Metall Zug Group

Half-year Report
2014

Significantly higher operating income

Gross sales of the Metall Zug Group in the first half of 2014 were practically unchanged year-on-year at CHF 428.9 million. Despite the challenging economic environment and strong price pressure, operating income (EBIT) rose by 16.6% to CHF 26.7 million. Adjusted for the extraordinary effect of the sale of Zug Estates Holding AG shares in the prior-year period, the financial result increased by 15.5% in the first half of 2014 to CHF 13.2 million. Net income reached CHF 31.9 million, thereby exceeding net income for the prior-year period (adjusted for the extraordinary effect on the financial result) by CHF 4.1 million or 14.6%.

Dear Shareholders

The Metall Zug Group generated gross sales of CHF 428.9 million in the first half of 2014 (H1 2013: CHF 429.9 million.) This represents a marginal decrease of 0.2%. The 0.7% impact of acquisitions was offset by the currency effect of –0.8% with the result that gross sales in local currencies were down 0.1%. The continued cautious behaviour of clients in key sales markets, due to a variety of factors, coupled with the strong Swiss franc and price pressure, once again impacted all three of Metall Zug Group's business units. Market players with main production sites outside Switzerland continue to enjoy significant cost advantages. Despite these challenging market conditions, particularly in Europe, operating income reached CHF 26.7 million. Compared with the prior-year period, this represents a rise of 16.6%.

The financial result for the first half of 2014 came to CHF 13.2 million. When comparing this with the financial result for the prior-year period (CHF 57.5 million), it should be noted that the sale of a major part and revaluation of the remaining shares in Zug Estates Holding AG contributed CHF 46.1 million to the extraordinarily high result in the first half of 2013. Adjusted for this effect, the financial result was up 15.5% year-on-year in the first half of 2014.

The Metall Zug Group achieved net income of CHF 31.9 million in the reporting period (previous year: CHF 70.8 million). Excluding the extraordinary effect on the financial result due to the sale and revaluation of the Zug Estates Holding AG shares in the first half of 2013, this represents an increase of CHF 4.1 million or 14.6%.

The net cash position was CHF 416.9 million as of June 30, 2014, and therefore CHF 1.1 million higher than on December 31, 2013, despite the distribution of a dividend of CHF 27.0 million. The Metall Zug Group has a very solid balance sheet with shareholders' equity of CHF 748.2 million and an equity ratio of 74.5%.

The remaining 17895 registered shares in Zug Estates Holding AG were sold during the reporting period, while 18400 type A registered shares in Metall Zug AG were acquired. Therefore, Metall Zug AG no longer has any shares in Zug Estates Holding AG. A total gain of CHF 0.6 million was generated in 2014 with the shares of Zug Estates Holding AG.

When comparing the figures for the business units with those for the first half of 2013, it should be noted that "Corporate" is disclosed as new reporting segment beginning with the 2013 annual financial statements; it includes the costs of the central corporate functions which were previously borne by the Household Appliances Business Unit and it also includes V-ZUG Immobilien AG which was reported in the Household Appliances Business Unit before.

Household Appliances Business Unit: Profitability strengthened

The Household Appliances Business Unit generated gross sales of CHF 282.3 million, an increase of 2.2% compared with the first half of 2013 (CHF 276.3 million). Adjusted for the influence of the acquisition of the refrigeration equipment business of 0.3% and a currency effect of –0.1%, this constitutes growth in local currencies of 2.0%. The business unit had to cope with a difficult business environment in relation to pricing.

The business unit generated an operating income of CHF 27.3 million, a rise of 25.2% compared with the prior-year period (CHF 21.8 million). This gratifying result was also owed to continued, systematic cost management and continuous process optimization. V-ZUG once again launched world firsts protected by various patents, for example for textile care and the Adora SLQ WP washing machine, which uses heat-pump technology and an ice-storage system.

V-ZUG's internationalization strategy is being pursued in a targeted, selective manner, accompanied by a consolidation and focus on those markets already covered. Owing to the stagnating demand in some countries in Europe, V-ZUG's export business once again developed sluggishly. As a result of the continued difficult economic environment in Australia, sales of V-ZUG appliances in Australia were once again significantly below expectations. In addition sales figures in Asia suffered as a result of the slowdown in economic growth. On the other hand, encouraging sales increases were achieved in the USA and Russia. A presence is being established in Turkey in 2014, and a V-ZUG hub is set up in China as part of the market development there.

SIBIRGroup, a full-range provider of kitchen and laundry appliances operating throughout Switzerland, showed an encouraging development in the reporting period and a solid performance.

