Metall Zug Group

Half-year Report
2016

Continued Sales Growth

The Metall Zug Group posted gross sales of CHF 441 million in the first half of 2016, representing a year-on-year increase of 3.4 %. Operating income (EBIT) rose slightly to CHF 31.6 million. Net income increased to CHF 23.9 million thanks to the improved financial result.

Dear Shareholders

The Metall Zug Group increased gross sales by 3.4 % in the first half of 2016 to CHF 441 million (H1 2015: CHF 427 million). This is equivalent to organic growth in local currencies of 2.1 %. Acquisitions contributed 0.5 % to growth and currency effects 0.8 %. All business units succeeded in augmenting their gross sales. The Metall Zug Group generated operating income of CHF 31.6 million. Compared with the prior-year period (CHF 31.2 million), this represents a rise of 1.4 %. The gain on the sale of the Belimed site in Ballwil will not be recognized until the second half of 2016.

The financial result for the first half of 2016 amounted to CHF 0.6 million. The slightly negative performance by investments in securities was offset by the increased value of financial assets and associated companies. In the first half of 2015, the financial result had impacted the income statement in the amount of CHF –13.0 million.

The Metall Zug Group achieved net income of CHF 23.9 million in the reporting period (H1 2015: CHF 10.3 million).

The net cash position was CHF 474 million as at June 30, 2016, and therefore CHF 43.7 million lower than at December 31, 2015, following the distribution of a dividend, the advance payment of taxes and buildup of net working capital. The Metall Zug Group has a solid balance sheet with equity of CHF 825 million (December 31, 2015: CHF 833 million) and an equity ratio of 76.9 %.

Whereas the prior-year period had been dominated by the abandonment of the euro minimum exchange rate, in the first half of 2016 pleasing strategic and operational progress was made in all business units: The Household Appliances Business Unit consolidated its market position in Switzerland while at the same time driving internationalization forward. In addition to the restructuring, which is proceeding on schedule, the Infection Control Business Unit made substantial investments in market development, thus laying the foundations for future growth. The Wire Processing Business Unit optimized its supply chain and posted further progress in its project business.

Household Appliances: Sales and EBIT Growth

The Household Appliances Business Unit generated gross sales of CHF 286 million, representing an advance of 2.9 % over the prior-year period (CHF 278 million). Adjusted for the impact of acquisitions of 0.2 %, this resulted in organic growth in local currencies of 2.7 %. The business unit generated operating income (EBIT) of CHF 32.9 million, an increase of 9.7 % compared with the prior-year period (CHF 30.0 million).

The Household Appliances Business Unit continued to consolidate its strong position in its home market Switzerland. Strong brands, more product innovations and a global procurement strategy enabled it to increase both sales and profitability. For example, V-ZUG rounded out its kitchen line with vacuum drawers for sous-vide cooking, downdraft ventilation and design hoods. Customers can download new applications for existing household appliances that are equipped with V-ZUG Home networking technology.

While the markets in Russia, Turkey and Australia continue to lag behind expectations, China, Europe and the OEM market in the US are performing well. The new ZUGORAMA in Hong Kong – the showroom and advice center for customers in Hong Kong and Macau – is scheduled to open in fall. The new marketing strategy in Germany has been implemented. Specialist retailers in large urban areas will be given selective support ranging from traditional advertising to sales promotions and online measures. The campaign elegantly conveys V-ZUG's claims to premium quality as a Swiss brand.

Although investments in the hotel, restaurant and catering sector remain low, the Gehrig Group successfully launched its new line of dishwasher models on the market. The large order placed by Swiss Federal Railways (SBB) shows that Gehrig is capable of meeting complex requirements: Having won the tender procedure, Gehrig will now equip the Swiss Federal Railway's dining cars with baking, steaming, cooking and dishwashing appliances. The integration of Schybig Gastro-Service AG and Horeka AG into the Gehrig Group AG was successfully completed.

