Half-yearly Report 2011

METALL ZUG GROUP

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In the first six months of 2011, the METALL ZUG GROUP increased its gross sales from CHF 397.8 million to CHF 409.5 million. In local currencies this was equivalent to growth of 6.9%. Operating income (EBIT) fell by 6.4% to CHF 41.4 million. Owing to the weaker financial result, the group's net income fell by CHF 10.9 million to CHF 24.2 million.

In the first six months of 2011 the METALL ZUG GROUP succeeded in increasing gross sales by 3.0% to CHF 409.5 million. In local currencies this was equivalent to growth of 6.9%. These results were largely attributable to the household appliances and wire processing business units, both of which increased their sales volume and further strengthened their market position. However, developments on the foreign exchange markets had a negative impact on the results. Owing to the strong Swiss franc, prices for the three industrial business units came increasingly under pressure. The infection control business unit (Belimed Group) suffered the most from this situation. The operating income of the METALL ZUG GROUP therefore fell from CHF 44.2 million in the previous year to CHF 41.4 million.

The financial result of the METALL ZUG GROUP was influenced by several factors. On the one hand, developments on the stock market and foreign exchange losses had a negative impact. On the other hand, debt in the real estate business unit rose by CHF 100 million, resulting in higher interest expenses. These factors together led to a negative financial result of CHF –9.9 million. As a result – and due to the lower operating income – group net income came to CHF 24.2 million, CHF 10.9 million below net income for the same period in the previous year of CHF 35.1 million.

Household appliances business unit: Volume up despite difficult environment

In the first half of 2011 the Swiss construction industry was in a good state. However, competition has further stiffened in this market segment, and this was reflected in slightly lower margins. In particular, competitors from the eurozone benefited from the strength of the Swiss franc. Despite this, the household appliances business unit increased its sales by 2.4% to CHF 271.0 million. Operating income fell slightly compared with the previous year, from CHF 30.3 million to CHF 29.9 million.

In the export business, activities at the Australian subsidiary yielded first fruits and sales followed an upward trend. Since May, V-ZUG AG has also been active in France and Belgium with a sales organization of its own. Moreover, two new trading partners were acquired in the form of KHL Marketing Asia-Pacific (Singapore/Malaysia) and Nobel Appliances (China).

Despite the cost advantage enjoyed by competitors from abroad, the household appliances business unit is confident of achieving sales of the same order of magnitude as in 2010 for the business year 2011, albeit with slightly lower margins.

Infection control business unit: Hit by the currency crisis

Over the last few years, the Belimed Group (infection control) has achieved remarkable growth in its core countries and new markets. However, due to increasing competition and the associated pressure on prices, earnings could not keep pace. The strong Swiss franc further accentuated this situation. In the first six months of 2011, Belimed posted sales of CHF 87.6 million, equivalent to an increase of 0.6%. Without the effects of foreign exchange movements, sales growth would have amounted to 11.4%. The pressure on margins reduced operating income by CHF 1.0 million compared with the previous year to CHF –3.0 million. However, the 2010 figure had included a one-off gain of CHF 0.9 million arising from the sale of the silo heating business. New orders also fell from CHF 105.8 million to CHF 100.6 million.

At the beginning of the year, the board of directors initiated a review of the Belimed Group's strategy. The key points and necessary initiatives for the group's successful future orientation were decided and are now being implemented. The focus will be on the group's market and customer orientation. The purchasing system was reinforced, and a number of optimization steps taken to improve projects and make them more efficient. Plans are under way to step up the expansion of production capacities in Slovenia.

Report of the chairman of the board of directors

Belimed's business is subject to seasonal influences, with sales and results usually higher in the second half of the year. Assuming that the foreign exchange situation does not deteriorate further compared with the first six months, the Belimed Group should be able to maintain sales at the level of the previous year and achieve a positive operating income for the year as a whole.

Wire processing business unit: Stable growth in all markets

Demand for high-precision wire processing machines continued to rise in the first six months of 2011. Coupled with the innovations launched by the Schleuniger Group (wire processing) in 2010, this ensured a good start to the year 2011. Schleuniger saw its sales increase by 9.6% to CHF 52.6 million. Growth occurred over wide geographic areas and amounted to 22.3% in local currencies. Operating income rose by 44.2% from CHF 4.9 million to CHF 7.1 million. Once again, new orders were up on the previous year, rising this time by 7.7% to reach CHF 54.7 million.

The Schleuniger Group expects the result in the second half to be similar to the pleasing first-half result.

