

Metall Zug Group

# Annual Report **2018**



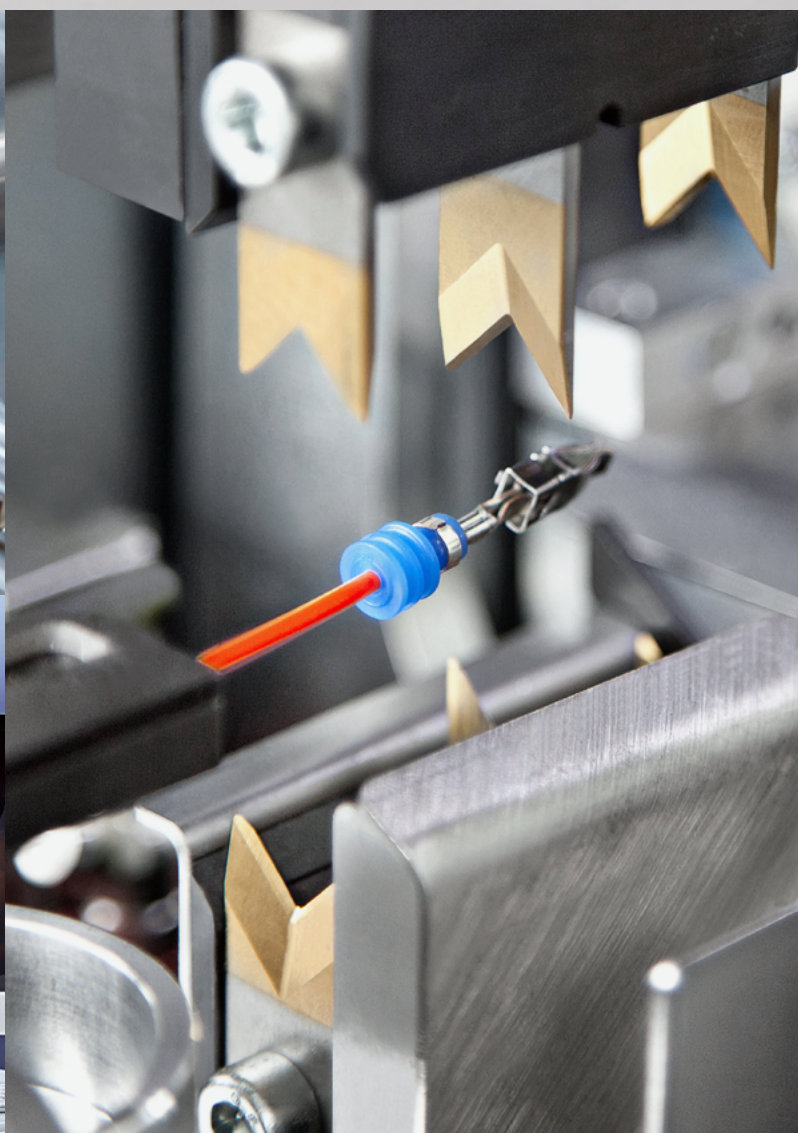
# Quality Competence Innovative strength

*The Metall Zug Group comprises four Business Units:*

- Household Appliances*
- Wire Processing*
- Infection Control*
- Medical Devices*

*The pursuit of innovation and quality together with commitment to operational efficiency within the Metall Zug Group underpin the day-to-day work in the business units.*

*Its leading-edge products and associated services form the basis for the business success of the Metall Zug Group. The Group companies' ranges thus contribute to their customers' success.*





# The Metall Zug Group

*Metall Zug, an industrial group of companies headquartered in Zug, comprised four Business Units and had a workforce of around 5 000 at the end of 2018. The Belimed Life Science Group and Technology Cluster & Infra became Business Units in their own right as of January 1, 2019. 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 3 982 108, ticker symbol METN).*

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## Household Appliances



### V-ZUG AG

As the Swiss market leader, V-ZUG AG develops, manufactures and sells high-quality, resource-efficient kitchen and laundry appliances and provides excellent service and support. Its forward-looking innovations enable it to consistently stand out as a technology leader. With its premium range of products, V-ZUG is represented in some 20 countries on four continents.



### SIBIRGroup AG

SIBIRGroup AG is a full-range supplier of household kitchen and laundry appliances operating throughout Switzerland. SIBIR has branches and service centers in all parts of Switzerland.



### Gehrig Group AG

Gehrig Group AG is a leading supplier of professional appliances and integrated solutions for the hotel and catering industry, care homes and hospitals. Its product offering ranges from dishwasher and cooking technology to cleaning agents and care systems and is rounded out by a nationwide customer service operation which is available seven days a week.

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## Infection Control



### Belimed Group

The Belimed Infection Control Group is one of the leading global suppliers of innovative cleaning, disinfection and sterilization solutions, which are mainly used in hospitals.

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## Life Science Solutions



### Belimed Group

The Belimed Life Science Group supplies innovative cleaning, disinfection and sterilization systems and solutions, primarily for use in the pharmaceutical industry.

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## Medical Devices



### Haag-Streit Group

The Haag-Streit Group develops, produces and distributes high-quality products and services for diagnosis and surgery, mainly in the fields of ophthalmology and surgical microscopy. The Group's other activities cover applications in the fields of pulmonology and measuring instruments.

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## Wire Processing



### Schleuniger Group

The Schleuniger Group develops, produces and distributes semiautomatic and fully automatic machines for the processing of all types of wires and cables. The spectrum of applications ranges from cutting and stripping to crimping, sealing, twisting, tinning and printing through to quality control and process and test automation. In addition, Schleuniger offers software packages to optimize machine efficiency and utilization for complex applications and connect high-quality, traceable data along the entire process chain.

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## Technologycluster & Infrastructure



### Technologycluster & Infrastructure

This Business Unit comprises V-ZUG Immobilien AG, V-ZUG Infra AG and MZ-Infra AG. The main tasks of the Business Unit include the further industrial development of the main V-ZUG production site in Zug, together with the establishment of a technology cluster in Zug and the construction of a refrigerator factory in Sulgen, Canton Thurgau.

# Key Figures at a Glance

<b>Metall Zug Group</b>					
<b>in CHF million</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Gross sales	1 199.9	959.2	960.6	927.8	927.0
Operating income (EBIT)	89.3	53.0	94.1	80.5	75.0
Net income	63.6	67.7	84.9	56.9	86.0
Cash flow from operating activities	335.7	90.1	95.4	104.6	135.8
in % of gross sales	28.0	9.4	9.9	11.3	14.6
<b>Total assets</b>	<b>1 108</b>	<b>1 188</b>	<b>1 153</b>	<b>1 084</b>	<b>1 055</b>
Current assets	682	842	828	788	763
in % of total assets	62	71	72	73	72
<b>Fixed assets</b>	<b>427</b>	<b>346</b>	<b>325</b>	<b>296</b>	<b>292</b>
in % of total assets	38	29	28	27	28
<b>Total liabilities</b>	<b>340</b>	<b>268</b>	<b>266</b>	<b>251</b>	<b>249</b>
in % of total assets	31	23	23	23	24
<b>Shareholders' equity</b>	<b>768</b>	<b>920</b>	<b>886</b>	<b>833</b>	<b>806</b>
in % of total assets	69	77	77	77	76
Investments	86.9	58.2	60.8	42.5	37.0
Employees	5 204	4 015	3 919	3 812	3 626

<b>Metall Zug AG</b>					
<b>in CHF million</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total assets	961.2	858.3	779.3	737.9	692.2
Total liabilities	622.7	523.6	458.8	423.8	395.3
Shareholders' equity	338.4	334.7	320.5	314.1	296.9
Net income	38.1	40.6	35.5	44.1	28.6
Dividend in % of par value	280 <sup>1)</sup>	280	280	443 <sup>2)</sup>	244

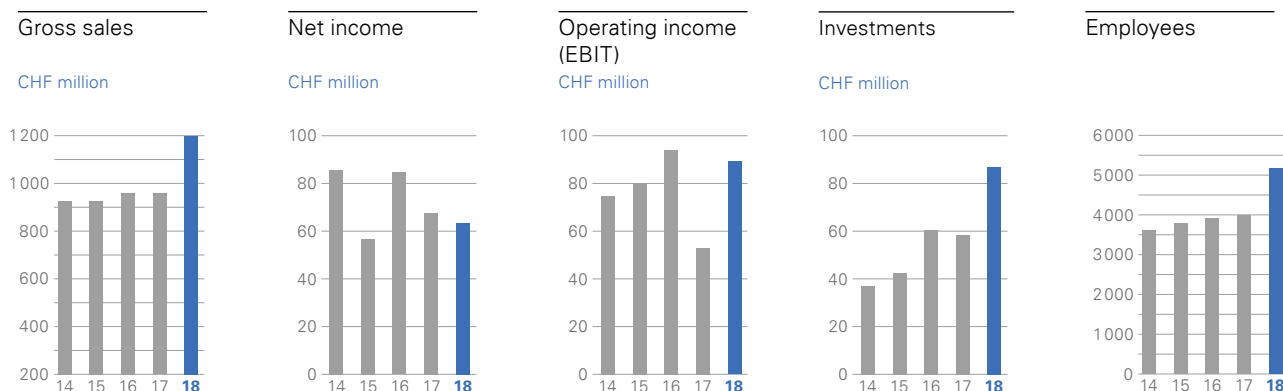
<sup>1)</sup> According to the proposal of the Board of Directors to the General Meeting of Shareholders.

<sup>2)</sup> Includes a cash dividend of 156% and a dividend in kind of 287% of the nominal value. For more information see footnote 3 on page 9.

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Household Appliances</b>					
Gross sales in CHF million <sup>1)</sup>	593.5	587.4	599.2	581.9	589.2
Employees	2 102	2 039	1 989	1 951	1 848
<b>Infection Control</b>					
Gross sales in CHF million <sup>1)</sup>	203.6	193.4	206.1	198.3	209.0
Employees	1 186	1 197	1 222	1 196	1 173
<b>Wire Processing</b>					
Gross sales in CHF million	222.3	180.5	158.2	150.1	131.3
Employees	913	750	677	642	592
<b>Medical Devices</b>					
Gross sales in CHF million <sup>2)</sup>	182.3				
Employees	973				
<b>Corporate</b>					
Third-party revenue in CHF million	1.3	1.2	1.3	1.2	1.4
Employees	30	29	31	23	13

<sup>1)</sup> Includes sales with other Business Units

<sup>2)</sup> From March 1, 2018 to December 31, 2018



The Metall Zug Group generated higher gross sales of CHF 1 199.9 million in the reporting year (previous year: CHF 959.2 million). The acquisition of the Haag-Streit Group as per March 1, 2018 and the integration of adaptronic Prüftechnik GmbH as per January 1, 2018 substantially contributed to the result. Adjusted for acquisition and currency effects of 21.4 % and 0.4 % respectively, this is equivalent to organic growth of 3.3 % in local currencies.

Net sales achieved abroad increased from 41.8 % in 2017 to 52.7 % in 2018 to stand at CHF 616.4 million (previous year: CHF 391.1 million).

The Metall Zug Group generated an operating income (EBIT) of CHF 89.3 million (previous year: CHF 53.0 million). This corresponds to an increase of 68.5 %. On a comparable basis, i.e. adjusted for acquisitions in 2018 the EBIT amounted to CHF 63.1 million (previous year: CHF 73.8 million without extraordinary expenses of CHF 20.8 million).

Expenditure for research and development stood at CHF 98.0 million (previous year: CHF 85.9 million) and resulted in 8.2 % of gross sales (previous year: 9.0 %).

The companies of the Metall Zug Group spent 2.6 % of gross sales on marketing activities in 2018, which was slightly more than in the previous year at 2.5 %.

Detailed figures for the individual Business Units are provided on page 67 of the Financial Report.

The Household Appliances Business Unit contributed operating income (EBIT) of CHF 48.3 million (previous year: CHF 65.4 million), the Wire Processing Business Unit of CHF 28.9 million (previous year: CHF 22.3 million), of which CHF 4.6 million contribution from the acquired adaptronic Prüftechnik GmbH. The operating income (EBIT) contributed by Infection Control was CHF –10.5 million (previous year: CHF –34.2 million or CHF –16.2 million excluding the provisions and value adjustments for restructuring). The new Business Unit Medical

Devices contributed operating income of CHF 21.6 million for the 10 months period since March 1, 2018. The Corporate reporting segment generated an operating income of CHF 1.0 million (previous year: CHF –0.5 million). The previous year of the Corporate segment included a value adjustment on real-estate in the amount of CHF 2.8 million in connection with the restructuring of the Life Science segment.

Thanks to the reduction of liquid funds and securities to finance the acquisitions, the financial result is less influenced by the negative development of the financial markets and amounted to CHF –3.5 million (previous year: CHF 30.4 million).

Tax expenses increased slightly from CHF 16.6 million in the previous year to CHF 16.9 million. However, in relation to income before taxes this represents a decrease of the tax rate to 19.7 % compared to the previous year's figure of 19.9 %.

