

Media release dated August 19, 2019

Metall Zug Group: Provisions for ground remediation work, operational problems at V-ZUG, and weaker markets impact on result. Changes in the management.

Zug, August 19, 2019 – The Metall Zug Group posted gross sales of CHF 576.5 million in the first half of 2019 – this corresponds to an increase of 4.0% compared with the first half of 2018. Operating result (EBIT) was adversely affected by provisions totalling CHF 13.7 million for ground remediation work at the Zug site, costs and lost income resulting from the SAP roll-out at V-ZUG, and weaker markets, particularly in the automotive sector.

The operating result (EBIT) for the first half of 2019 came to CHF -1.6 million (H1 2018: CHF 36.4 million). The financial result amounted to CHF 5.0 million and net result stood at CHF -5.9 million (H1 2018: CHF 22.6 million).

Heinz M. Buhofer will temporarily assume the management of the Household Appliances Business Unit and hand over as Chairman of the Board of Directors of Metall Zug AG to Martin Wipfli. As of March 31, 2020, Jürg Werner will relinquish his operational function as CEO of Metall Zug AG and retire.

The Metall Zug Group generated gross sales of CHF 576.5 million in the first half of 2019 (H1 2018: CHF 554.2 million). After factoring out the positive acquisition effect of 5.9% resulting from the purchase of the Haag-Streit Group on March 1, 2018 and the negative foreign currency effect of -0.5%, organic growth in local currencies amounted to -1.4%.

The operating result (EBIT) for the reporting period came to CHF -1.6 million (H1 2018: CHF 36.4 million). This operating result is attributable to provisions of CHF 13.7 million for ground remediation work at the main V-ZUG site, to implementation problems in connection with the SAP roll-out at V-ZUG, and to a slowdown in various markets.

The financial result amounted to CHF 5.0 million (H1 2018: CHF -2.0 million).

Taking into account tax expenses of CHF 7.5 million, Metall Zug Group posted a net result of CHF -5.9 million for the reporting period (1H 2018: CHF 22.6 million).

The net cash position was CHF 142.5 million as at June 30, 2019, and therefore CHF 79.2 million below its level of December 31, 2018 (CHF 221.7 million), following the distribution of dividends of CHF 33.4 million. The Metall Zug Group has a very solid balance sheet with equity of CHF 728.8 million (December 31, 2018: CHF 768.4 million) and an equity ratio of 68.7% (December 31, 2018: 69.3%).

The first half of 2019 was also shaped by the implementation of the new Life Science Solutions and Technologycluster & Infrastructure Business Units.

With a view to the planned spin-off of V-ZUG, the management will also be adapted. For Metall Zug this transformation is a key task, which is why the Chairman of the Metall Zug AG, Heinz M. Buhofer, will take over the operational management of this process of transformation. At the same time, he will take over as interim CEO of V-ZUG as of September 1, 2019. Dirk Hoffmann, CEO of V-ZUG, will transfer to Metall Zug AG where he will continue to be responsible for current strategic projects. Moreover, Dirk Hoffmann will supervise the interlinking of the site development and the Technology Cluster Zug on behalf of Metall Zug.

The Board of Directors would like to thank Dirk Hoffmann for his untiring commitment to the further development of V-ZUG and for his service in connection with the site transformation. In particular we wish to thank him for the planning and construction of the vertical factory at the main site in Zug and for his commitment for the Zug site.

In the context of the spin-off of V-ZUG, the search for a new CEO of V-ZUG has begun.

Also on September 1, 2019 the chair of the Board of Directors of V-ZUG AG will pass from Jürg Werner to Oliver Riemenschneider. Jürg Werner will remain a member of the Board of Directors of V-ZUG AG. Oliver Riemenschneider, who is already a member of the Board of Directors of V-ZUG AG, is in charge of the Turbocharging business line at the ABB Group.

Finally, as of March 31, 2020, Jürg Werner will relinquish his operational function as CEO of Metall Zug AG and retire.

Household Appliances: Result Affected by SAP Roll-out

The Household Appliances Business Unit generated gross sales of CHF 281.6 million, representing a decrease of 4.0% on the prior-year period (CHF 293.2 million). The currency effect came to 0.2%. There were no acquisition effects. On an organic local-currency basis, gross sales declined by 3.8%.

At CHF 257.1 million, gross sales in the Swiss domestic market were down 5.5% on the same period of the previous year. The increase in revenues in the first half of 2018 was mainly due to early orders ahead of the transition to SAP on July 1, 2018 and was not matched by any similar baseline effect during the same period of 2019. However, the decline was also attributable to supply problems relating to the SAP roll-out. By contrast, gross sales in the international business rose by 16.0% to CHF 24.5 million.

The Household Appliances Business Unit generated operating income (EBIT) of CHF 5.1 million (H1 2018: CHF 21.7 million). The transfer of V-ZUG Infra AG to the Technologycluster & Infrastructure Business Unit had a negative EBIT effect of CHF -2.2 million on the Household Appliances Business Unit compared to the previous year.