Gehrig Group, which has established itself as a reliable partner in kitchen appliances for the hotel and catering industry and in care and hygiene, remains exposed to the effects of a challenging market environment with strong competitive pressure and the hotel and catering industry's hesitance to invest.

Despite the continued pressure on margins, investments to enhance the competitiveness of the companies in the Household Appliances Business Unit were sustained at a high level. Thus V-ZUG began preparations for the construction of a new assembly and logistics building at the Zug site.

With its innovative and high-quality appliances, V-ZUG is well positioned to maintain its place in an even tougher market environment.

Infection Control Business Unit: Setback in restructuring efforts

Gross sales of the Belimed Group (Infection Control) fell by 17.6% compared with the first half of 2013 to CHF 84.2 million or by 16.2% in local currencies. When comparing sales with those of the first half of 2013 (CHF 102.2 million), it should be noted that the latter proved disproportionately high due to an atypical seasonal pattern; this was due to the fact that a series of larger orders had been delivered to clients in the prior-year period. The lower sales and ongoing restructuring costs as well as a less favorable sales mix impacted the operating income, which deteriorated to CHF –9.3 million (previous year period: CHF –4.5 million).

The Belimed Group once again faced a challenging environment in the first half of 2014. Besides ongoing restructuring programs and the already strong pressure on prices and costs, the market environment in Europe and the USA unexpectedly became more difficult. While sales in the pharmaceutical sector were encouraging, Belimed was unable to continue the positive trend of recent years in the medical sector in Europe and the USA. In Europe, the pricing competition continues to intensify significantly, and cutbacks in the public sector resulted in even greater reluctance to invest by hospitals. At the same time, the new healthcare funding rules resulting from the introduction of the healthcare reform (Affordable Care Act) led to more cautious investment behavior by hospitals in the USA. Price sensitivity rose, while investment plans were increasingly deferred. On an encouraging note, the Belimed Group strengthened its market position in China, as well as in Asia and the Middle East, and pushed expansion there.

The aforementioned market changes led to insufficient capacity utilization for the Belimed plants. At the same time, ongoing efficiency improvement programs and associated improvements in cost structures proceeded more slowly than planned. Product developments and optimization of operating processes continued to be driven forward in parallel. Implementation of these plans remains time consuming and drives costs.

Wire Processing Business Unit: Strong first half with rise in sales and earnings

Overall, the Schleuniger Group posted a 20.0% rise in sales to CHF 63.5 million in the first six months (H1 2013: CHF 53.0 million). Excluding the acquisitions impact of 4.3% and negative currency effect of 3.6%, organic growth in local currencies amounted to 19.3%. This sales growth tended to benefit from an atypical seasonal pattern, however. Operating income was 47.4% higher than in the comparable period of the previous year at CHF 10.2 million (H1 2013: CHF 6.9 million). This increase in EBIT was primarily due to significantly higher volume, successful efficiency improvement programs as well as a favorable customer and product mix in the first half of the year.

On a year-on-year basis, the EMEA and APAC regions made significant gains. The NAFTA region remained at a high level. The cut & strip and semiautomatic machines segments, as well as the service business, also made significant gains. The "customer-specific solutions" segment likewise generated encouraging growth in the first half of 2014 in a difficult market environment.

The Schleuniger Group made major investments in new product development and strengthed its market presence in the first half of the year. The additional associated costs will weigh more heavily on the income statement in the second half of the year 2014 than in the first six months.

The strategically significant acquisition of the business operated by Tianjin Haofeng Electrical Equipment Co., Ltd. in June 2013 is developing in line with expectations. The primary focus within Schleuniger Haofeng (Tianjing) Machinery Co., Ltd. in Tianjin currently lies in the improvement of operating efficiency. Progress was made on this front in the first half of the year. The company, based in the seaport of Tianjin in north-east China, manufactures wire harness systems as well as wire processing machinery and peripheral equipment, and primarily supplies the Chinese automotive supply industry. The new products presented at the world's leading trade fair, Productronica in Munich (Germany), were successfully launched on the market in the first half of 2014. Particularly the innovative software solution S.WOP (Software for Wire Optimized Production) has been well received by customers.

Outlook

The Metall Zug Group expects the market environment to remain challenging in the second half of 2014, with pressure on prices and margins likely to persist across all business units. The Metall Zug Group will continue to implement its growth and internationalization strategy on a focused basis in the second half of 2014 and systematically optimize its business processes and cost structures.

