

Press Release dated August 24, 2015

Metall Zug Group: Higher operating income – currency impact weighs on financial result

Zug, August 24, 2015 – In the first half of 2015, gross sales of the Metall Zug Group were practically unchanged year-on-year at CHF 427 million. Despite the more challenging market conditions due to the abandonment of the euro minimum exchange rate, operating income (EBIT) rose by 16.7% to CHF 31.2 million. The financial result was impacted by currency losses and the associated revaluations in the first half of 2015, thus falling to CHF -13.0 million. Net income reached CHF 10.3 million.

The Metall Zug Group generated gross sales of around CHF 427 million in the first half of 2015 (H1 2014: CHF 429 million). This represents organic growth in local currencies of 0.5%. While acquisitions contributed 0.2% to growth, the currency effect had a negative impact of 1.2%. The abandonment of the euro minimum exchange rate had serious consequences, though affected each of the individual Business Units to a different extent. The resulting decrease in competitiveness compared with competitors that produce to a larger extent in the euro-zone was a common factor. Although goods purchased abroad gradually became cheaper, the – often very swift and broad – price cuts by the competition cost the Group sales. The Metall Zug companies accepted the challenge. Measures introduced previously in anticipation of the abandonment of the euro minimum exchange rate were accelerated and reinforced. Price negotiations with suppliers and increased outsourcing succeeded in achieving the desired effect, contributing to an increase in operating income to CHF 31.2 million despite the challenging conditions. Compared with the prior year period (CHF 26.7 million), this represents a rise of 16.7%.

The financial result was negatively impacted by currency losses, a poorer performance of the investments in securities as well as revaluations of financial assets, and came to CHF -13.0 million in the first half of 2015. In the first semester of 2014, the financial result had positively contributed by CHF 13.2 million.

The Metall Zug Group achieved net income of CHF 10.3 million in the reporting period (H1 2014: CHF 31.9 million). The company has a very solid balance sheet with equity of CHF 784 million (December 31, 2014: CHF 806 million) and an equity ratio of 76.2%.

Business Unit Household Appliances:

Strong performance despite increased pressure on prices

The Business Unit Household Appliances generated gross sales of around CHF 278 million, which represents a decline of 1.6% to the prior year period (around CHF 282 million). Adjusted for the influence of acquisitions of 0.2% and the currency effect of -0.3%, this corresponds to a decline in local currencies of 1.5%.

The Business Unit generated operating income (EBIT) of CHF 30.0 million, a rise of 9.8% compared with the prior year period (CHF 27.3 million). The Business Unit Household Appliances was hit particularly hard by the currency shock of January 15, 2015. On the one hand, competitors with production facilities in the euro-zone rapidly and broadly lowered prices following the sudden appreciation of the Swiss franc. On the other hand, the advantages of lower prices paid for goods purchased abroad were partly offset by the meanwhile slightly stronger euro rate. The good result could be achieved thanks to the new product line introduced in the reporting period and the new V-ZUG appliances, which were well received by our customers.

Two acquisitions were made – Schybig Gastro-Service AG and Horeka AG – that will allow the Gehrig Group to strengthen its market position in Switzerland.

Business Unit Infection Control:

Progress in restructuring efforts

Gross sales of the Belimed Group (Business Unit Infection Control) fell by 5.3% to CHF 79.7 million (H1 2014: CHF 84.2 million). Given the currency effect of -3.7%, a decline in local currencies of 1.6% resulted. The drop in sales, ongoing restructuring and a less favorable sales mix burdened operating income (EBIT), which came to CHF -9.3 million, as in the prior year period.

As part of the strategy to focus and differentiate, Belimed has streamlined its portfolio while withdrawing from non-profitable markets. It was accepted that this would involve a temporary decrease in sales. The development of the Service Business Area, on which a special focus is being placed, is pleasing.

On the product side, the new sterilizer for the Life Science Business Area was launched. This represents a milestone for Belimed as the device is entirely modular in construction.