Net income stood at CHF 63.6 million (previous year: CHF 67.7 million).

Cash flow from operating activities amounted to CHF 335.7 million (previous year: CHF 90.1 million) of which CHF 247.7 million stem from the reduction of securities mainly to finance the acquisitions in 2018.

At the end of 2018, the net cash position had declined to CHF 221.7 million (previous year: CHF 525.1 million) as a result of the acquisitions and the investments of CHF 86.9 million (previous year: CHF 58.2 million) primarily in the industrial development of the production site in Zug.

Full-time equivalent employees increased by 1 189 employees to 5 204 employees (previous year: 4 015). A total of 2 985 employees (previous year: 2 579) are employed in Switzerland and 2 219 (previous year: 1 436) abroad.

Offsetting the goodwill related to the acquisitions against equity has reduced the equity to total assets ratio to 69.3 % (previous year: 77.4 %).



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# Letter to Shareholders

*The Metall Zug Group continued its strategic transformation. The Group increased its gross sales by 25.1% to CHF 1 199.9 million, primarily thanks to the acquisition of the Haag-Streit Group and growth in the Wire Processing Business Unit. Operating income (EBIT) rose to CHF 89.3 million. This figure includes additional negative impacts associated with the transformation. Net income came to CHF 63.6 million.*

2018 was a challenging year for the Metall Zug Group. Thanks to the organic growth experienced by all the Business Units and the acquisition of both the Haag-Streit Group and adaptronic Prüftechnik GmbH, gross sales climbed 25.1 % to CHF 1 199.9 million (previous year: CHF 959.2 million). Organic growth amounted to 3.3 %.

The resolute implementation of the ongoing transformation entails additional expenditure. The Metall Zug Group aims to stay fit for the future and keep its Swiss production sites competitive by making investments in digitization, Industry 4.0, state-of-the-art production facilities and product development.

The operating income (EBIT) improved by CHF 36.3 million to stand at CHF 89.3 million (previous year: CHF 53.0 million). On a like-for-like basis, i.e. adjusted for the EBIT from the acquisition of the Haag-Streit Group and adaptronic Prüftechnik GmbH, EBIT came to CHF 63.1 million (previous year: CHF 73.8 million without the exceptional charges of CHF 20.8 million). The reduction in cash and cash equivalents and securities required to finance the acquisition of the Haag-Streit Group helped to offset the poor performance of the financial markets in 2018. The financial result thus came to CHF –3.5 million (previous year: CHF 30.4 million). This resulted in net income of CHF 63.6 million (previous year: CHF 67.7 million).

The offsetting of goodwill from the acquisitions that were made against retained earnings reduced the equity ratio to 69.3 % of total assets (previous year: 77.4 %). The net cash position at the end of 2018 declined to CHF 221.7 million (previous year: CHF 525.1 million), primarily due to the two

acquisitions and investments of CHF 86.9 million (previous year: CHF 58.2 million) in the industrial development of the company's main site in Zug, among other things.

## **Household Appliances:**

### **Challenging Transformation and Modernization**

Gross sales of V-ZUG, whose production facilities are mostly based in Switzerland, rose 1.0 % to CHF 593.5 million (previous year: CHF 587.4 million). Expenditures in relation to the strategic modernization of the Zug production site and migration to SAP, and spending on strategic product development projects adversely affected the Business Unit's profitability. In addition, personnel resources were temporarily increased to speed up projects. Operating income (EBIT) came to CHF 48.3 million (previous year: CHF 65.4 million). More than half of the decline compared to 2017 is attributable to currency effects.

### **Infection Control: Gradual Improvement**

The Infection Control Business Unit raised gross sales by 5.3 % in 2018 to CHF 203.6 million (previous year: CHF 193.4 million). Sales in the Medical Business Area were up 9.5 %. The much smaller Life Science Business Area stopped assembling washers in Mühldorf, Germany, and relocated operations to Grosuplje in Slovenia. An amicable solution was reached with the works council in Mühldorf. A conscious decision was taken to forego certain sales revenues during the relocation process. Sales in this Business Area therefore fell by 17.2 %. Despite the preparatory work involved in splitting the Business Unit Infection Control into two independent Business Units and the investments made in digitization projects, the Business Unit's operating income (EBIT) improved

to CHF –10.5 million (previous year: CHF –34.2 million or CHF –16.2 million, leaving aside the provisions and impairments for restructuring).

### **Wire Processing: Strong Growth**

Schleuniger Group experienced strong growth in sales again in the reporting year. Alongside organic growth, the integration of adaptronic Prüftechnik GmbH was the main contributor. Schleuniger increased its gross sales by 23.2 % to CHF 222.3 million (previous year: CHF 180.5 million). The company made further investments in product development in the year under review. The project to roll out SAP S4/HANA across all Schleuniger Group companies got underway in 2018. Operating income (EBIT) of CHF 28.9 million (previous year: CHF 22.3 million) represents a significant increase year on year.

### **Medical Devices: New Business Unit following Acquisition of Haag-Streit Group**

Metall Zug AG has held a 70 % stake in Haag-Streit Holding AG since March 1, 2018. The Haag-Streit Group forms the new Medical Devices Business Unit. Haag-Streit is a leading medtech company in the field of ophthalmology (diagnostics and surgical microscopy). Its reporting standards were brought into line with those of Metall Zug in the reporting year. Work began on various digitization and R&D projects. The Medical Devices Business Unit generated gross sales of CHF 182.3 million and operating income (EBIT) of CHF 21.6 million from March 1 to December 31, 2018.

### **Visible Transformation of Main Site in Zug**

The development plan for the Technology Cluster Zug became legally binding following its approval by the cantonal authorities at the end of 2018 and can now be realized as planned. The first stage in constructing the 'vertical factory' has begun and the building shell is already quite advanced. Alongside the Technology Cluster Zug, the site will also become home to a technology-driven 'smart city', accessible to third-party users.

### **Sharpening the Focus**

Effective January 1, 2019, Metall Zug has transferred the tasks and responsibilities for the industrial development of its various sites and the creation of the Technology Cluster Zug to a new Business Unit. Also effective January 1, 2019, the activities of the Life Science Business Area of the Infection Control Business Unit have been separated off to create an independent Business Unit with its own business model and customers that differ from the Medical Business Area. The

new Life Science Solutions Business Unit will now have its own brand presence as Belimed Life Science.

### **Stable Dividend Distribution**

As in the previous year, the Board of Directors will propose to the General Meeting of Shareholders of May 3, 2019 a dividend in the amount of CHF 7.00 gross per type A registered share and CHF 70.00 gross per type B registered share.

### **Outlook**

Metall Zug AG intends to confine itself in future to the role of strategic anchor shareholder with regard to certain of its investments. Business Units will be given legal autonomy and independence in implementing their strategies. This process of establishing independence may result in shares in the Business Units being distributed to the shareholders of Metall Zug AG and the Business Units themselves becoming directly listed companies. The family shareholders will continue to hold a significant ownership interest in the independent Business Units and ensure that business development is synonymous with long-term value creation.

This transformation will begin in 2019 and take several years to complete. The Group and organizational structure will gradually be adjusted. From June 1, 2019 onwards, various responsibilities will be transferred from the CEO of Metall Zug AG to the boards of directors of the Business Units.

Moreover, Metall Zug AG is looking into spinning off the Household Appliances Business Unit and turning it into an independently listed company. The intention is for Metall Zug AG to retain a substantial shareholding in the Household Appliances Business Unit, although it will distribute the majority of shares to the shareholders of Metall Zug AG. The exact details and timetable will be worked out over the next few months. As things stand today, a spin-off and listing is not to be expected before the second quarter of 2020.

### **Acknowledgements**

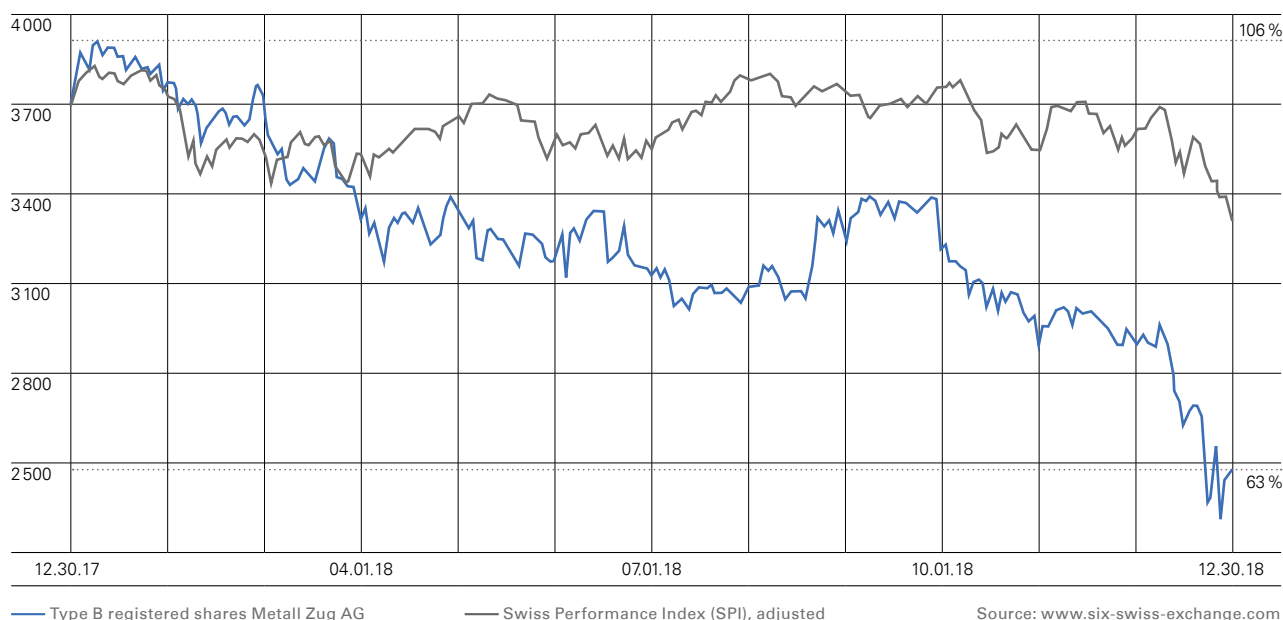
I would like to thank our employees most sincerely for their flexibility and great dedication to serving our customers. My gratitude also goes to our customers and business partners for their loyalty and cooperation, and naturally to you, dear shareholders, for your continuing trust and allegiance to our company.

Heinz M. Buhofer  
Chairman of the Board of Directors

# Share Information

*Metall Zug AG has two categories of shares. The type A registered shares (Swiss security number 209 262) are not listed, the type B registered shares are listed in the Swiss Reporting Standard of SIX Swiss Exchange in Zurich (Swiss security number 3 982 108, ticker symbol METN).*

## Performance of type B registered shares



The Board of Directors proposes to the General Meeting of Shareholders of May 3, 2019, the distribution of a dividend of CHF 7.00 gross per type A registered share and CHF 70.00 gross per type B registered share.

The proposed dividend for the financial year 2018 corresponds to the dividend distribution approved for the financial year 2017.

Provided that the General Meeting of Shareholders approves this proposal, a total amount of CHF 31.5 million (previous year: CHF 31.5 million) will be paid out to shareholders, although no dividend is to be paid for treasury shares held by Metall Zug AG.