The first half of 2019 saw the launch of a new line of appliances based on a new platform technology. In future, this technology will make it possible to develop new appliance variants more quickly and cost-effectively while reducing assembly costs. In the short term, however, manufacturing costs will continue to rise.

The restructuring of V-ZUG's production operations on its main site in Zug and the construction of the new refrigerator factory in Sulgen, Switzerland, are proceeding according to plan. Refrigerators and freezers are of strategic importance to V-ZUG. In many international markets, refrigerators and freezers are subject to different requirements from those that apply in Switzerland. The refrigerator factory in Sulgen will therefore make a key strategic contribution to sales growth in Switzerland and abroad.

The SAP roll-out in July 2018 and the integration of more than 30 peripheral systems was more challenging than anticipated. In recent months, this has led to considerable additional expense and disruptions to V-ZUG's legendary reliability as a supplier. Most problems have since been resolved. Performance indicators, which are being monitored very closely, show significant improvements.

Infection Control: Focus Bears Fruit

The Infection Control Business Unit generated gross sales of CHF 84.2 million. Gross sales of CHF 87.4 million in the first half of 2018 still included the Life Science segment, which became a separate business unit with effect from January 1, 2019. After adjustment for the sales of the Life Science segment, the Infection Control Business Unit posted an increase in sales for the third half-year period in succession. The order intake in Europe and in markets with distributors was

pleasing but fell short of expectations in the US, partly due to project postponements. In particular, the service business and sales of consumables made gratifying headway thanks to the new Belimed Prevent concept in the US. At CHF -3.3 million, operating income (EBIT) was an improvement on the first half of 2018 (CHF -8.3 million including segment Science Solutions).

The outsourcing of the spare parts warehouse to an external service provider in the second half year 2018 still led to additional costs in the reporting period. However, this new spare part warehouse solution should lead to lower costs and optimized delivery quality in the future.

The beginning of 2019 saw the successful completion of moves to consolidate operations at two production sites (Sulgen, Switzerland and Grosuplje, Slovenia). As a result, the former Mühldorf production site is limited to the commercial representation (medical, customer service and consumables) of Belimed in Germany. The Business Unit is now on a solid footing.

Dominik Arnold took over as CEO of the Business Unit Infection Control on May 1, 2019.

Life Science Solutions: Gratifying Order Intake

Since January 1, 2019, Life Science Solutions has been a separate business unit focusing on process-oriented project business for the pharmaceutical and biotechnology industries. The product portfolio has been significantly streamlined, with the focus on profitable and sophisticated projects.

In the first half of 2019, the Business Unit generated gross sales of CHF 17.0 million. The operating result contains one-off costs in connection with the spin-off of Infection Control and the establishment of the new Business Unit. The operating result (EBIT) came to CHF -6.3 million. As this Business Unit was integrated into the Infection Control Business Unit until the end of 2018, no comparative figures can be provided for the past.

During the reporting period, Life Science Solutions recorded a pleasing order intake. However, the long lead times for the sophisticated projects mean that these will not be reflected in sales until next year.

As of April 1, 2019, the Life Science Solutions Business Unit successfully introduced SAP without any significant problems.

The Business Unit's new CEO, Ralf Kretzschmar, took over his position on July 1, 2019. Together with Simon Engeli as the CFO, this now completes the management team.

Wire Processing: Subdued Growth Momentum

The Wire Processing Business Unit posted stable gross sales of CHF 101.8 million in the first six months of 2019 (H1 2018: CHF 101.8 million), thus holding its own in a challenging market strongly exposed to the automotive industry.

The Americas market region and adaptronic Prüftechnik GmbH performed particularly well. Excluding the negative currency effect of 0.6%, organic growth in local currencies amounted to 0.6%.

Operating income (EBIT) fell by 44.6% from CHF 11.8 million in the prior-year period to CHF 6.5 million. The operating result was mainly impacted by the Process Automation segment in Cham (Switzerland). The actively pursued diversification of its customer structure and the associated development of new projects and applications, as well as a new platform, entailed substantial costs. In addition, earnings were adversely impacted by the delayed delivery of some projects.

Medical Devices: Investments in the Future

In the first half of 2019, the Medical Devices Business Unit posted gross sales of CHF 99.8 million and an operating result (EBIT) of CHF 7.5 million. In the previous year, gross sales for the four months following the takeover (March 1, 2018 to June 30, 2018) amounted to CHF 73.0 million and the operating result came to CHF 10.1 million.

Both the Diagnostics and Surgical Business Segments lived up to expectations. Some of the previous year's extremely high order backlog was cleared. The delivery periods are back to normal.

Sales in Europe benefited from stable innovation-driven replacement business. The ambitious sales targets were achieved in both the US and China.

As anticipated, the investments in digitization, R&D, regulatory compliance and strengthened management structures, which had already been planned at the time of the acquisition, led to lower EBIT and will temporarily reduce profitability. However, they will have a positive effect in the future.

Technologycluster & Infrastructure: Implementation of Site Transformation as Planned

Since January 1, 2019, the properties in Zug and Sulgen, as well as the tasks and responsibility for the development of the various industrial sites, the establishment of the Technology Cluster in Zug and other planned infrastructure tasks have been combined in the Technologycluster & Infrastructure Business Unit.