On the operations side, the Belimed Group focused on implementing the restructuring measures that had been communicated at the beginning of the year. The new, functional organization structure, which has been in place since the beginning of 2015 has created clear responsibilities along the business processes.

Business Unit Wire Processing:

Increase in sales and strong growth of fully automatic CrimpCenter series

Overall, the Schleuniger Group (Business Unit Wire Processing) posted an 11.2% rise in gross sales to CHF 70.6 million in the first six months of 2015 (H1 2014: CHF 63.5 million). Excluding the impact of an acquisition of 0.9% and the currency effect of -1.9%, organic growth in local currencies amounted to 12.2%. The positive market environment is mostly driven by the automotive and electronics sectors. In addition, Schleuniger significantly strengthened its position with the key accounts in the automotive industry in the first half of 2015. Operating income (EBIT), standing at CHF 9.0 million, was 11.5% lower than in the prior year period (CHF 10.2 million). It was negatively affected by higher expenditures for product optimization and development.

As a reaction to the abandonment of the euro minimum exchange rate, Schleuniger introduced a number of measures to increase productivity and cut costs. However, these measures will have a delayed impact and will become noticeable mainly in and after the second half of the year.

Two new products announced early that year – the CoaxCenter 6000 and the Multistrip 9480 – were successfully launched in the market. The trend toward greater automation contributed to this success.

Schleuniger has acquired Cirris Solutions GmbH in Jettingen (Germany) in the context of expanding the value chain. The company specializes in test automation and the production of test applications for sensor and data transmission cables as well as electromechanical components. Its fully automatic testing machines make Cirris Solutions a global market leader for applied testing technology. For Schleuniger, this acquisition marks the next logical step towards integrating test technology in its portfolio of products and competencies.

Outlook

The Metall Zug Group expects the market environment to remain challenging and uncertain in the second half of 2015. The measures introduced following the abandonment of the euro minimum exchange rate will be pursued and optimized. Given the strong second half of 2014, a similar rise in operating income cannot necessarily be expected for the second semester of 2015.

Provided that the business environment and the currency situation do not significantly change and no special events occur, the Metall Zug Group expects operating income (EBIT) for the full year 2015 to be on a par with the previous year. The financial result for the year 2015 particularly depends on how the financial markets and currencies develop.

Key figures

Metall Zug Group					
CHF million	H1 2015	H1 2014	CHF million	06.30.2015	12.31.2014
Gross sales	426.8	428.9	Current assets	737.6	763.5
Net sales	417.9	417.7	Tangible assets	243.9	245.7
Operating revenue	437.2	432.5	Financial assets	36.7	34.2
Operating expenses	-406.0	-405.8	Intangible assets	10.5	11.6
Operating income (EBIT)	31.2	26.7	Fixed assets	291.1	291.5
In % of gross sales	7.3	6.2			
Financial result	-13.0	13.2	Total assets	1 028.7	1 055.0
Income before taxes	18.2	39.9			
Net income	10.3	31.9	Current liabilities	198.7	200.2
In % of gross sales	2.4	7.4	Non-current liabilities	46.2	49.1
Cash flow from operating activities	22.8	53.4	Total liabilities	244.9	249.3
In % of gross sales	5.3	12.5	Shareholders' equity	783.8	805.6
Investments (excl. financial assets)	27.6	16.3	In % of total assets	76.2	76.4
Employees	3 778	3 551	Total liabilities and shareholders' equity	1 028.7	1 055.0

About the Metall Zug Group

Metall Zug is an industrial group of companies headquartered in Zug. It comprises three Business Units and has a workforce of around 3 800 employees. The Household Appliances Business Unit includes the Swiss market leader V-ZUG AG and its foreign subsidiaries, V-ZUG K hltechnik 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 (series 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 23, 2016

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Annual General Meeting Metall Zug AG

Further Information

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Press release and half-year report are available at www.metallzug.ch.