## Important dates

May 3, 2019  
General Meeting of Shareholders

May 9, 2019  
Payment of dividend

August 19, 2019  
Publication of half-year results

### Number of shares

	2018	2017	2016	2015	2014
Type A registered shares par value CHF 2.50	1 948 640	1 948 640	1 948 640	1 948 640	1 948 640
Type B registered shares par value CHF 25.00	255 136	255 136	255 136	255 136	255 136

### Figures per type A registered share

#### in CHF

Net income	14.16	15.08	19.08	12.92	19.47
Cash flow from operating activities <sup>1)</sup>	74.60 <sup>1)</sup>	20.02	21.21	23.25	30.17
Shareholders' equity	170.75	204.36	196.95	185.04	179.03
Dividend	7.00 <sup>2)</sup>	7.00	7.00	11.07 <sup>3)</sup>	6.10

### Figures per type B registered share

#### in CHF

Net income	141.59	150.77	190.77	129.17	194.72
Cash flow from operating activities <sup>1)</sup>	745.95	200.19	212.08	232.45	301.71
Shareholders' equity	1 707.53	2 043.56	1 969.52	1 850.37	1 790.32
Dividend	70.00 <sup>2)</sup>	70.00	70.00	110.71 <sup>3)</sup>	61.00
Dividend yield (in %)	2.80	1.89	2.16	4.39	2.54
Total shareholder return (in %)	-30.47	16.27	32.87	7.36	4.05
Stock market price High	3900	4 295	3 365	2 699	2 700
Low	2330	3 155	2 380	2 233	2 218
At year-end	2500	3 696	3 239	2 521	2 405

### Total market capitalization<sup>4)</sup>

in CHF million	At year-end	1 125	1 663	1 458	1 134	1 082
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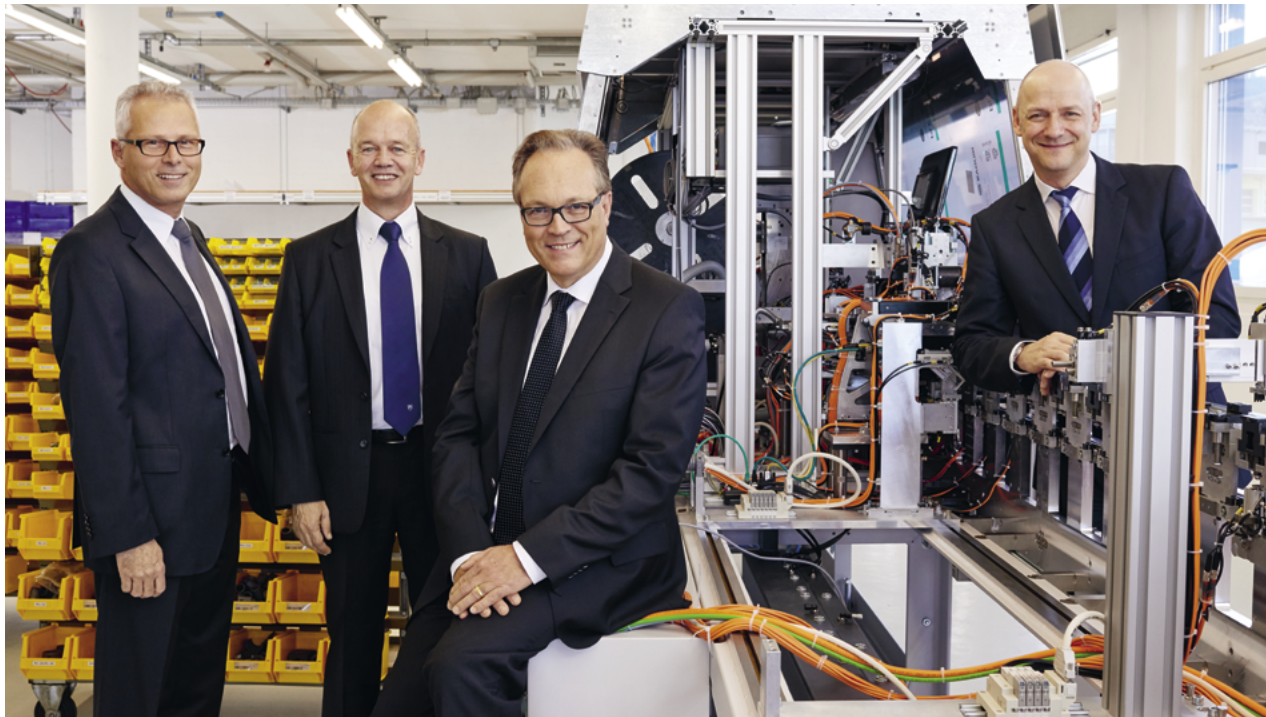
<sup>1)</sup> Includes the cash flow from sales of securities in current assets, which was mainly used to provide the purchase price of the investments made in 2018.

<sup>2)</sup> According to the proposal of the Board of Directors to the General Meeting of Shareholders.

<sup>3)</sup> The amount includes a cash dividend of CHF 3.90 per type A registered share (CHF 39.00 per type B registered share) as well as a stock dividend of CHF 7.17 per type A registered share (CHF 71.71 per type B registered share). This includes the allocation of type B registered shares in the amount of CHF 4.66 per type A registered share (CHF 46.61 per type B registered share) as well as the withholding tax repayment claim of CHF 2.51 per type A registered share (CHF 25.10 per type B registered share).

<sup>4)</sup> Translation of type A registered shares on the basis of the year-end share price applicable to type B registered shares.

# Senior Management



From left to right

**Daniel Keist** (CH) b. 1957

Chief Financial Officer

**Dirk Hoffmann** (DE) b. 1961

Head of Household Appliances Business Unit

**Jürg Werner** (CH) b. 1956

Chief Executive Officer

**Christoph Schüpbach** (CH) b. 1966

Head of Wire Processing Business Unit

The product in the background is a TransferLine system for the fully automated assembly of highly demanding special cables, a customized, client-specific solution. It was manufactured on the premises of Schleuniger AG.



# CEO Interview

*We are doing everything we can to make the Metall Zug Group fit for the future. That takes foresight, strength and courage.*

...

*Dr. Jürg Werner*

*The Haag-Streit Group has formed a new Business Unit of the Metall Zug Group since March 2018. How is 'Medical Devices' coming along?*

There probably aren't many professionals working in ophthalmology who aren't familiar with Haag-Streit and its products – especially the famous Haag-Streit slit lamps. The new Business Unit gives Metall Zug investors the opportunity to invest in a premium medtech company that was previously entirely family owned. I've visited almost all of the Haag-Streit sites and was pleased to encounter extremely competent staff. We've used the first ten months to bring the Haag-Streit

Group's reporting practices into line with those of a listed company. Various teams launched cross-divisional projects in the interest of creating a 'One Haag-Streit' strategy. The areas involved included research and development, intellectual property and IT. Sales of the Haag-Streit Group as the new Medical Devices Business Unit performed in line with our plans and expectations in 2018, and operating income was even higher than expected.

*In June 2018, you announced a realignment of the Infection Control Business Unit, which was to be split into two separate entities. What are you hoping to achieve and how far have you progressed with implementation?*

Up until now, the Infection Control Business Unit (Belimed Group) has been offering innovative system solutions for cleaning, disinfection and sterilization that are used in hospitals (Medical Business Area) and the pharmaceutical industry (Life Science Business Area). Although the technologies and product ranges are similar in both markets and thus offer scope for synergies, there are substantial differences between the business models (equipment manufacturing at Medical versus systems engineering at Life Science) and markets. The realignment is intended to create a sharpened focus. From 2019, each of the two Business Units will have its own Board of Directors and own senior management

team dedicated to running the business. At the same time, these adjustments also gave us the chance to optimize production processes. We have closed the Life Science Business Area's production plant in Germany and moved operations to Grosuplje in Slovenia. The new Life Science Business Unit is by far the smallest within the Metall Zug Group and will continue to market itself under the Belimed brand name. We are convinced that by tightening the focus in this way, the Business Unit will enjoy the right conditions for profitable growth in an attractive market segment once the restructuring has been completed.

*How is the transformation of the main site in Zug progressing?*

The development plan came into legal effect at the end of October 2018. This means that the ambitious industrial development project for the company's original site in the city of Zug can go ahead as planned. The construction project is being realized on the V-ZUG site, which has a well-developed infrastructure. The company has been producing successfully at this site for more than 100 years now, and will continue to

do so. This 'multi-generational' project is challenging and places demands on everyone involved. In the interests of pursuing our strategy, we have also decided to transfer the tasks and responsibilities for the industrial development of the main Zug site, the creation of the Technology Cluster Zug and other planned infrastructure work to a new 'Infrastructure and Technology Cluster Zug' Business Unit as of January 1, 2019.

*What remit does the new Business Unit have and what are its aims?*

The main tasks of the new Business Unit will include the industrial development of the main V-ZUG production site in Zug, together with the establishment of a technology cluster, and the construction of a refrigerator factory in Sulgen, Canton

Thurgau. Facility management at these sites will also form part of its remit. These tasks will thus be reflected transparently in the company reports.

*Going digital and Industry 4.0 are very important to you. How are they being implemented within the Metall Zug Group?*

The increasing digital transformation in almost every aspect of our daily lives presents particular challenges for all industrial enterprises. The sector is accustomed to continually investing in new production plant. However, digitization has become a new factor in the equation over the last few years: there are digital or virtual elements involved in the products themselves, as well as in the production and distribution processes, and the opening up of new markets. This represents an enormous challenge for everyone in the industry and calls for additional resources. Rather than merely staying on top of this development, Metall Zug plans to seize this opportunity to gain further competitive advantages. Swiss-based produc-

tion companies face an additional challenge. Space is scarce, and it is not possible to expand production facilities at many locations around the country. A transformation process is underway at the V-ZUG site: a new digital, vertical factory will be created by 2025 without disrupting operations. The concept involves technical and logistical processes at several levels. Going vertical will allow 3-D cross-linking, and innovative digital solutions will ensure high efficiency. We expect to see shop floor productivity rise considerably. At the same time, we are working on sustainable solutions for the use of energy from waste heat, ground and lake water, and photovoltaic systems.

*What effect is digitization having on product development?*

Even now our products already feature a large number of 'virtual elements', i.e. not just hardware. This trend will continue. To deal with this, we have reorganized our IT setup here at V-ZUG. Basic services like the User Help Desk, communication services, IT infrastructures and IT jobs have been out-

sourced to a specialist company. This frees up our in-house IT team to focus on the digitization of products and processes. Some of our IT specialists will become part of the product development organization.

# Strategy

*Metall Zug AG is a listed Swiss industrial holding company with an entrepreneurial family as its main shareholder. Metall Zug adopts a long-term perspective. Through its Business Units it focuses on industrial enterprises with premium and precision products in attractive markets. The Metall Zug Group creates sustainable added value for its shareholders by consistently focusing on the needs of customers.*

Since 1 January 2019, the Metall Zug Group has comprised six Business Units. The Senior Management plays an active role in promoting cooperation between the Business Units and in identifying and realizing synergies and initiatives on cross-unit topics. The digitization of products and processes, and the associated impact on business models, play a key role in this respect.

## **Entrepreneurial Freedom and Independence**

Metall Zug achieves an optimum balance between conservative financial policies and entrepreneurial ambition. Thanks to its financial strength and conscious diversification, Metall Zug retains its freedom to act and make decisions, even during economically difficult periods.

## **Economies of Diversity**

Metall Zug taps into the diversity of its Business Units as a source of innovation, internal benchmarks and best practice. The clear focus of those units is a key element in its success. The Group companies each have their own market presence – including their own, independent brands.

## **Business Development and Growth**

By delivering innovation and extending the offering along the value chains of its customers, Metall Zug seeks to achieve sustainable and profitable growth that will strengthen the Business Units. Investment opportunities for external growth are primarily being sought within the existing Business Units.

## **Group Added Value**

With its expertise, financial strength and influence, the holding company generates added value for its Business Units. It supports them in strategy implementation and in meeting strategic challenges such as digitization.

## **Driven by Value, Aiming for Success**

All those in positions of responsibility act with a view to success and in line with the Metall Zug values: any success can only really be counted as such if it is sustainable and has been achieved with due respect for society and without tarnishing the reputation of the Metall Zug Group as a whole.

## **Development of Real Estate**

Metall Zug uses its real estate to create the best possible conditions for the industrial activities of all its Business Units. It develops the properties and sites of the Group companies in a targeted and sustainable fashion.

The further development of the major transformational project at the main site in Zug, the "Technology Cluster Zug", is based on a long-term implementation horizon.

# Customers and Markets

*The Business Units of the Metall Zug Group are represented around the globe. However, Switzerland remains the most important market. The Metall Zug Group generated 47.3% of its net sales in Switzerland in 2018 (previous year: 58.2%). The business unit with the highest sales is Household Appliances, with net sales of CHF 579.2 million.*

## Household Appliances: Challenging Transformation and Investments in the Future

The Household Appliances Business Unit develops, manufactures and distributes high-quality kitchen and laundry appliances for private and commercial customers. It comprises V-ZUG AG with its foreign subsidiaries as well as V-ZUG Kühltechnik AG, SIBIRGroup AG and Gehrig Group AG.

SIBIRGroup concentrates on sales in the trade channel as well as the repair and exchange of household appliances for property management companies and cooperative residential associations in Switzerland.

Gehrig Group operates in Switzerland and the Principality of Liechtenstein, offering solutions to its professional client base both in the hotel, restaurant and catering sector and in the care sector (hospitals, retirement and care homes). Its product range for the catering sector includes premium professional dishwashers, cooking, roasting and baking appliances, as well as coffee machines, and for the care sector, complete sluice appliances, nursing baths, patient lifts and safety handle systems.

The Household Appliances Business Unit increased net sales by 1.1% in the reporting year.

## Infection Control: Improved Starting Point

Belimed is one of the leading global suppliers of innovative cleaning, disinfection and sterilization solutions in the Medical and Life Science Business Areas, covering both machines from the standard product range and customer-specific large-scale systems. Services make up an important part of the company's offering. The Belimed customer base ranges from global pharmaceutical companies to large hospital purchasing organizations and university hospitals right through to local hospitals and large medical practices. Net sales in the reporting year were 4.9% higher than the year before.