Real estate business unit: Suurstoffi project running according to plan

All of MZ-Immobilien AG's residential, office and commercial properties are fully occupied. In the first six months of 2011, the real estate business unit's income from properties, hotels and services rose by 10.4% year-on-year to CHF 24.7 million.

2010 saw the start of construction of the new Suurstoffi district in Rotkreuz, which offers both apartments and commercial areas. The pharmaceutical company Novartis plans to centralize its Swiss business units by the beginning of 2013 and is relocating 400 jobs to the Suurstoffi district in Rotkreuz.

Due to the significant outlay in Suurstoffi, operating income fell in line with expectations, from CHF 8.0 million to CHF 7.4 million. This outlay will also weigh on results in the second half-year. Hence operating income is expected to be lower for the year as a whole than in 2010.

Outlook for second half of the year 2011

The volatile foreign exchange markets and the associated pressure on prices will continue to affect the results of the METALL ZUG GROUP. Assuming that the currency situation does not deteriorate further in the second half of the year compared with the first six months, the METALL ZUG GROUP expects gross sales for the full year to be at the level of the previous year, with operating income at around CHF 100 million.

In May 2011, the board of directors of METALL ZUG AG decided to explore the possibility of separating the real estate business unit from the industrial business, during 2012. This would entail establishing the real estate business unit as a separate company listed on SIX Swiss Exchange, Zurich, and distributing its shares to the shareholders of METALL ZUG AG. The new company would have the same capital structure as METALL ZUG AG and independent management bodies. The necessary preparatory work is running according to plan.

Dormann

Jürgen Dormann
Chairman of the board of directors

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Key figures at a glance

METALL ZUG GROUP

in CHF million	06/30/2011	06/30/2010
Gross sales[1]	**409.5**	397.8
Net sales	**400.0**	387.5
Operating revenue	**435.5**	419.1
Operating expenses	**–394.1**	–375.0
Operating income (EBIT)	**41.4**	44.2
in % of gross sales[1]	**10.1**	11.1
Financial result	**–9.9**	–2.3
Non-operating result	**0.0**	0.3
Income before taxes	**31.5**	42.2
Net income	**24.2**	35.1
in % of gross sales[1]	**5.9**	8.8
Consolidated cash flow	**51.2**	55.8
in % of gross sales[1]	**12.5**	14.0
Investments (excl. financial assets)	**49.9**	43.8
Employees	**3'148**	3'000

[1] Gross sales do not include the revenues of the real estate business unit.

in CHF million	06/30/2011	12/31/2010
Current assets	**756.7**	684.3
Fixed assets	**586.2**	568.8
Current liabilities	**188.5**	194.0
Non-current liabilities	**339.8**	241.6
Shareholders' equity	**814.6**	817.5
in % of total assets	**60.7**	65.2
Total assets	**1'342.9**	1'253.1

Values per registered share of type B

in CHF	06/30/2011	06/30/2010
Shareholders' equity	**1'842**	1'731
Net income (6 months only)	**55**	80

BUSINESS UNITS

	Net sales to third parties		Operating income		EBIT as % of net sales	
in CHF million	06/30/2011	06/30/2010	06/30/2011	06/30/2010	06/30/2011	06/30/2010
Household appliances	**263.0**	257.0	**29.9**	30.3	**11.4%**	11.8%
Infection control	**85.2**	84.0	**–3.0**	1.0	**–3.6%**	1.2%
Wire processing	**51.8**	46.5	**7.1**	4.9	**13.6%**	10.5%
Real estate	*	*	**7.4**	8.0	*	*
Total	**400.0**	**387.5**	**41.4**	**44.2**		

* Net sales from real estate and hotels of CHF 24.7 million (2010: CHF 22.4 million) are reported as other operating revenue and not as sales. The total EBIT as % of net sales has no informative value for the real estate business unit.

General

The METALL ZUG GROUP's unaudited interim financial statements as of 30 June 2011 were prepared in compliance with Swiss GAAP FER 12 and on the basis of historical cost. The principles of consolidation and valuation are unchanged compared to the previous year.

The half-yearly report is published in German and English. The German print version shall prevail.

Currency translation method

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.

Changes in the scope of consolidation

In April 2011 BelTech Medical Services Ltd. was founded as a subsidiary of Belimed Ltd. UK. The new company has not yet generated any sales in the first half-year. Apart from this, the scope of consolidation is unchanged from 31 December 2010.

METALL ZUG AG

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