Synergies are to be created in future at the Technology Cluster Zug, where know-how will also be bundled to strengthen the V-ZUG production site and generally promote Zug as a location for industry. A first part of the new "Mistral" assembly and logistics building at the Zug site is already operational. In addition, there are plans to set up joint research and test laboratories for the washers produced by V-ZUG, Gehrig und Belimed, thus laying the first cornerstone for the Technology Cluster Zug. These efforts are also being supported by a cooperation between V-ZUG and Siemens, the "Kompetenzzentrum industrielle Bildung" (KiB), which aims at training young apprentices in eight different professions.

Infection Control: Investments in the Future Alongside the Restructuring

Gross sales of the Belimed Group (Infection Control Business Unit) increased 4.2 % to CHF 83.1 million (H1 2015: CHF 79.7 million). Given the currency effect of 1.9 %, this resulted in organic growth in local currencies of 2.3 %. Sales are normally subject to seasonal fluctuations as many hospitals and customers in the Life Science segment aim to complete projects by the end of the year. In addition to the restructuring costs, investments in market development as well as in research and development also had a negative impact on operating income (EBIT). At CHF –13.0 million, this figure was 39.2 % down on the prior-year period (CHF –9.3 million). This amount does not include the gain on the sale of the Ballwil site, which will not be realized until the second half of 2016.

Performance of the Belimed Group's segments varied in the first six months of 2016: Whereas Medical and Services grew year on year, Life Science did not match expectations, following project postponements into the second half. The development and expansion of the service and sales structures in the US led to higher personnel costs, as planned. The unavoidable duplication of positions during the course of relocating production to Slovenia had a negative impact on the income statement. The Ballwill production site and associated costs will fall away in the third quarter.

The higher investments in R&D and in developing the US market were deliberate expenditures that support both the restructuring process and Belimed's long-term competitiveness. Consolidation among customers in the US is well advanced. Belimed is well-positioned: Even last year, it already generated a significant part of its sales from hospital groups, large purchasing organizations and state-run hospitals. To ensure that the sales and service organization is optimally aligned with this market structure, an additional 40 employees were hired compared with the end of June 2015. Most of them joined Belimed in the last few months and are currently undergoing their onboarding program. In the first quarter of 2016, Belimed entered into a cooperation in the US with a provider of cleaning chemicals. This is intended to increase the share of recurring income generated in addition to the pure service business.

The ongoing centralization of the European spare parts warehouse and the rollout of SAP will make Belimed more efficient and reduce costs in future. The expansion of the Slovenian production site in Grosuplje to more than 200 employees optimizes the cost structure and provides a natural hedge against the currency risk. However, the production facility in Sulgen was also strengthened by means of an ambitious cost-cutting program in several areas. Production costs there are now at an internationally competitive level.

Belimed is implementing a variety of measures to achieve future profitable growth, as is clearly demonstrated by the investments made so far.

Wire Processing: Higher Operating Income (EBIT) Overall, the Schleuniger Group (Wire Processing Business Unit) reported a 4.8 % rise in gross sales to CHF 74.0 million in the first six months of 2016 (H1 2015: CHF 70.6 million). Excluding the acquisition effect of 2.2 % and currency effect of 2.7 %, organic growth in local currencies amounted to –0.1 %. Operating income (EBIT) rose by 32.2 % from CHF 9.0 million in the prior-year period to CHF 11.9 million thanks to the advantageous product mix and the fact that significantly fewer product optimization costs were incurred in the year under review.

While the Cut&Strip and Cut-Strip-Terminate segments as well as NAFTA and EMEA market regions turned in a gratifying performance, China and sales in the project business lagged behind expectations. Experience has shown that sales in the project business tend to be volatile. The order backlog indicates that this business may expect sales growth for the full year. Schleuniger has responded to the increased demand with additional production capacities in Thun and Cham.