## Wire Processing: Connecting Value Chains

Schleuniger is a globally active technology group and leading supplier within the wire processing industry whose solutions portfolio includes semiautomatic and fully automatic machines,

customized solutions for process and test automation, as well as peripheral devices and test equipment, tools, software and service solutions covering the entire spectrum of wire processing. Its subsidiary DiIT AG is a key player in digitization and the industrial IoT (Internet of Things), while adaptronic Prüftechnik GmbH leads the way in wire harness testing. Schleuniger products are needed wherever high-precision, safe contact systems play a central role. Schleuniger lifted net sales by 22.1% in 2018.

## Medical Devices:

### Metall Zug's Fourth Business Unit since March 2018

Haag-Streit Holding AG forms the Medical Devices Business Unit. Its offering is focused on medical technology, specializing in ophthalmology, and the main production companies manufacture equipment for use in a variety of settings. Haag-Streit AG, known to eye care professionals around the globe as 'Haag-Streit Diagnostics', is the undisputed industry leader in slit lamps. Haag-Streit Diagnostics is recognized on the market for its uncompromising quality. HS DOMS GmbH and Reliance Medical Products Inc. produce various items of equipment (tables, instrument stands, chairs) for ophthalmologists, optometrists and opticians. Doctors often decide on the medical furnishings for their practice before choosing the high-tech devices. Offering a complete range in this way means that eye care professionals can procure all their practice equipment from a single source.

The Group's Surgical division specializes in microscopes for use in neurology, ENT, plastic surgery and dental surgery. Haag-Streit Surgical GmbH, Möller-Wedel GmbH & Co KG and OptoMedical Technologies GmbH (OMD) produce operating microscopes for use by eye specialists and neurologists. The 3-D, real-time imaging and cross-section views of eye surgery are unmatched. Haag-Streit's Pneumology division in the UK develops and produces passive inhalers. ERP systems for opticians, industrial high-precision measuring instruments and tension gauges round out the offering. Optical systems are manufactured for Haag-Streit and other companies by Spectros AG at Ettingen in Switzerland. The Medical Devices Business Unit generated 96.3% of its net sales outside Switzerland in 2018.

**Household Appliances**

in CHF million	2018	2017	2016	2015	2014
<b>Gross sales</b>	<b>593.5</b>	<b>587.4</b>	<b>599.2</b>	<b>581.9</b>	<b>589.2</b>
Change in % (total in CHF)	1.0	-2.0	3.0	-1.2	1.7
Change in % (organic, in local currencies)	1.0	-2.0	2.9	-1.3	1.7
<b>Net sales to third parties</b>	<b>579.2</b>	<b>572.9</b>	<b>584.6</b>	<b>568.3</b>	<b>572.7</b>
Switzerland	532.3	528.6	537.8	532.3	537.6
Europe (excluding Switzerland)	15.2	14.1	11.4	11.6	12.0
Americas	22.6	11.1	23.5	16.9	15.5
Asia/Pacific/Others	9.0	19.1	11.9	7.5	7.6
<b>Operating income (EBIT)</b>	<b>48.3</b>	<b>65.4</b>	<b>76.8</b>	<b>69.1</b>	<b>70.0</b>
EBIT as % of gross sales	8.1	11.1	12.8	11.9	11.9
EBIT as % of net sales	8.3	11.4	13.1	12.2	12.2

**Infection Control**

in CHF million	2018	2017	2016	2015	2014
<b>Gross sales</b>	<b>203.6</b>	<b>193.4</b>	<b>206.1</b>	<b>198.3</b>	<b>209.0</b>
Change in % (total in CHF)	5.3	-6.1	3.9	-5.1	-5.5
Change in % (organic, in local currencies)	4.2	-6.4	3.2	-2.3	-5.3
<b>Net sales to third parties</b>	<b>197.3</b>	<b>188.1</b>	<b>201.4</b>	<b>194.0</b>	<b>203.4</b>
Switzerland	11.6	16.1	18.4	16.4	16.6
Europe (excluding Switzerland)	77.3	73.6	80.4	91.7	97.1
Americas	73.0	65.3	66.3	54.2	51.5
Asia/Pacific/Others	35.4	33.1	36.3	31.6	38.3
<b>Operating income (EBIT)</b>	<b>-10.5</b>	<b>-34.2</b>	<b>-6.3</b>	<b>-12.9</b>	<b>-13.0</b>
EBIT as % of gross sales	-5.1	-17.7	-3.1	-6.5	-6.2
EBIT as % of net sales	-5.3	-18.2	-3.1	-6.6	-6.4

**Wire Processing**

in CHF million	2018	2017	2016	2015	2014
<b>Gross sales</b>	<b>222.3</b>	<b>180.5</b>	<b>158.2</b>	<b>150.1</b>	<b>131.3</b>
Change in % (total in CHF)	23.2	14.1	5.4	14.3	18.4
Change in % (organic, in local currencies)	9.5	9.6	2.6	13.1	20.0
<b>Net sales to third parties</b>	<b>214.5</b>	<b>175.7</b>	<b>153.5</b>	<b>145.2</b>	<b>127.6</b>
Switzerland	2.6	0.9	1.1	1.4	1.8
Europe (excluding Switzerland)	95.4	75.5	52.2	51.8	47.2
Americas	71.1	60.9	56.3	51.1	40.1
Asia/Pacific/Others	45.4	38.4	44.0	40.8	38.6
<b>Operating income (EBIT)</b>	<b>28.9</b>	<b>22.3</b>	<b>22.8</b>	<b>21.2</b>	<b>19.5</b>
EBIT as % of gross sales	13.0	12.4	14.4	14.2	14.8
EBIT as % of net sales	13.5	12.7	14.9	14.6	15.2



**Medical Devices<sup>1)</sup>**

<b>in CHF million</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Gross sales</b>	<b>182.3</b>				
Change in % (total in CHF)	n/a				
Change in % (organic, in local currencies)	n/a				
<b>Net sales to third parties</b>	<b>178.5</b>				
Switzerland	6.6				
Europe (excluding Switzerland)	60.7				
Americas	74.6				
Asia/Pacific/Others	36.6				
<b>Operating income (EBIT)</b>	<b>21.6</b>				
EBIT as % of gross sales	11.8				
EBIT as % of net sales	12.1				

1) The information regarding the Medical Devices Business Unit includes the period from March 1, 2018 to December 31, 2018.

**Metall Zug Group**

<b>in CHF million</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Gross sales</b>	<b>1 199.9</b>	<b>959.2</b>	<b>960.6</b>	<b>927.8</b>	<b>927.0</b>
Change in % (total in CHF)	25.1	-0.1	3.5	0.1	2.0
Change in % (organic, in local currencies)	3.3	-1.0	2.9	0.5	1.7
<b>Net sales to third parties</b>	<b>1 169.5</b>	<b>936.7</b>	<b>939.5</b>	<b>907.5</b>	<b>903.7</b>
Switzerland	553.1	545.6	557.3	550.2	555.9
Europe (excluding Switzerland)	248.7	163.3	144.0	155.1	156.2
Americas	241.3	137.2	146.0	122.3	107.1
Asia/Pacific/Others	126.4	90.6	92.2	80.0	84.5
<b>Operating income (EBIT)</b>	<b>89.3</b>	<b>53.0</b>	<b>94.1</b>	<b>80.5</b>	<b>75.0</b>
EBIT as % of gross sales	7.4	5.5	9.8	8.7	8.1
EBIT as % of net sales	7.6	5.7	10.0	8.9	8.3



Head chef Franck Giovannini, pictured at the world-famous Restaurant L'Hôtel de Ville in Crissier, Switzerland, holder of three Michelin stars, cannot imagine a kitchen without V-ZUG appliances.



The Household Appliances Business Unit develops, manufactures and distributes high-quality kitchen and laundry appliances for private and commercial customers. It comprises V-ZUG AG and its foreign subsidiaries V-ZUG Australia Pty. Ltd., V-ZUG Europe BVBA, V-ZUG (Shanghai) Domestic Appliance Co., Ltd., V-ZUG (Changzhou) Special Components Co., Ltd., V-ZUG Hong Kong Co., Ltd. und V-ZUG Singapore Pte., Ltd., as well as V-ZUG Kühltechnik AG, SIBIRGroup AG, Gehrig Group AG and V-ZUG Infra AG (until December 31, 2018) in Switzerland.

Comprehensive service and support is provided for all products and brands. More than 400 service technicians are deployed for the Swiss market alone, successfully dealing with 90 % of service requests on their first customer visit. In the international arena, V-ZUG has further built up the services on offer in selected markets to actively support the brand.

The Household Appliances Business Unit employs a workforce of more than 2000, plus 87 trainees.

### **The 2018 Financial Year**

Gross sales of the Household Appliances Business Unit rose organically by 1.0 % to CHF 593.5 million (previous year: CHF 587.4 million) in 2018. There were no acquisition effects. SIBIRGroup and Gehrig Group were the main contributors to this organic growth in Switzerland. The Service business also performed well. V-ZUG once again succeeded in defending its leading position in a highly competitive market and further increased its sales at the international level. The business with its OEM partner in the US continued to perform solidly. Sales in China fell due to the postponement of large-scale projects. The Chinese government's decision to impose a price ceiling per square meters of new real estate had an additional negative impact on sales volumes. The opening of a subsidiary in Singapore further strengthened the company's presence in Asia and paved the way for fresh expansion in South-East Asia.

In Europe, V-ZUG experienced an above-average rise in sales in France and Germany especially. Investor uncertainty regarding Brexit in particular meant that the United Kingdom and Ireland were the only markets in which sales did not

exceed the prior-year figure. Sales in countries in which V-ZUG serves the market through distributors also recorded relatively high growth.

At CHF 48.3 million, the Household Appliances Business Unit's operating income (EBIT) was down 26.1 % (previous year: CHF 65.4 million). This decline is attributable to expenses incurred in connection with the strategic transformation and the extraordinarily high personnel expenses involved in the rollout of SAP S/4HANA, which necessitated process modifications and additional work. The temporary personnel expenses required to implement and accelerate this project will be reduced again in 2019. EBIT was also impacted by currency effects (purchase of raw materials and components in the eurozone) in 2018.

The Household Appliances Business Unit is now in a challenging transformation phase with four main axes:

- Investments in platforms for new products will create the basis for reducing the cost of future new product launches. Fewer investments in tools will be required and the time taken to develop new product variants will be significantly reduced.
- The digitization of products and processes will mean V-ZUG is ready to face the future as an innovative and dynamic company. Adding digital features to the time-tested physical products will create modern solutions that deliver even more benefit to customers.
- Optimizing production and processes will improve productivity. V-ZUG is making parallel investments in its sites at Zug and Sulgen. Improved value flows in the 'vertical factory' at Zug by 2023 will pave the way for much shorter throughput times and freed-up floor space and materials, while also boosting production capacities. Switzerland's only production plant for household refrigerators and freezers is being created at Sulgen.
- The transformation of its main site in the city of Zug will boost plant floor productivity and create space for a technology cluster that is also accessible to third parties. V-ZUG is taking targeted steps to ensure that interfaces and competencies are made available for joint use within the future Technology Cluster 'ecosystem'.

Implementing these projects simultaneously requires a special effort. However, they should ultimately allow the Business Unit to maintain its position of technological leadership and operate more efficiently.

#### **New Products, Connected and Practical to Use**

As always, V-ZUG launched a host of new products in 2018. Fusion und FullFlex, two innovative hobs, picked up the Plus X Award 2018. This is more than just a design award: it adopts a more sophisticated approach by awarding 'seals of approval' in seven categories.

V-ZUG's revamped app, whose features include access to a continually growing number of recipes and an integrated digital shopping list, represents the next step in going digital in the kitchen. Customers can also use the image recognition function (informally referred to as the 'broccoli scanner') that not only recognizes food items, but also provides useful tips and tricks when buying and preparing ingredients. The number of networkable appliances was expanded considerably in 2018. V-ZUG's 'Retrofit' program rewards the trust placed in its durable, high-quality products by purchasers. By connecting 'older' devices bought from 2015 onward, customers gain access to digital add-ons and applications without having to buy a new product. Customers who purchased appliances prior to 2015 will also be able to join the program from 2019.

Various dishwashers continue to be optimized in terms of energy efficiency and noise levels. V-ZUG is also living up to its commitment to the environment with its washing machines: the Adora SLQ WP consumes around 55 % less electricity than a standard washing machine, making it the most environmentally friendly washer that V-ZUG has ever brought to market.

The in-house IT organization has been restructured to speed up the digitization of products and processes and ensure consistency. Basic IT services, such as the IT infrastructure and user support, have been outsourced to a specialist provider, thus allowing the company's own IT specialists to devote more of their time and energy to the digitization of processes and products.

#### **Investment in Platform Technology**

In recent years, V-ZUG has invested heavily in the development of product platforms that enable parts and assemblies to be used across several product families. Future product development will take place on these platforms, making more product variants possible while significantly lowering the number of parts per appliance. In addition, this will speed up the launch of new products and reduce investments in new tools. In the first half of 2019, the FOCUS line will become the first product family to be delivered thanks to this platform.