The implementation of the approved development plan in Zug is proceeding as planned.

Extensive tests of the ground at V-ZUG's main site in Zug have identified various locations in need of remediation. Given the legal remediation obligation and the advanced planning stage for some construction plots, provisions of CHF 13.7 million have been recognized for this. This led to an operating result (EBIT) of CHF -10.0 million for the Business Unit in the first half of 2019. Depending on the realization of further construction projects on this site, additional remediation costs may be incurred over the next ten to twenty years.

Strong Industrial Group with Leading Positions in Attractive Markets

The strategic decision to broaden the Metall Zug Group through the acquisition of the Haag-Streit Group (as of March 1, 2018) has strengthened the resilience of the Metall Zug Group. However, this was not sufficient to compensate for the decline in EBIT at V-ZUG.

Although experience shows that the Metall Zug Group generates higher operating income in the second half of the year compared with the first, it must be assumed that it will not be possible to make up the shortfall to the first half year 2018. Further optimization of IT projects, improvements in processes at V-ZUG, and developments in the automotive industry will be decisive factors for the second half of the year.

The possibility of spinning off and listing V-ZUG AG, announced on March 21, 2019 in the context of the transformation of the Group's structure, will continue to be examined as stated. This spin-off is not expected to take place until the 2nd quarter of 2020 at the earliest.

Overall, Metall Zug's Business Units operate in attractive markets and occupy leading positions in those markets.

Heinz M. Buhofer's comments on the planned spin-off of V-ZUG:

"The spin-off of the Household Appliances Business Unit and the listing of V-ZUG on the SIX Swiss Exchange is actually a key task for Metall Zug. I see it as my responsibility to accept the current situation as it is, and to ensure best possible preparation for this new phase in V-ZUG's development.

The goals I set for myself as Chairman of Metall Zug have largely been achieved. It is thus opportune for a new Chairman to take over and bring in new ideas and impetus.

With the reorganization of the senior management we want

- to focus closely on challenges the key pillar of the Metall Zug Group is facing and to justify the palpable trust and high expectations of V-ZUGs customers and employees,
- to lead V-ZUG as a strong company, into successful independence, and
- to advance the transformation of the Group with strong impulses from the renewed Board of Directors.

I have recently pointed out on various occasions that I do not consider myself to be irreplaceable. Now I want to do everything possible to ensure that my successor finds the best possible preconditions for taking over this responsibility. Also from the point of view of the biggest single shareholder in an autonomous V-ZUG, I view this change of role as the right response to the current situation.

I would like to wish my successor Martin Wipfli all the best and every success in this task. I trust that the course set in recent years and the burdens we took on will prove to be the right ones and will bear fruit."

Key figures Metall Zug Group

Income Statement

CHF million	1st HY 2019	1st HY 2018
Gross sales	576.5	554.2
Net sales	565.7	541.8
Operating result (EBIT)	-1.6	36.4
<i>In % of gross sales</i>	<i>-0.3</i>	<i>6.6</i>
Financial result	5.0	-2.0
Income before taxes	3.4	34.3
Net result	-5.9	22.6
<i>In % of gross sales</i>	<i>-1.0</i>	<i>4.1</i>

Balance Sheet (Assets)

CHF million	06.30.2019	12.31.2018
Current assets	614.7	681.6
<i>Thereof cash and cash equivalents</i>	<i>124.7</i>	<i>161.8</i>
<i>Thereof securities</i>	<i>23.0</i>	<i>65.4</i>
Tangible assets	371.6	354.8
Financial assets	46.1	44.7
Intangible assets	27.7	27.0
Fixed assets	445.5	426.6
Total assets	1 060.1	1 108.2

Statement of cash flows

Cash flow from operating activities	36.8	240.3
Cash flow from investing activities	-39.7	-337.8
<i>Thereof investments (excl. financial assets; M&A)</i>	<i>-38.0</i>	<i>-35.8</i>
Cash flow from financing activities	-33.6	-32.9
Employees (FTE)	5 163	5 178

Balance Sheet (Liabilities and Shareholders' Equity)

Current liabilities	239.0	260.3
Non-current liabilities	92.4	79.5
Total liabilities	331.3	339.8
Shareholders' equity	728.8	768.4
<i>In % of total assets</i>	<i>68.7</i>	<i>69.3</i>
Total liabilities and shareholders' equity	1 060.1	1 108.2

About the Metall Zug Group

Metall Zug is a group of industrial 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

March 19, 2020

April 24, 2020

Publication of results for 2019

Ordinary General Meeting of Shareholders

Further informationen

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Metall Zug AG processes personal data in accordance with its privacy statement available under: <https://www.metallzug.ch/en/datenschutzerklaerung>.

The press release (www.metallzug.ch/en/medien/medienmitteilungen) and half Year Report 2019 (www.metallzug.ch/en/investoren/geschaeftsberichte-praesentationen) are available in digital form on the www.metallzug.ch website.