The trend towards automation continues unabated, and Schleuniger is benefiting through its Assembly Automation and Test Automation segments. Alongside the positive effect on production costs, automation addresses crucial issues such as quality assurance and traceability as well as the ongoing miniaturization of components.

The automotive industry, which is key for Schleuniger, remains in good health and generates opportunities for the company in relation to autonomous driving and alternative drive concepts as well as higher demands in respect of safety and comfort.

The strategic cooperation with Laser Wire Solutions (LW Solutions Ltd., UK), which focuses on laser-based wire stripping, and the non-controlling interest in this company acquired in June 2016 allow Schleuniger to broaden its position in strip operations.

Digitization is exerting a growing influence on Schleuniger's business. The close cooperation with DiIT AG, a leading global provider of Manufacturing Execution Systems within the wire harness industry, creates a promising platform for success in this area. Following on from S.WOP (Wire Optimized Production), the simple and easy-to-use new S.RPM (Real Production Meter) is a further step towards the Internet of Things.

Outlook

The second half of 2016 may involve market uncertainties for the Metall Zug Group. The consequences of Brexit on the economic environment as well as on growth in the EU area and in Switzerland are still unclear.

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 2016 as a whole to be higher than in the previous year. The financial result for 2016 depends on how the financial markets and currency rates develop going forward.

Heinz M. Buhofer Chairman of the Board of Directors	Dr. Jürg Werner CEO

Consolidated Income Statement

in CHF 1 000	H1 2016	H1 2015
Gross sales	441 391	426 790
Sales deductions	–9 092	–8 842
Net sales	**432 299**	**417 948**
Changes in inventories	27 146	16 489
Other operating revenue	3 189	2 780
Operating revenue	**462 634**	**437 217**
Cost of materials	–163 410	–152 974
Personnel expenses	–185 614	–174 512
Depreciation on tangible assets	–14 855	–16 030
Amortization on intangible assets	–2 668	–2 553
Other operating expenses	–64 444	–59 943
Operating expenses	**–430 991**	**–406 012**
Operating income (EBIT)	**31 643**	**31 205**
in % of gross sales	7.2 %	7.3 %
Financial income	9 741	3 446
Financial expenses	–9 949	–11 034
Result of associated companies	818	–5 391
Financial result	**610**	**–12 979**
Income before taxes	**32 253**	**18 226**
Taxes	–8 798	–8 099
Non-controlling interest	425	180
Net income	**23 880**	**10 307**
in % of gross sales	5.4 %	2.4 %
Net income per type A registered share (in CHF)	5.39	2.34
Net income per type B registered share (in CHF)	53.92	23.38
Employees	3 876	3 778

Consolidated Balance Sheet

Assets

in CHF 1000	06.30.2016	12.31.2015
Cash and cash equivalents	201 224	244 386
Securities	273 623	274 803
Trade receivables	106 974	107 831
Other receivables	22 357	21 215
Inventories	158 521	133 629
Prepaid expenses	10 647	6 382
Current assets	**773 346**	**788 246**
Land	954	957
Land and buildings	178 838	170 757
Plant and equipment	51 100	55 288
Prepayments and assets under construction	3 481	614
Other tangible assets	18 590	20 275
Tangible assets	**252 963**	**247 891**
Employer's contribution reserves	15 754	15 525
Associated companies	1 985	1 081
Other financial assets	19 453	21 338
Financial assets	**37 192**	**37 944**
Software	9 105	9 670
Other intangible assets	30	37
Intangible assets	**9 135**	**9 707**
Fixed assets	**299 290**	**295 542**
Total assets	**1 072 636**	**1 083 788**