#### **Physical Transformation: Higher Floor Productivity**

The Zug Cantonal Government approved the development plan for the company's main site in Zug in October 2018. This means the 'Technology Cluster Zug' multigenerational project can go ahead as planned. The preparatory and planning work for the new production facility and vertical factory entailed by this strategic modernization of the Zug production site had a negative impact on V-ZUG's operating income. This planning and conversion work will continue in 2019. The modernization and transformation of the plant reflects a strong commitment to Zug as a production location. A team of industrial engineers is working on optimizing processes and coming up with innovative solutions that will enable the smallest possible batch sizes to be manufactured in a minimum of space. These investments in the future will put pressure on the Business Unit's results during a transition phase. On completion of the overall project, V-ZUG will have practically doubled production capacity at its Zug site but will only use around 40 % of the current land area and around 70 % of the current production space. These leaner processes will ultimately boost plant floor productivity.

The Technology Cluster Zug will then be built on the land that is freed up over the coming years. This technology-driven ecosystem will be accessible to other users and eventually become a lively part of the city. Future-proof, ecological concepts for energy and mobility are intended to broaden the Technology Cluster's appeal outside the region.

**Improving Processes**

SAP was rolled out at V-ZUG in mid – 2018. The changeover to the new software, accompanied by the integration of around 40 other IT systems, proved highly challenging. The new software allowed many processes to be adapted and improved. These changes in the familiar, tried-and-tested workflows caused problems with deliveries to customers and led to considerable extra expenditure.

However, the SAP rollout was a necessary step in enabling basic IT services to be outsourced to a specialist company, starting at the end of 2018. This outsourcing project will be concluded in mid – 2019, thus freeing up internal resources for the next stage of the digital transformation.

**SIBIRGroup: Replacement Business Expertise**

SIBIRGroup lifted sales by 4.2 % in 2018, thus further expanding and consolidating its market position. A project commissioned by a housing cooperative allowed SIBIR to demonstrate its expertise in organizing and managing large-scale exchanges, when it replaced all of the appliances in 140 apartments in just a few days. All of the old appliances in each of the occupied apartments were removed and properly disposed of, and the relevant adjustments were made before the new appliances were installed.

SIBIRGroup optimized its internal processes by introducing a document management system. Workflows within the company are now mostly paperless.

**Gehrig Group:****Pioneering Role in Networked Professional Kitchens**

Gehrig Group's sales rose 2.1 % year on year. The innovation and strength of Gehrig Group, with its own Swiss-wide customer service organization and new offering in total hygiene concepts (cleaning agents, hygiene plans and equipment) contributed to this result.

Gehrig Group is also involved in the digitization of commercial kitchens thanks to its unique app, which optimizes workflow management, in a single kitchen or at several locations, and integrates all brand-name products. The app shows maintenance recommendations, offers maintenance plans and

schedules maintenance work. Machine care and servicing can be requested at the touch of a button, if need be, and the app gives tips on how to cut costs.

**Outlook**

V-ZUG aims to further consolidate its market leadership in Switzerland and its position as a premium manufacturer in selective foreign markets in the future by pursuing innovation and high technological standards and delivering 'Made in Switzerland' quality. The investments in the 'vertical factory' in Zug and the new refrigerator factory in Sulgen represent a clear commitment to Switzerland as a location for industry.

The SAP rollout has created a solid foundation on which to build the company's digital capabilities. Its industrial processes, the 'buying experience' and service delivery will gradually go digital to create even more value for customers, trading partners and suppliers. The increasing connectivity of all V-ZUG products enhances the ways in which these appliances can be used. By outsourcing its basic IT services to a specialist, V-ZUG has taken the organizational steps necessary to allow its in-house digital experts to concentrate on innovative product solutions and the digitization of processes.

Thanks to its plans to launch new product lines, the expanded capabilities of networked products and related new service offerings, the Household Appliances Business Unit expects to see the first return on its investments in platform technology and in going digital in 2019.





Cezary Borodziuk, CEO of Suzhou Bordnetze Electrical Systems Ltd., seen here next to adaptronic test tables at the company's main site in Suzhou, China, values Schleuniger's genuine closeness to the customer.



The Schleuniger Group forms the Wire Processing Business Unit. Schleuniger is a globally active system partner and leading supplier to the wire processing and testing industry. Schleuniger products are used wherever highly precise connections, the highest productivity, visible quality and traceable data play a central role. The Schleuniger solutions portfolio includes semiautomatic and fully automatic machines, customized solutions for process and test automation, wiring test systems and function test systems, as well as various peripheral devices, measuring instruments, tools, software and service solutions covering the entire spectrum of wire processing – all of which makes Schleuniger a competent partner for customers along their entire value chain.

Its subsidiary DiIT GmbH is an important player in digitization and the industrial Internet of Things (IoT) in its sales markets. DiIT's software solutions connect data along the entire process chain, improve process security, and facilitate data consistency and traceability. By connecting value chains in wire harness production, Schleuniger helps its customers to substantially boost their productivity.

Schleuniger has more than 950 employees worldwide, including 48 trainees.

### **The 2018 Financial Year**

Schleuniger recorded gross sales of CHF 222.3 million in the reporting year, surpassing the previous year's figure by 23.2 %. Alongside the first-time consolidation of adaptronic Prüftechnik GmbH, all market regions contributed to this growth in sales. The Centers of Competence in the Solutions & Software Business Segment, whose operations are highly cyclical, were the exception. Following several years of above-average sales growth, Solutions & Software was unable to fully meet the high expectations for 2018. However, new client acquisitions, the development of new applications, platforms and products, and strengthened structures and processes have set the stage for a bright future in this Business Segment too. Adjusted for the acquisition effect of 12.5 % arising from the takeover of adaptronic Prüftechnik GmbH and currency effects of 1.2 %, organic growth came to 9.5 %, thus outstripping global market growth of 4 to 6 %.

EBIT stood at CHF 28.9 million, which is equivalent to an improvement of 29.5 % year on year.

The automotive industry's share of the Business Unit's sales rose in line with expectations again in the last financial year as Schleuniger continued to benefit from trends such as the further increase in demand for automation solutions in all industries and regions. Communication between cars and external infrastructures, and megatrends in the automotive industry, including self-driving cars and the connectivity and electrification of vehicles, are further drivers of growth. Great strides were made in implementing the long-term 'Strategy 2025' in the reporting year, with the aims of transforming Schleuniger from a high-quality machine manufacturer and solution provider to a strategic system partner for customers.

### **Better Value Chain Coverage thanks to adaptronic Prüftechnik GmbH**

The acquisition of a 60 % stake in adaptronic Prüftechnik GmbH, effective January 1, 2018, enabled the Business Unit to considerably expand its range of solutions along the value chains of its customers. The offering now includes customized solutions for adapting and testing wire harnesses, connectors and assemblies for the automotive, automation technology, railway technology, aviation, aerospace and industrial sectors. Alongside the traditional wiring test involving continuity, short circuit and component testing, adaptronic's core competency lies in insulation testing and dielectric strength testing. The company also leads the way in high-voltage testing technology. This is especially significant given the global shift toward the hybridization and electrification of all modes of transport. Schleuniger is thus able to develop, produce and distribute test devices and proof testers as well as complete test automation systems within the Group.

### **Innovation and New Products**

Schleuniger brought a number of innovative products to market in the reporting year. The new generation of semiautomatic CoaxStrip machines (CoaxStrip 6380, 6480 and 6580) features greatly enhanced performance characteristics. The UniStrip 2300, the world's best-selling semiautomatic stripping machine, can now be equipped with the SmartDetect

option. SmartDetect increases process security by detecting contact between the stripping blade and the conductor. These latest innovations in semiautomatic machines, and especially in Coax machines with rotating blades, secure Schleuniger's leading position in this product segment.

By gradually rolling out the P (for 'Performance') versions on the CST (i.e. cut, strip, terminate) platforms, Schleuniger is pursuing new avenues for reducing the 'cost per lead'. The CrimpCenter 36 SP was well received on its launch in the reporting year, as was the CrimpCenter 34 C, now being produced in China. And thanks to the new, fully scalable Eco line, Schleuniger is now able to provide mid-priced solutions in the rapidly growing Process Automation product segment.

#### **Better Processes at Schleuniger Machinery in Tianjin**

The Schleuniger site in Tianjin, China mainly produces wire harness assembly lines and all kinds of peripheral devices. At the start of 2018, the company moved into a new building not far from its existing location that offers more production space and allows for a better material flow. In addition, the relocation of production of the CrimpCenter 34 C from Radevormwald in Germany to Tianjin got underway as scheduled. The first machines to be produced in China were delivered to customers in the fourth quarter of 2018. At the same time, further investments were made in lean production and shop floor management. All employees have received the required training. These measures pave the way for continuing sustainable growth at this location.

#### **Successful Realignment at Jettingen Site**

Jettingen in Germany is home to the Center of Competence for Test Automation, where systems for testing cables, wire harnesses, plug connectors and electromechanical assemblies are manufactured. A strategic realignment specific to the site, coupled with improved networking within the Group, enabled the Center to firm up its focus even more. Order intake in the reporting year was higher than the year before, and the high volume of work in progress for 2019 gives grounds for optimism that there will be further profitable growth.

#### **Preparations for Expansion at Cham Site**

The Center of Competence for Process Automation began renting additional space in Cham in 2016 in order to cope with growth in this segment. Preparations for moving the entire Center of Competence from Unterägeri to Cham were completed in the reporting year. With the amount of space available in Cham now having doubled, the shorter distances and easier communication will have a positive effect on future productivity. The freed-up space in Unterägeri will be used to grow the Centre of Competence for Applications, which will remain at that location.

#### **Further Investments in Digitization**

Business systems projects were launched throughout the Group in the reporting year with the aim of gradually harmonizing the existing ERP, CRM and CAD/PLM systems and processes. A modern, standardized ERP system will be introduced across the entire Wire Processing Business Unit over the next three years, starting with Switzerland and Germany. This internal digital transformation is fundamental in creating the right basis for further external digitization.

The global launch of the 'S.University' online learning platform marks another step in Schleuniger's digitization of customer processes in other areas.

#### **Outlook**

Great strides were made in the reporting year in establishing structures for future growth, and the project set up at the end of 2017 to boost efficiency was successfully implemented. This will have a positive impact on the Group's future earnings power. Growth prospects in the two main sales markets – the automotive industry and information and communications technology – remain intact for Schleuniger. Increasing global connectedness and growing electrification, self-driving cars and ever higher demands in respect of safety, communication and comfort hold a great deal of potential.







Dr. Goldmann, Palm Beach Gardens, Florida,  
appreciates the seamless integration offered by the XOMA system  
that improves overall workflows in his practice.



The Haag-Streit Group has formed the Medical Devices Business Unit of the Metall Zug Group since March 1, 2018. Metall Zug acquired a 70 % stake in Haag Streit Holding AG on February 28, 2018. The remaining 30 % continues to be held by two previous shareholders.

The Haag-Streit Group consists of 15 companies, whose operations are focused on medical technology, specializing in ophthalmology, and microsurgery (ophthalmic operating microscopes, neurology, ENT, plastic surgery and dental surgery). Haag-Streit's Pneumology division in the UK develops and produces passive inhalers using injection-molding techniques.

ERP systems for opticians, industrial high-precision measuring instruments and tension gauges round out the offering. Optical systems are manufactured for Haag-Streit and other companies at Ettingen in Switzerland.

The Haag-Streit Group employs a workforce of around 1 000, and 34 trainees worldwide.

### **The 2018 Financial Year**

In the ten months since the takeover of Haag-Streit (March to December 2018), the subsidiaries of Haag-Streit Holding AG generated consolidated sales of CHF 182.3 million and operating income (EBIT) of CHF 21.6 million. The good EBIT figure was achieved in spite of integration costs and the negative effect of the revaluation of the acquired assets. The first-time consolidation of Haag Streit required the company's assets to be revalued. The increased valuation of inventory and tangible assets at fair value had a negative impact of CHF 3.1 million on operating income. The results achieved are higher than those projected in the business plan underlying the purchase of Haag-Streit Holding AG. This is mainly attributable to the increased demand for high-end slit lamps, biometers and perimeters, especially in the US and China. The rise in demand in the US benefited from tax incentives and additional activities on the optometry market. In China, the support organization and general pent-up demand among state-run hospitals were the main factors leading to above-average growth. The high order intake led to some delivery delays, which caused early call-offs from customers threatened with contractual penalties for late delivery. As a result, the normal

order backlog at the Swiss parent company tripled. Process improvements and measures including the temporary introduction of a 45-hour working week, external order placement, multi-shift operation and the hiring of temporary labor meant that the company's ability to deliver had improved again by the end of the year. The order backlog was reduced by some 15 %.

The fact that all the operating subsidiaries experienced growth is gratifying.