Provided that economic and political conditions do not change significantly and no special events occur, the Metall Zug Group expects the operating income (EBIT) for the full year 2014 to be on a par with the previous year. The strengthening of the competitiveness of the Infection Control business unit requires further restructuring which could have an additional negative impact on the operating income of the group. The financial result for 2014 depends in particular on the future development of the financial markets, but this year it will no longer be able to benefit from the extraordinary effects in connection with the Zug Estates Holding AG shares and will therefore be lower than in 2013.

HMBuhofer

Heinz M. Buhofer
Chairman of the
Board of Directors

Dr. Jürg Werner
Chief Executive
Officer

Business Unit

Household Appliances

Business Unit

Infection Control

Business Unit

Wire Processing

Key figures at a glance

Metall Zug Group

in CHF million	H1 2014	H1 2013
Gross sales	428.9	429.9
Net sales	417.7	419.7
Operating revenue	432.5	425.0
Operating expenses	–405.8	–402.1
Operating income (EBIT)	**26.7**	**22.9**
in % of gross sales	6.2	5.3
Financial result	13.2	57.5
Income before taxes	39.9	80.5
Net income	**31.9**	**70.8**
in % of gross sales	7.4	16.5
Cash flow from operating activities	53.4	79.9
in % of gross sales	12.5	18.6
Investments (excl. financial assets)	16.3	13.2
Employees	3551	3358

in CHF million	06.30.2014	12.31.2013
Current assets	**716.6**	**702.4**
Tangible assets	244.3	246.4
Financial assets	32.0	31.6
Intangible assets	11.9	13.1
Fixed assets	**288.2**	**291.1**
Total assets	**1004.8**	**993.5**
Current liabilities	205.6	192.9
Non-current liabilities	51.0	52.8
Total liabilities	**256.6**	**245.7**
Shareholders' equity	**748.2**	**747.8**
in % of total assets	74.5	75.3
Total liabilities and shareholders' equity	**1004.8**	**993.5**

General

The Metall Zug Group's unaudited interim financial statements as at June 30, 2014, were prepared in compliance with Swiss GAAP FER 12 and on the basis of historical cost. 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. The half-year report is published in German and English. In the event of discrepancies between the two versions, the German print version shall prevail.

Shares of Zug Estates Holding AG

On April 15, 2014, Metall Zug AG sold 2000 registered shares in Zug Estates Holding AG at CHF 1178 to a related party. On May 8, 2014, Metall Zug AG sold the remaining 15895 registered shares of Zug Estates Holding AG to Zug Estates Holding AG at CHF 1179 and in return received 18400 type A registered shares in Metall Zug AG together with a cash compensation of CHF 14.1 million. Therefore, Metall Zug AG no longer holds any shares of Zug Estates Holding AG as of June 30, 2014. A total gain of CHF 0.6 million was generated from the shares in Zug Estates Holding AG in 2014.

Figures per type B registered share

in CHF	06.30.2014	06.30.2013
Shareholders' equity	1697	1582
Net income (six months only)	72	160

Changes in the scope of consolidation

There is no change in the scope of consolidation since December 31, 2013. Compared with the first half of 2013, the scope of consolidation now includes V-ZUG Kühltechnik AG, Schleuniger Haofeng (Tianjin) Machinery Co., Ltd. and Grienbach Immobilien AG, which has since been merged with V-ZUG Immobilien AG.

Events after the balance sheet date

There were no events between June 30, 2014, and August 22, 2014, that would need to be disclosed under this heading.

By business unit

	Net sales to third parties		Operating income (EBIT)		EBIT in % of Net sales	
in CHF million	**H1 2014**	**H1 2013**	**H1 2014**	**H1 2013**	**H1 2014**	**H1 2013**
Household Appliances[1]	274.6	268.4	27.3	21.8	9.9%	8.1%
Infection Control	81.2	99.5	–9.3	–4.5	–11.4%	–4.5%
Wire Processing	61.9	51.8	10.2	6.9	16.4%	13.3%
Corporate[1]	0.0	0.0	–1.5	–1.3	N/A	N/A
Consolidation	0.0	0.0	0.0	0.0	N/A	N/A
Total	**417.7**	**419.7**	**26.7**	**22.9**	**6.4%**	**5.5%**

[1] When comparing the operating income of the business units with the previous year, it should be noted that the "Corporate" reporting segment is disclosed beginning with the 2013 annual financial statements and includes the costs of the central corporate functions which were previously borne by the Household Appliances Business Unit; it also includes V-ZUG Immobilien AG which was reported in the Household Appliances Business Unit before.

Metall Zug AG
Industriestrasse 66, PO Box 59, CH–6301 Zug
Phone +41 41 748 10 20, Fax +41 41 748 10 29
info@metallzug.ch, www.metallzug.ch