Effective January 1, 2019, Metall Zug has transferred the tasks and responsibilities for the industrial development of its various sites and the creation of the Technology Cluster Zug to a new Business Unit. Also effective January 1, 2019, the activities of the Life Science Business Area of the Infection Control Business Unit have been separated off to create an independent Business Unit with its own business model and customers that differ from the Medical Business Area. The new Life Science Solutions Business Unit will now have its own brand presence as Belimed Life Science.

Stable Dividend Distribution

As in the previous year, the Board of Directors will propose to the General Meeting of Shareholders of May 3, 2019 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.

Strengthening of the Board of Directors

All of the current members of the Board of Directors of Metall Zug AG will be put forward for re-election. The Board of Directors also intends to propose to the General Meeting of Shareholders of May 3, 2019, that additional members be elected to the Board of Directors. The names of the proposed new members will be announced at a later date.

This is intended to ensure a smooth handover, as the term limits set down in the Articles of Association mean that Marga Gyger will be standing for re-election for the final time. However, this move should also strengthen the Board of Directors as it prepares to face the upcoming transformation phase.

Outlook

Metall Zug AG intends to confine itself in future to the role of strategic anchor shareholder with regard to certain of its investments. Business Units will be given legal autonomy and independence in implementing their strategies. This process of establishing independence may result in shares in the Business Units being distributed to the shareholders of Metall Zug AG and the Business Units themselves becoming directly listed companies. The family shareholders will continue to hold a significant ownership interest in the independent Business Units and ensure that business development is synonymous with long-term value creation.

This transformation will begin in 2019 and take several years to complete. The Group and organizational structure will gradually be adjusted. From June 1, 2019, onwards, various responsibilities will be transferred from the CEO of Metall Zug AG to the Boards of Directors of the Business Units. Dirk Hoffmann and Christoph Schüpbach will step down from the Senior Management of Metall Zug AG to concentrate on running their respective Business Units. As of June 1, 2019, the Senior Management of Metall Zug AG will consist of CEO Dr. Jürg Werner and CFO Daniel Keist.

Moreover, Metall Zug AG is looking into spinning off the Household Appliances Business Unit and turning it into an independently, listed company. The intention is for Metall Zug AG to retain a substantial shareholding in the Household Appliances Business Unit, although it will distribute the majority of shares to the shareholders of Metall Zug AG. The exact details and timetable will be worked out over the next few months. As things stand today, a spin-off and listing is not to be expected before the second quarter of 2020.

Metall Zug is expecting a difficult, uncertain environment in 2019. Based on this assessment and the negative impacts in connection with the complex, overlapping, strategic future projects such as digitization, the transformation of the V-ZUG production sites, and new product development, Metall Zug will refrain from making a statement on operating income in 2019.

Key figures of the Metall Zug Group

Income statement

CHF million	2018	2017
Gross sales	1 199.9	959.2
Net sales	1 169.5	936.7
Operating income (EBIT)	89.3	53.0¹⁾
<i>in % of gross sales</i>	7.4	5.5
Financial result	-3.5	30.4
Net income	63.6	67.7
<i>in % of gross sales</i>	5.3	7.1

1) Adjusted operating income CHF 73.8 million (w/o provisions for restructuring and extraordinary Life Science impairments)

Statement of cash flows

Cash flow from operating activities	335.7²⁾	90.1
Cash flow from investing activities	-388.0	-71.2
<i>of which Investments (without financial assets)</i>	-86.9	-61.5
Cash flow from financing activities	-35.4	-26.6
Employees (FTEs)	5 204	4 015

2) Includes the cash flow from the sale of securities held as current assets, which were mainly used to provide the funds required for the purchase price for the acquisitions made in 2018.

Balance sheet (assets)

CHF million	12.31.2018	12.31.2017
Current assets	681.6	842.0
<i>of which Cash and cash equivalents</i>	161.8	250.8
<i>of which Securities</i>	65.4	274.6
Tangible assets	354.8	286.1
Financial assets	44.7	43.5
Intangible assets	27.0	16.1
Fixed assets	426.6	345.6
Total assets	1 108.2	1 187.7

Balance sheet (liabilities and shareholders' equity)

Current liabilities	260.3	219.6
Non-current liabilities	79.5	48.5
Total liabilities	339.8	268.1
Shareholders' equity	768.4	919.6
<i>as a % of total assets</i>	69.3	77.4
Total liabilities and shareholders' equity	1 108.2	1 187.7

About the Metall Zug Group

Metall Zug is an industrial group of companies headquartered in Zug. The Group has around 5,000 employees and, as of January 1, 2019, comprises six business units:

- Household Appliances (V-ZUG AG, SIBIRGroup AG, Gehrig Group AG and other subsidiaries)
- Infection Control (Belimed Group)
- Life Science Solutions (Belimed Life Science AG, Belimed Life Science d.o.o.)
- Medical Devices (Haag-Streit Group)
- Wire Processing (Schleuniger Group)
- Technology Cluster & Infrastructure (V-ZUG Immobilien AG, V-ZUG Infra AG, MZ Infra AG)

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 3982108, 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 3, 2019

Ordinary General Meeting of Shareholders

August 19, 2019

Publication of results for the first half of 2019

Further information

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The press release (www.metallzug.ch/en/medien/medienmitteilungen) and Annual Report 2018 (www.metallzug.ch/en/investoren/geschaeftsberichte-praesentationen) are available in digital form on the www.metallzug.ch website.