### **Diagnostics Business Area**

The main production companies in the Haag-Streit Group manufacture equipment for use in a variety of settings. Haag-Streit AG, known to eye doctors around the globe under the brand name 'Haag-Streit Diagnostics', is the undisputed industry leader in slit lamps. The company is also number 2 in the biometry market, in which it has consistently improved and expanded its position. At present, efforts are being focused on issues such as digitizing optical beam paths, data management, open interfaces and work flows in ophthalmology practices and clinics. The use of artificial intelligence in performing calculations for intraocular lens implants is another important topic.

Haag-Streit Diagnostics is recognized on the market for its uncompromising quality, which comes with a unique 10-year warranty for slit lamps. The continuing, long-term success of slit lamps enabled Haag-Streit to generate above-average growth in this segment in 2018. The biometry and perimetry business also surpassed expectations in the year under review.

The EyeStar 900 represents the start of a new chapter in our ability to image, measure and diagnose the human eye. The diagnostic/biometric/Swept Source-based OCT device has still to satisfy Haag-Streit's quality standards on one count, leading to a delayed market launch of the EyeStar 900.

### **Surgical Business Area**

The companies Haag-Streit Surgical GmbH, Möller-Wedel GmbH & Co KG and OptoMedical Technologies GmbH that make up the Surgical Business Area produce surgical microscopes for use by eye specialists and neurologists. They con-

centrate on developing, producing, marketing, distributing and servicing operating microscopes and accessories such as intraoperative optical coherence tomographs for use in ophthalmological, neurological and other settings. The Surgical Business Area sees itself as a solution provider capable of meeting individual customer requirements thanks to its use of modular construction and high degree of flexibility. Innovative product developments that promise to be key drivers of future growth can be expected within the Surgical Business Area. Haag-Streit Surgical's core competencies include 3D, real-time imaging and cross-section views of eye surgery (made possible by the company's iOCT technology), together with toric lens implants and the visualization of fine structures in the eye. It goes without saying that Haag-Streit delivers high-quality products that meet the high expectations of customers and distributors as well as satisfying the company's own standards. The operating microscopes are currently marketed by more than 90 distributors worldwide. Consequently, a large number of general market risks have to be addressed. These depend on overall economic developments, social and geopolitical factors, and the regulatory framework.

Above-average growth was recorded in Asia and North and South America, partly as a result of investments in the emerging markets in response to the growing health awareness of the rising middle class. New markets in the former CIS and Africa are being tapped thanks to cost-efficient systems, and the intention is to further expand the established markets in China, Russia, Europe and the US through unique selling propositions.

#### **Equipping Medical Practices**

The subsidiaries HS DOMS GmbH and Reliance Medical Products Inc. produce specific items of equipment (tables, instrument stands, chairs) for ophthalmologists, optometrists and opticians. The wide range on offer means that eye care professionals can procure all their practice equipment from a single source.

#### **Complete Takeover of OptoMedical Technologies GmbH**

The remaining 35 % minority interest in OptoMedical Technologies GmbH in Lübeck was acquired on December 17, 2018. This makes Haag-Streit the sole owner of the strategically important intraoperative optical coherence tomography (iOCT) technology. Unlike conventional microscopes, the iOCT camera enables surgeons to create real-time cross-section views of the patient's eye during the operation. This allows them to see structures in the eye during the operation that are normally not visible. This is very similar to the ultrasound imaging used today to display blood vessels or abdominal organs, for example. Unlike ultrasound scans, however, OCT imaging achieves much higher resolutions enabling it to accurately display even the finest details in the submillimetre range. This method is also noted for its very high momentum, meaning that even the smallest movements can be recorded correctly. The iOCT camera is seamlessly integrated into the operating microscope, making it very fast and easy to use.

#### **Innovative Support for Medical Practitioners**

The use of aerosol inhalers by patients with respiratory disorders can now be monitored by means of a whistle thanks to a method of measuring air flow patented by Clement Clark International Ltd. A whistle sound indicates that the correct breathing speed has been achieved and that the particles are being properly delivered to the lungs and evenly distributed. This frequency is recorded via a smartphone app and shows the attending doctor at the patient's next visit/checkup whether that person is breathing in correctly and receiving the correct dose of medication. Studies show that Clement Clark International Ltd. has achieved a breakthrough with this technology.



**Integration on Track**

The first ten months as a member of Metall Zug were used to bring the Haag-Streit Group's reporting practices into line with those of a listed company. Various teams launched cross-divisional projects in the interest of creating a 'One Haag-Streit' strategy. The areas involved included research and development, intellectual property, production, and IT. The main aim is to leverage synergies across the individual companies and to synchronize processes, systems and the organization. The cross-divisional know-how will be centralized at the company's headquarters in Köniz, Switzerland, from where it will be made available to the subsidiaries. Parallel adjustments will be made to the organization and management structure to align them with the future strategy.

Implementation of the IT strategy got underway in fall 2018. The existing ERP system is to be replaced by a new, uniform Haag-Streit platform that will improve global cooperation. The first phase saw a standardized finance system established by the end of 2018.

**Outlook**

The chances for further sales growth in 2019 are good. The optimization of distribution structures and increased involvement of key opinion leaders have created the right conditions for this to happen. The high order backlog and modification of the distribution structures in response to global demographic trends present the Haag-Streit Group with good opportunities for growth. In addition, the increasing awareness in third world countries of the benefits of healthcare, partly driven by the Internet, will support growth.

The international production sites are to be successively optimized on the basis of the 'LEAN' experiences gained in Switzerland. Production sequences will be tightened, automated machinery used, and Industry 4.0 drawn upon. At Reliance Medical Products Inc. in the US, where the program is currently being implemented, significant cost savings are already evident. The 'Lane of the future' and 'JumpStart' equipment units will be produced via the LEAN production lines right from the start.

To realize its market potential, Haag-Streit will temporarily increase its spending on research and development. The increasing complexity of the products and their connectivity in a hospital setting, plus tighter regulations on medical devices and patent issues mean that additional personnel resources will be required, especially in the area of software development. This will have a temporary impact on EBIT. Haag-Streit expects this investment in new products to have a positive effect on its market presence, market share and operating income in the next few years.





Thomas Lange, Head of Services at Belimed GmbH, tries out the automatic bed identification function (RFID box) of the CS 750 Cleanstation at Stiegmeyer GmbH (bed manufacturer) in Herford.



Belimed is one of the leading global suppliers of innovative cleaning, disinfection and sterilization solutions in the Medical and Life Science Business Areas. The Group forms the Infection Control Business Unit. The company is one of the few global suppliers to have its own workforce in all regions.

The Belimed customer base ranges from global pharmaceutical companies to large hospital purchasing organizations and university hospitals right through to local hospitals and large medical practices. Through additional services such as planning, process simulation and validation plus support in optimizing overall costs and consumables requirements, Belimed delivers added value to its customers as part of the total cost of ownership (TCO). Comprehensive services such as training, maintenance and remote diagnostics round out the company's offering.

Belimed employs a workforce of around 1 200 worldwide, including 8 trainees.

#### **The 2018 Financial Year**

Belimed increased gross sales by 5.3 % in the reporting year to CHF 203.6 million (previous year: CHF 193.4 million). Adjusted for the currency effect, organic growth came to 4.2 %. At CHF –10.5 million, operating income (EBIT) remains negative but has nevertheless improved. The previous year's figure of CHF –34.2 million included CHF 13.1 million in provisions for restructuring and impairments of CHF 4.9 million. The work-intensive process of splitting the company into two independent Business Units (Infection Control for the Medical Business Area and Life Science Solutions for the Life Science Business Area), building up a centralized spare parts warehouse and various digitization projects had a negative impact on the result.

The Medical Business Area performed well, posting organic growth of 9.5 % together with a robust order intake. The Life Science Business Area struggled with project delays, which led to a 17.2 % decline in sales compared with the previous year. However, order intake remains healthy. The Life Science Business Area is primarily responsible for the negative result of this Business Unit.

#### **Another Step Toward Service Excellence**

To provide customers with the best possible spare parts service, Belimed merged its separately managed spare parts warehouses into one centralized facility in mid – 2018. At the same time, a new organizational unit was set up to ensure professional handling of the logistics process. The complex implementation involved in physically relocating the entire decentralized inventory to a central warehouse run by an external provider caused delivery problems in the initial phase. However, the necessary countermeasures were taken. Belimed will ultimately be able to provide its customers with a much better service than before thanks to its new, centralized spare parts service.

#### **Life Science Business Area Becomes New Business Unit**

Life Science previously constituted its own Business Area within Belimed AG. However, although the technologies used and products offered in both Life Science and Medical are broadly similar, the business models of these two areas are different: Medical produces devices, while Life Sciences makes systems. Each Business Area also operates in very different markets. The intention is for the new Life Science Solutions Business Unit to be run by its own Board of Directors and a new management team. By hiving off Life Sciences in this way, the management of the Infection Control Business Unit will be able to concentrate fully on its core tasks and customers in the Medical Business Area.

Life Science Solutions will be the smallest Business Unit within the Metall Zug Group, with just over 100 employees. The new Life Science company will be headquartered in Sulgen, Switzerland and have a subsidiary in Grosuplje, Slovenia.

#### **Life Science Production Concentrated in Sulgen, Switzerland, and Grosuplje, Slovenia**

In the reporting year, the assembly plant for Life Science washers in Mühldorf, Germany was closed and operations relocated to Grosuplje in Slovenia. An amicable solution was reached with the Works Council in Mühldorf. The costs of closure yet to be incurred are recognized in the 2018 accounts as provisions. At the end of September 2018, as planned, 2 500 m<sup>2</sup> of additional production space for the assembly and

manufacture of Life Science washers and washer rack systems became available at the Grosuplje plant along with premises for factory acceptance tests (FATs). The first washer systems and racks left the Grosuplje factory in early 2019.

#### **Going Digital Delivers Customer and Environmental Benefits**

Belimed sees digital transformation as a key element in boosting the efficiency of its hospital customers. The brand-new Belimed IQ Control platform is at the heart of the company's digital strategy. This innovation was first unveiled in the WD 290 IQ, a washer-disinfector launched in June 2018 as a successor to the successful WD 290 single-chamber system. Thanks to its 'Smart Fill' technology, the WD 290 IQ also consumes much less water. The new control platform will gradually be integrated into all Belimed devices over the next few years.

The 'Smart Hub' solution is a newly launched product that connects the various Belimed devices to a centralized processing unit, making it yet another digital application that boosts efficiency in surgical instrument (re)processing in hospitals and clinics. The workflows are visualized on a dashboard, which also displays cycle times and machine status, thus increasing the efficiency of processing. Customers have permanent access to all current and past cycle data.

#### **Cleaning and Disinfecting Agents: Belimed Protect Launched Outside the US**

Following the successful launch of the Belimed Protect range of cleaning agents on the US market in 2016, these products were rolled out elsewhere in the course of 2018, starting with the international distributors and followed somewhat later by Switzerland and the UK. The offering in Europe was developed in collaboration with B. Braun Medical, which also produces the range. The Belimed Protect cleaning agents were developed specifically for use with Belimed systems. They offer customers improved cleaning performance while cutting back on the use of chemicals.

#### **Cooperation Partnership with Stieglmeyer**

Stieglmeyer is one of Europe's foremost manufacturers of hospital beds. Belimed and Stieglmeyer have entered into a cooperation agreement to jointly market the automated reprocessing of hospital beds in Europe. The aim is to raise awareness of how automated bed cleaning can improve patient safety by minimizing healthcare associated infections (HAIs). Ultimately, joint digitization solutions will be developed for hospital bed management using RFID bed identification. This solution will enable users to increase their process quality and lower their maintenance costs. Electronic data sets and full traceability ensure quality control.

Moreover, with its WD750 system, Belimed is one of the few global players to offer a solution that allows the fully automated reprocessing of both bed frames and mattresses.

#### **Outlook**

Belimed has been split into two Business Units, Infection Control and Life Science Solutions, effective January 1, 2019. The new Life Science Solutions Business Unit will operate independently as of April 1, 2019 and establish a market presence as Belimed Life Science.

Both Business Units operate in attractive markets.

# Sustainability and Corporate Social Responsibility

*As an industrial manufacturing group, Metall Zug is aware of the responsibility it bears toward its employees, society and the environment. Operating in a responsible and sustainable manner has been deeply ingrained in the Group's strategy for many years, and the Business Units implement this principle through a variety of programs and measures.*

## Sustainability as Part of the Corporate Strategy

Metall Zug views sustainability as a strategic priority and aims to lead the way in relation to green products, environmentally friendly production, and procurement and logistics. The slogan 'Driven by value, aiming for success' is part of the corporate strategy. All those in positions of responsibility act with a view to success and in line with the Metall Zug values: any success can only really be counted as such if it is sustainable and has been achieved with due respect for society and without tarnishing the reputation of the company in question and the Metall Zug Group as a whole.

## Embraced by the Organization

The Business Units strive to make their daily business activities as sustainable as possible. Metall Zug set up a 'Sustainability' team in fall 2018 to support the Business Units, with the aim of making sure these ambitions are broadly embraced within the Group, firming up the sustainability strategies, and implementing, measuring and communicating action for sustainability in a more targeted fashion.