Liabilities and Shareholders' Equity

in CHF 1 000	06.30.2016	12.31.2015
Current financial liabilities	0	625
Trade payables	36 382	37 050
Other current liabilities	75 674	82 204
Accrued liabilities	59 576	51 827
Current provisions	37 203	38 893
Current liabilities	**208 835**	**210 599**
Long-term financial liabilities	500	500
Other long-term liabilities	5 998	7 042
Long-term provisions	31 957	32 979
Non-current liabilities	**38 455**	**40 521**
Total liabilities	**247 290**	**251 120**
Share capital	11 250	11 250
Capital reserves	348 581	342 335
Treasury shares	–5 275	–18 779
Retained earnings	471 850	498 478
Non-controlling interest	–1 060	–616
Shareholders' equity	**825 346**	**832 668**
in % of total assets	76.9 %	76.8 %
Total liabilities and shareholders' equity	**1 072 636**	**1 083 788**

Consolidated Statement of Cash Flows

in CHF 1000	H1 2016	H1 2015
Net income before non-controlling interests	23 455	10 127
Financial result (net)	208	7 588
Depreciation and amortization	17 523	18 583
Result of associated companies	–818	5 391
Net changes in provisions	–2 273	–236
Income tax	8 798	7 640
Other non-cash items	–1 371	2 248
Cash flow	**45 522**	**51 341**
Change in securities	–4 524	–472
Change in trade receivables	–14	5 592
Change in other receivables and prepaid expenses	–982	–1 575
Change in inventories	–25 777	–21 289
Change in trade payables	–515	93
Change in other current liabilities and accrued expenses	7 710	2 993
Interests paid	–21	–71
Taxes paid	–18 830	–13 808
Cash flow from operating activities	**2 569**	**22 804**
Investments in tangible assets	–17 427	–19 516
Investments in financial assets	–1 284	–1 341
Investments in intangible assets	–2 103	–1 494
Investments in Group companies, net of cash acquired	–41	–6 629
Disposals of tangible assets	462	107
Disposals of financial assets	4 186	1 795
Disposals of intangible assets	0	1
Interests received	32	86
Cash flow from investing activities	**–16 175**	**–26 991**
Change in long-term financial liabilities	–244	–1 820
Purchase/sale of treasury shares	307	0
Dividend	–29 362	–26 892
Cash flow from financing activities	**–29 299**	**–28 712**
Currency translation effects	368	109
Change in “Net cash and cash equivalents”	**–42 537**	**–32 790**

Changes in Shareholders' Equity

in CHF 1000	Share Capital	Capital Reserves	Treasury Shares	Retained Earnings	Accumulated Currency Translation Differences	Total Retained Earnings	Non-controlling Interests	Total
Balance on 01.01.2015	**11 250**	**342 335**	**–18 779**	**481 815**	**–12 008**	**469 807**	**1 033**	**805 646**
Dividend				–26 892		–26 892		–26 892
Purchase of treasury shares						–		–
Acquisitions				–4 875		–4 875		–4 875
Associated companies				8 358		8 358		8 358
Purchase of non-controlling interest				–1 618	–24	–1 642	–979	–2 621
Sale of non-controlling interest				79	95	174	–131	43
Currency translation effects					–5 796	–5 796	–123	–5 919
Net income				10 307		10 307	–180	10 127
Balance on 06.30.2015	**11 250**	**342 335**	**–18 779**	**467 174**	**–17 733**	**449 441**	**–380**	**783 867**
Balance on 01.01.2016	**11 250**	**342 335**	**–18 779**	**513 906**	**–15 428**	**498 478**	**–616**	**832 668**
Dividend		6 045	13 398	–48 805		–48 805		–29 362
Purchase of treasury shares			–1 700			–		–1 700
Sale of treasury shares		201	1 806			–		2 007
Acquisitions				–33		–33		–33
Associated companies				–234		–234		–234
Currency translation effects				–7 122	5 686	–1 436	–19	–1 455
Net income				23 880		23 880	–425	23 455
Balance on 06.30.2016	**11 250**	**348 581**	**–5 275**	**481 592**	**–9 742**	**471 850**	**–1 060**	**825 346**