The key sustainability issues at each entity are analyzed together with a consultancy firm and assessed from the point of view of both internal and external stakeholders. The relevance matrix resulting from this process then serves as a basis for strategy. By involving employees from every Business Unit, strategic thrusts can be defined and a catalog of measures drawn up for each area of the business.

## Internal CO<sub>2</sub> levy from 2018

Lowering CO<sub>2</sub> emissions is a key element of the sustainability strategy of Metall Zug, whose long-term vision is carbon-neutral production. To motivate the Business Units to take sustainable business decisions and promote sustainable projects, the CO<sub>2</sub> emissions at the Group's main production companies have been subject to a contractually agreed internal CO<sub>2</sub> levy since 2018. At CHF 120 per tonne of carbon dioxide, the internally agreed levy corresponds to the maximum rate set by the Swiss Parliament in the CO<sub>2</sub> Act. The proceeds from the CO<sub>2</sub> levy will initially go to MZ Infra AG, which will place them in a separate fund, where they can be used within a period of no more than 10 years for earmarked purposes. As a rule, they should only be used to encourage climate-protection measures,

for example in the form of contributions to projects run by the Energy Agency of the Swiss Private Sector (EnAW), the promotion of climate action at the Technology Cluster Zug or the multi-energy hub planned at the same site.

## Industrial Site Development

The use of the buildings required for business purposes, and the production of appliances and machines are intended to be as resource-efficient as possible. In this regard, the company's claim to great innovative strength includes the search for new technological procedures and innovative utilization concepts that make production more sustainable and reduce the consumption of energy and water.

One example of how this is being put into practice is the industrial development of the original V-ZUG site in the city of Zug, Switzerland. The available land is currently being fully utilized, and thousands of appliances leave the factory every day. This is where the Technology Cluster Zug will be created as part of a multi-generational project that will eventually become home to V-ZUG's new vertical factory. The verticalization of production will make better use of the scarce floor-space. By simultaneously optimizing processes, production by square meter can be almost doubled. V-ZUG's new servo transfer presses will start operating in 2019, consuming up to 40 % less energy.

A multi-energy hub is seen as the solution to the site's energy needs. The hub will one day supply the site and neighboring energy users with power from sustainable sources such as photovoltaics, waste heat and lake water, making the Technology Cluster Zug largely self-sufficient.

## Generating Their Own Power

The companies that make up the Metall Zug Group are committed to greater energy and resource efficiency and have launched a number of projects and measures to achieve this. The Technology Cluster site will eventually have its own multi-energy hub, which will generate as much of its energy as possible from local renewable sources such as photovoltaics, groundwater and lake water. The hub will not only serve V-ZUG and other users at the Technology Cluster, but one day also supply the immediate neighborhood with sustainable

energy. To make even more efficient use of the renewable energy, the multi-energy hub is being designed according to the integrated energy principle. Based on a cross-site convergent network, it will enable energy to be stored and transformed, for example, with the consistent use of industrial heat and new processes such as power-to-gas. In early 2019 a license was granted for the use of two groundwater wells. With their innovative bi-directional operation they will provide greater freedom within the company and enable seasonal heat storage. A photovoltaic system with around 1 000 modules and peak power of more than 400 kilowatts is planned for the new V-ZUG Zephyr Hangar building.

Schleuniger's own photovoltaic system covers an average 25–30% of its electricity needs at the production facilities in Thun. In Switzerland and the US, Schleuniger will cut its energy consumption considerably by switching to LED lighting. The new refrigerator factory currently under construction in Sulgen, Switzerland, will also obtain its energy from sustainable sources: The building will be equipped with a photovoltaic system with some 1 700 modules and peak power of approx. 500 kilowatts. The groundwater will be used for heat production and will cover its heating requirements. All of the companies in Switzerland run on electricity generated solely from Swiss hydropower.

### Resource-Efficient Products and Services

The entire product range of the Metall Zug Group is engineered with high energy efficiency and resource conservation in mind. At Belimed, for example, washers and sterilizers are designed to use less water and chemicals, leading to significant reductions in resource consumption and the associated costs. The cleaning solutions introduced by Belimed in the US have reduced average wash cycle times by 11 %, thus saving water.

V-ZUG's Adora range of dishwashers provides another example of the drive for efficiency. These appliances now use 73 % less energy and 87% less water than they did 30 years ago.

### High-quality, Durable Products

We understand sustainable products to mean products that are not only state-of-the-art, but also have a long service life. Sustainability starts right from the development and production stages. Comprehensive function and safety tests are conducted at all the production sites to ensure that only perfect appliances and machines leave the factory floor. At V-ZUG, for example, appliances have to pass an average of 600 tests. Superior service delivery and spare parts warranties extend the useful life of these appliances and machines.

### Employees

Openness, honesty and mutual respect, both within the Group and externally, form the values of the Metall Zug Group. Combined with the guiding principles of innovation, quality standards, customer focus and service orientation, the individual Business Units plan their human resource needs, recruitment activities and employee development accordingly.

The Metall Zug Group is aware that the selection and development of employees plays a vital role. Motivation, the right qualifications and integrity are considered key success factors. Through the targeted promotion of talents at all levels, a wide-ranging involvement in the fields of vocational training and tertiary education as well as its clear commitment to long-term employee development, Metall Zug and its group companies aim to position themselves as an employer of choice.

Furthermore, the companies in the Metall Zug Group take their social responsibility seriously by placing great value on the training of apprentices. In Switzerland, they support the successful dual system of education by providing a large number of trainee positions, which also allows the young apprentices to benefit from the know-how of highly skilled employees trained in-house.

Business Unit	Number of Employees (FTEs)	of which Number of Trainees
Household Appliances	2 102	87
Infection Control	1 186	8
Wire Processing	913	48
Medical Devices	973	34

All of the companies in the Group run training and advancement programs for employees. These include language learning, communication skills and leadership courses, among others.

#### **Fairness and Equality**

It is an unfortunate fact that women are under-represented in many areas and do not always enjoy equal opportunities. The Metall Zug Group is naturally committed to fairness and equality in the workplace. Both the Household Appliances and Wire Processing Business Units have obtained equal pay certification (L&M Aba24). The aim of the V-ZUG Women's Network is to promote and strengthen the position of women.

#### **Occupational Health Management**

Metall Zug places great importance on comprehensive health promotion and accident prevention for its employees, and supports their commitment to society and the environment.

V-ZUG, for example, runs a health management program named 'vitality' with the aim of creating the right conditions for staff to stay fit and healthy. The program has four main goals:

- Strengthening well-being: The company infrastructure and range of benefits on offer allow employees to take responsibility for their own health.
- Reducing health problems: Individuals with health problems are well looked after and can get support from the HR department or external specialists if needed.
- Reinforcing workplace protection factors: People who are happy and motivated in their work are creative, innovative and productive. V-ZUG therefore promotes an atmosphere of mutual appreciation supported by strong leadership, through continuing professional development, for example.
- Reducing risk factors at work: The risks of work-related accidents and health problems are determined systematically and reduced going forward.

Schleuniger encourages flexible working time models that help employees achieve a better work-life balance. Full-time employees in Switzerland can choose an annual workload of between 95 % and 105 % and up to 12 additional days' holiday. Individual salaries are based on the chosen working time

model. The "Schleuni aktiv" program encourages staff to get more physical exercise.

#### **Metall Zug as a Responsible Member of Society**

The fundamental values espoused by Metall Zug lie at the heart of everything the company does as a business and as part of society. They are enshrined in the Group's Code of Conduct: sustainable and long-term value creation, excellence, and integrity in business practice. This Code applies to all employees and board members. All staff sign a document in which they agree to abide by the Code.

Metall Zug is a global player. It supports all its companies in giving something back to their local communities. Subsidiaries support social institutions, provide jobs for less-abled employees, and support staff members' involvement in socially responsible initiatives.

#### **Note**

V-ZUG publishes its own sustainability report every two years. The current Sustainability Report 2017/2018 is available for download at [www.vzug.com/ch/en/nachhaltigkeit\\_innovation](http://www.vzug.com/ch/en/nachhaltigkeit_innovation).



# Group Structure

## Operational Organization of the Metall Zug Group (as at December 31, 2018)

### Metall Zug Gruppe Zug

Household Appliances	Infection Control	Wire Processing	Medical Devices	Corporate
<b>V-ZUG AG Zug</b>	<b>Belimed AG Zug</b>	<b>Schleuniger Holding AG Thun</b>	<b>Haag-Streit Holding AG Köniz</b>	<b>Metall Zug AG Zug</b>
SIBIRGroup AG (CH)	Belimed Sauter AG (CH)	Schleuniger AG (CH)	Haag-Streit AG (CH)	V-ZUG Immobilien AG (CH)
V-ZUG	Belimed GmbH (DE)	Schleuniger GmbH (DE)	Spectros AG (CH)	MZ Infra AG (CH)
Kühltechnik AG (CH)	Belimed d.o.o. (SI)	Schleuniger, Inc. (US)	Haag-Streit	
V-ZUG Europe BVBA (BE)	Belimed GmbH (AT)	Schleuniger	Deutschland GmbH (DE)	
V-ZUG	Belimed SAS (FR)	Japan Co. (JP)	Haag-Streit Surgical GmbH (DE)	
Australia Pty. Ltd. (AU)	Belimed B.V. (NL)	Schleuniger Trading (Shanghai) Co. (CN)	Möller-Wedel Beteiligungen GmbH (DE)	
V-ZUG (Shanghai)	Belimed Ltd. (UK)	Schleuniger Machinery (Tianjin) Co., Ltd. (CN)	Möller-Wedel GmbH & Co. KG (DE)	
Domestic Appliance Co., Ltd. (CN)	Belimed, Inc. (US)	Schleuniger Test Automation GmbH (DE)	Möller-Wedel Optical GmbH (DE)	
V-ZUG (Changzhou)	Belimed Medical Equipment (Shanghai) Co., Ltd. (CN)	DiIT GmbH (DE)	Möller-Wedel	
Special Components Co., Ltd. (CN)	STERIFAST Sterilization & Disinfection Systems, Lda. (PT)	adaptronic Prüftechnik GmbH (DE)	Verwaltung GmbH (DE)	
V-ZUG			HS Doms GmbH (DE)	
Hong Kong Co., Ltd. (HK)			IPRO GmbH EDV für Augenoptiker (DE)	
V-ZUG			OptoMedical Technologies GmbH (DE)	
Singapore Pte., Ltd. (SG)			Clement Clarke (Holdings) Ltd. (UK)	
Gehrig Group AG (CH)			Clement Clarke International Ltd. (UK)	
Hildebrand France S.A.R.L. (FR)			Haag-Streit UK Ltd. (UK)	
V-ZUG Infra AG (CH)			John Weiss & Son Ltd. (UK)	
			Haag-Streit Holding US Inc. (US)	
			Haag-Streit USA Inc. (US)	
			Reliance Medical Products Inc. (US)	
			Haag-Streit Far East Ltd. (CN)	

# Corporate Governance

All information in this Corporate Governance Report refers to the situation as at December 31, 2018, or to the 2018 reporting year, unless stated otherwise. The Metall Zug Group complies with all the legal and regulatory requirements for corporate governance in Switzerland that the Group is subject to, including the principles of the "Swiss Code of Best Practice for Corporate Governance" (Swiss Code), in the version issued by *economiesuisse* on September 29, 2014.

This Corporate Governance Report refers to the Metall Zug AG Articles of Association of May 5, 2017 and the Organizational Regulations of September 1, 2015. No material changes occurred between December 31, 2018 and the publication date of the Annual Report, other than the facts disclosed in this report. The content, order and numbering of the following chapters are in line with those of the "Directive on Information relating to Corporate Governance" issued by SIX Swiss Exchange on March 20, 2018.

## 1 Group Structure and Shareholders

### 1.1 Group Structure

The operational group structure is illustrated on page 35 of this Annual Report. The management organization of the Metall Zug Group is generally based on decentralized responsibility.

The holding company, Metall Zug AG, headquartered in Zug, is the sole listed company in the Group. The type B registered shares are listed on the Swiss Reporting Standard of SIX Swiss Exchange, Zurich (securities number: 3 982 108, ISIN CH0039821084). More detailed information on Metall Zug AG, including its stock market capitalization, is available on page 8 et seq. of this Annual Report. The list of consolidated companies and their non-listed subsidiaries is shown on page 65 of the Financial Report and includes the material investments.

### 1.2 Significant Shareholders

All the significant shareholders with voting rights in excess of 3% who are known to Metall Zug AG as at December 31, 2018, are listed on page 78 of the Financial Report under Note 18 ("Significant Shareholders"). Elisabeth Buhofer and Heinz M. Buhofer together with the Buhofer Trust I, a fixed-interest trust according to the law of Liechtenstein, own a total of 67.4% of the voting rights in Metall Zug AG. By means of the Buhofer Trust I, alongside Elisabeth Buhofer and Heinz M. Buhofer, Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer and Julia Häcki also indirectly have a participating interest in Metall Zug AG.