Segment Information

By Business Unit

	Net Sales to Third Parties		Operating Income (EBIT)		EBIT in % of Net Sales	
in CHF 1000	**H1 2016**	**H1 2015**	**H1 2016**	**H1 2015**	**H1 2016**	**H1 2015**
Household Appliances	279 285	271 492	32 867	29 970	11.8 %	11.0 %
Infection Control	81 311	77 837	–13 004	–9 339	–16.0 %	–12.0 %
Wire Processing	71 703	68 619	11 887	8 993	16.6 %	13.1 %
Corporate	0	0	–100	1 597	N/A	N/A
Consolidation	0	0	–7	–16	N/A	N/A
Total	**432 299**	**417 948**	**31 643**	**31 205**	**7.3 %**	**7.5 %**

Notes

General

The Metall Zug Group's unaudited interim financial statements as at June 30, 2016, were prepared in compliance with Swiss GAAP FER 31 and on the basis of historical cost. The rules of the Swiss GAAP FER Framework, Swiss GAAP FER 3 and 6 in relation to revenue recognition (in force since January 1, 2016) have been applied for the first time as at June 30, 2016. The changes had no impact on revenue recognition, but will lead to additional disclosures in the annual financial statements.

The exchange rate at the balance sheet date is uniformly applied to balance sheets while the average exchange rate during the period under review is used for income statements. The principles of consolidation and valuation are unchanged compared with the previous year. This half-year report is published in German and English. In case of discrepancies between the two versions, the German print version shall prevail.

Changes in the Scope of Consolidation

Effective January 1, 2016, V-ZUG Hong Kong Co., Ltd. (HK), commenced business. As of January 1, 2016, the companies Schybig Gastro-Service AG, Risch ZG, and Horeka AG, Risch ZG, were merged with Gehrig Group AG, Rümlang ZH.

On January 1, 2016, Belimed Technik GmbH, Mühldorf (DE), and Belimed Deutschland GmbH, Mühldorf (DE), were merged with Belimed GmbH, Mühldorf (DE).

Furthermore, on January 20, 2016, HMZ Beteiligungen AG, Zug (ZG) was acquired, which currently does not have any operating activity.

On June 13, 2016, Schleuniger Holding AG, Thun, acquired a minority stake of 20 % in Laser Wire Solutions (LW Solutions Ltd.), Pontypridd (UK).

Badwill V-ZUG Kühltechnik

In relation to the acquisition of the business activities of the refrigeration equipment unit of AFG Arbonia-Forster Holding AG in March 2013, a badwill of TCHF 11 389 resulted. In the first semester 2016 this badwill was reduced against the income statement by TCHF 800 (first semester 2015: TCHF 800). Of the total remaining badwill of TCHF 7 389 as of June 30, 2016, TCHF 1 600 are reported as Other current liabilities and TCHF 5 789 as Other long-term liabilities.

Transactions with Treasury Shares

In regards to the distribution of the stock dividend approved by the General Meeting of Shareholders, 6 952 type B registered shares were distributed to the shareholders. The difference between the market value of the shares at the date of the distribution and the purchase price of TCHF 6 045 was taken directly to capital reserves.

Furthermore, in the first semester 2016 1100 type A registered shares were sold to third parties. The profit of TCHF 29 resulting from the sale was also taken directly to capital reserves.

In the first semester 2016 another 6 000 type A registered shares were sold to a related party and in return 600 type B registered shares were purchased from the same related party at the same price (nominal value adjusted). The profit of TCHF 172 resulting from the sale of the type A registered shares was also taken directly to capital reserves.

Seasonality

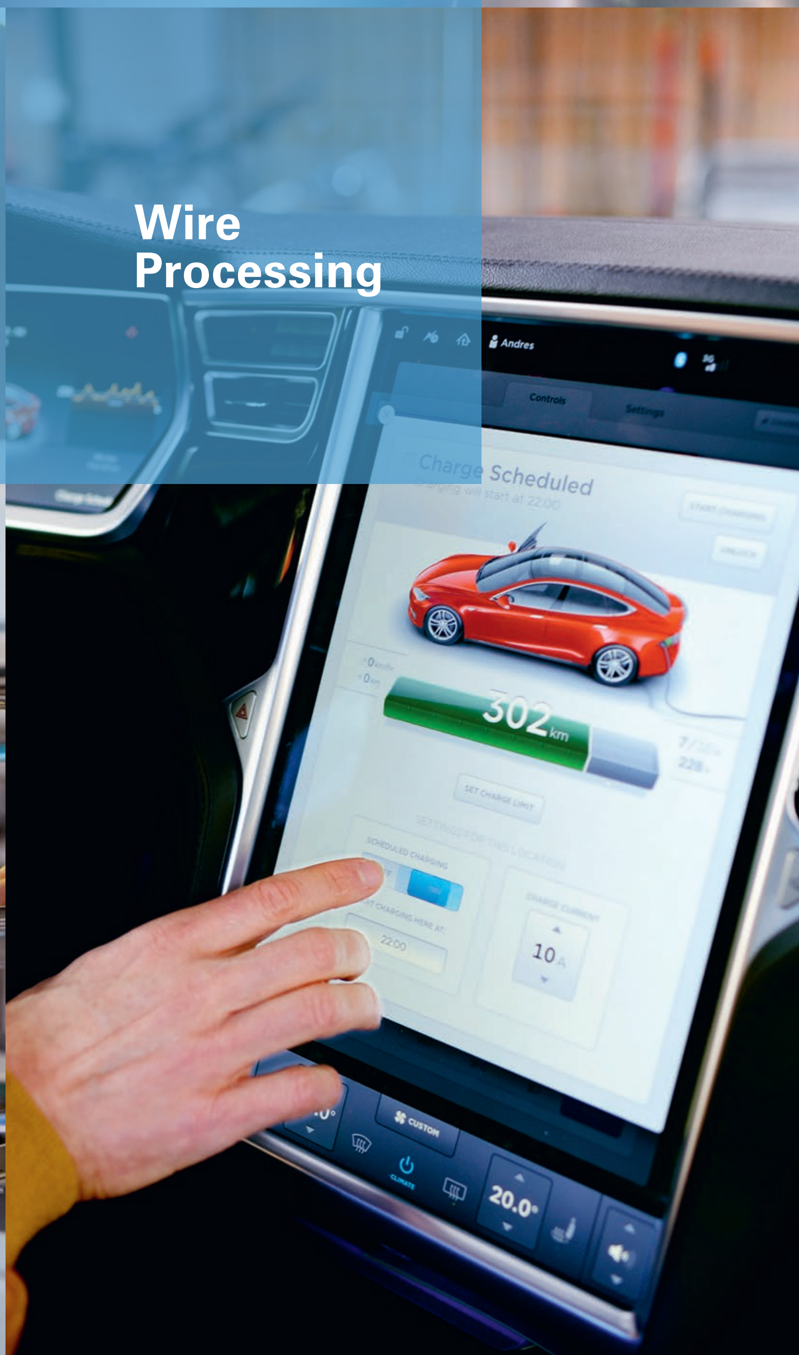
Seasonal impacts vary amongst the Business Units. The Household Appliances and Wire Processing Business Units used to have slightly stronger second semesters regarding net sales in the past years. In the Infection Control Business Unit the net sales used to be clearly higher in the second semester. The portion of net sales realized in the first semester 2015 compared to the full year 2015 was 48 % in the Household Appliances Business Unit, 40 % in the Infection Control Business Unit and 47 % in the Wire Processing Business Unit. The seasonality of the reporting segment Corporate is not material. The second semester 2015 had developed very strongly at the Household Appliances and Wire Processing Business Units as a result of the favorable economic environment. Therefore, the year 2015 cannot be considered a pattern for the seasonality in general.

Events After the Balance Sheet Date

There were no events between June 30, 2016, and August 22, 2016, that would need to be disclosed under this heading.

Household Appliances

Infection Control



Wire Processing

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