In financial year 2018, no disclosure notifications were made pursuant to Art. 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of June 19, 2015 (Financial Market Infrastructure Act) and the corresponding regulations. Further details of earlier disclosure notifications can be found on the website of the disclosure office i.e. SIX Exchange Regulation ([www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html)).

### 1.3 Cross-shareholdings

There are no cross-shareholdings in excess of 5% of capital or voting rights with any other party.

## 2 Capital Structure

### 2.1 Capital

The structure of the share capital and the ordinary capital is described on page 78 of the Financial Report (see Note 19 "Shares").

### 2.2 Authorized and Conditional Capital

Metall Zug AG does not have any authorized or conditional capital.

### 2.3 Changes in Capital

Information on the changes in capital in the last two reporting years is set out on page 59 of the Financial Report (see "Changes in Shareholders' Equity"). Information on the changes in capital in 2016 can be found on page 63 of the Annual Report 2017 (see "Changes in Shareholders' Equity").

### 2.4 Shares and participation certificates

Detailed information on the shares of Metall Zug AG (number of shares, type and par value) is available on page 78 of the Financial Report (see Note 19 "Shares").

The type A registered shares with a par value of CHF 2.50 are not listed. The type B registered shares with a par value of CHF 25.00 are listed on the Swiss Reporting Standard of SIX Swiss Exchange, Zurich (securities number: 3 982 108, ISIN CH0039821084). Dividend entitlement is in proportion to the share capital held. Each share entitles the holder to one vote.

Metall Zug AG has not issued any participation certificates.

### 2.5 Profit Sharing Certificates

Metall Zug AG has not issued any profit sharing certificates.

### 2.6 Limitations on Transferability and Nominee Registrations

In relation to the company, only those registered in the share register are recognized as shareholders. In accordance with Art. 10 of the Articles of Association, the transferability of registered shares is restricted as follows:

Acquirers of registered shares (of types A and B) are registered on request in the share register as shareholders with the right to vote, provided that:

- the recognition of an acquirer as a shareholder, according to the information available to the company, does not or could not prevent the company and/or its subsidiaries from providing the evidence required by law regarding the composition of its shareholder group and/or beneficial owners. The company particularly reserves the right to refuse entry in the share register if acquirers do not prove that they are not foreign non-residents pursuant to the Federal Act of December 16, 1983, on the Acquisition of Immovable Property in Switzerland by Foreign Non-Residents (ANRA) and if the company considers such registration could obstruct, threaten or prevent the provision of statutory evidence regarding Swiss control of the company, and
- they expressly declare that they have acquired the shares in their own name and for their own account.

In addition, the transfer of shares of type A is subject to approval by the Board of Directors in each instance. Approval can be denied for good cause, which includes:

- keeping away buyers who operate a business that competes with the purpose of the company, who have a participating interest in such a business or who are employed by such a business;
- ensuring that the company remains independent based on the voting-rights-related control of the group of current registered shareholders. Usually, spouses and descendants of the current circle of shareholders must be admitted;
- acquiring or holding shares on behalf of third parties or in the interests of third parties.

Approval can also be denied without giving reasons, provided that the Board of Directors acquires the type A shares (for the account of the company, specific shareholders or third parties) at their actual value at the time when the request was submitted.

In financial year 2018, the company did not refuse transfers or approve any exceptions for type A registered shares or type B registered shares.

Metall Zug AG does not provide registration of nominees. To date, no need has been expressed by shareholders for registration of this kind. For the procedure and conditions for canceling the restrictions on transferability, see section 6.2 of this Corporate Governance report.

### 2.7 Convertible Bonds and Options

Metall Zug AG does not have any outstanding convertible bonds or options.

## 3 Board of Directors

### 3.1 Members of the Board of Directors

The Board of Directors consists of four members. An overview of the members, providing information on nationality, age, function, first election and term of office, is available on pages 40 and 41. The Board of Directors comprises non-executive members only.

The members of the Board of Directors did not belong to the Senior Management of Metall Zug AG or to the Senior Management of a Group company in the three financial years preceding the reporting year, and they do not have any significant business connections with Metall Zug AG or the Metall Zug Group.

### 3.2 Other Activities and Vested Interests

Apart from the functions mentioned, none of the members of the Board of Directors has a permanent management or advisory function for an important interest group, nor an official function or political post.

### 3.3 Number of Permitted Additional Mandates (Board of Directors)

In accordance with Art. 25e of the Articles of Association, the number of permitted activities of the members of the Board of Directors and of Senior Management in the top supervisory or management bodies of legal entities that are obliged to be entered in the Commercial Register or in a corresponding foreign register, and which are not controlled by the company or do not control the company, is restricted as follows:

	Members of the Board of Directors and Senior Management
Mandates in listed companies	5
Mandates in other, non-listed legal entities with compensation	15
Mandates in non-profit or charitable legal entities (e.g. associations and other charitable, social, cultural or sports organizations, professional or industry associations, foundations, trusts and pension schemes) outside the Metall Zug Group	10

Mandates are deemed to be mandates in the highest governance body of a legal entity. Mandates in a number of different legal entities under uniform control count as a single mandate. Insofar as the company holds an ownership interest in another company and a member of the Board of Directors or of Senior Management holds a mandate in such company on the instruction of and in the interests of the company, such a mandate does not count as an additional mandate. The figures above are cumulative; the mandate at Metall Zug has not been taken into account. In calculating the number of mandates, a chairmanship counts double. Members of Senior Management generally require the approval of the Board of Directors before taking up external mandates.

### 3.4 Elections and Terms of Office

Members of the Board of Directors are elected by the General Meeting of Shareholders, on an individual basis and for a period of one year in each case. They may be reelected at any time, but must step down upon reaching the age of 70, i. e. on the date of the subsequent General Meeting of Shareholders. This does not apply to members of the Board of Directors who have been involved with the Metall Zug Group for less than six years at that time. They may be elected for up to nine years (Art. 18 of the Articles of Association).

The Chairman of the Board of Directors, the members of the Human Resources and Compensation Committee and the independent representative are elected directly by the General Meeting of Shareholders for a term of one year (Art. 16a and 18 of the Articles of Association).

### 3.5 Internal Organizational Structure

According to the law, the Board of Directors holds the highest decision-making power and specifies, among other things, the organizational, financial-planning and accounting directives with which Metall Zug AG and the Metall Zug Group undertake to comply. Decisions are made by the entire Board of Directors with the assistance of the following two committees: the Audit Committee and the Human Resources and Compensation Committee. The latter is assigned all the duties and responsibilities imposed on compensation committees by the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares of November 20, 2013 (ERCO). The Board of Directors of Metall Zug AG is responsible for overall supervision and exerts an influence on the strategic direction of the individual Business Units and subsidiaries, allocates the financial resources, appoints the members of Senior Management, and is involved in the staffing of further top executive positions. It is supported in these tasks by the Audit Committee, the Human Resources and Compensation Committee and the Senior Management. The Board of Directors and the Senior Management may issue guidelines and recommendations to the subsidiaries for the purpose of realizing a coherent business policy.

In financial year 2018, the Board of Directors also set up a temporary Belimed Steering Committee, tasked with the

strategic management of the Infection Control Business Unit. The Board of Directors of Belimed AG retained the non-transferable and inalienable duties assigned to it by law and the Articles of Association. The Belimed Steering Committee comprises Heinz M. Buhofer and Martin Wipfli.

The Board of Directors of Metall Zug AG has delegated the day-to-day management of the business to the Senior Management. In the year under review, the Board of Directors held four ordinary and four extraordinary meetings, one of which was held by telephone conference. The ordinary meetings typically lasted half a day or a full day. In addition, the Board of Directors met for two workshops or special meetings at which selected topics relating to the strategy of the Metall Zug Group and its Business Units were addressed. The agenda items for the meetings of the Board of Directors are specified by the Chairman and prepared by the Secretary together with the Senior Management. Every member of the Board of Directors and every member of the Senior Management is entitled to request the summoning of a meeting, upon specification of the meeting's purpose. As a rule, the members of the Board of Directors receive the invitation to the meeting no later than ten days prior to the meeting of the Board of Directors, along with the documentation that allows them to prepare for the discussion of the agenda items. Furthermore, the Board of Directors regularly takes decisions by circular vote.

#### Audit Committee

The Audit Committee met four times in the reporting year. It makes an independent assessment of the quality of the annual financial statements and discusses these with Senior Management and the external auditors. The Audit Committee proposes to the Board of Directors whether the financial statements may be recommended for submission to the General Meeting of Shareholders. The Audit Committee nominates the internal auditors, determines the organization of the internal audit department, assigns tasks to it and forwards its reports to the entire Board of Directors. It sets up the audit plan, defines the audit scope for internal and external auditing, and evaluates the cooperation between internal and external auditors and their effectiveness. The Audit Committee assesses the efficiency of the internal control system

# Board of Directors



**Heinz M. Buhofer** (CH) b. 1956  
Business Administration  
(lic. oec. HSG), University of St. Gallen

- Chairman of the Board of Directors since 2013 (non-executive)
- First elected as Member of the Board of Directors: 1997
- Elected until: General Meeting of Shareholders 2019

**Professional background and previous operational activities for the Metall Zug Group:**

Member of the Board of Directors of Zug Estates Holding AG, Zug, 2012–2018 (Chairman until 2014); Chief Executive Officer of Metall Zug AG, 2002–2008; various executive functions at the former Group company MZ-Immobilien AG, Zug, 1984–1997.

**Activities in governing and supervisory bodies:**

Chairman of the Board of Directors of WWZ AG, Zug.



**Marga Gyger** (DE & CH) b. 1945  
Graduate of the Foreign Studies and Interpreter Institute of the Johannes Gutenberg University, Mainz

- Member of the Board of Directors (non-executive)
- First elected: 2011
- Elected until: General Meeting of Shareholders 2019

**Professional background:**

Corporate Consultant at Franke Artemis Management AG, Aarburg, since 2010; CEO of Franke Coffee Systems, Aarburg, 2004–2010; and Member of the Expanded Group Management of Franke Group, 2007–2010; Managing Director of various Franke Coffee Systems companies in Switzerland and Germany, 1994–2003.

**Previous operational activities for the Metall Zug Group:**

None

**Activities in governing and supervisory bodies:**

Member of the Board of Directors of Gehrig Group AG (Chairwoman until September 30, 2016); Member of the Board of Directors of Novelteak Ltd., Baar; Member of the Board of Directors of Novamem Ltd., Zurich.



**Peter Terwiesch** (DE&CH) b. 1966  
 Doctorate in technical sciences  
 (electrical engineering),  
 Swiss Federal Institute of Technology  
 (ETH) Zurich

- Member of the Board of Directors  
 (non-executive)
- First elected: 2010
- Elected until: General Meeting of  
 Shareholders 2019

**Professional background:**

President of the Industrial Automation  
 Division and member of the Group  
 Executive Committee of the ABB  
 Group, Zurich, since 2015; CEO of  
 ABB AG, Germany, 2011–2014;  
 Chief Technology Officer of ABB  
 Group, Zurich, 2005–2011; Head of  
 ABB Automation GmbH Germany,  
 2003–2005; Head of the Industrial  
 Division of ABB Switzerland,  
 2001–2002 and Head of ABB  
 Corporate Research Limited,  
 Switzerland 1999–2001.

**Previous operational activities for  
 the Metall Zug Group:**

None

**Activities in governing and  
 supervisory bodies:**

Several mandates in companies within  
 the ABB Group.



**Martin Wipfli** (CH) b. 1963  
 Attorney-at-law, University of Bern

- Member of the Board of Directors  
 (non-executive)
- First elected: 2010
- Elected until: General Meeting of  
 Shareholders 2019

**Professional background:**

Managing Partner of  
 Baryon AG, Zurich, since 1998

**Previous operational activities for  
 the Metall Zug Group:**

None

**Activities in governing and  
 supervisory bodies:**

Chairman of the Board of Directors of  
 Haag-Streit Holding AG; Chairman of  
 the Board of Directors of Elma Elec-  
 tronic AG, Wetzikon and of nebag ag,  
 Zurich; Member of the Board of  
 Directors of Zug Estates Holding AG,  
 Zug, and of other non-listed companies.

**Political offices:**

Head of the Municipal Council of  
 Feusisberg.



considering risk management and evaluates compliance with laws, regulations and accounting standards as well as adherence to internal rules and directives. It also assesses the external auditors' performance and their remuneration. The Audit Committee ensures that the external auditors are independent and assesses the compatibility of their auditing function with any advisory mandates. The Audit Committee comprises Martin Wipfli, Chairman, and Marga Gyger. The external auditors and internal auditors also participate in the meetings of the Audit Committee. While the external and internal auditors and the CFO took part in all the meetings, other members of the Board of Directors and of Senior Management were represented as required for selected agenda items.

#### **Human Resources and Compensation Committee**

The Human Resources and Compensation Committee met five times in the reporting year and held two additional meetings by telephone conference. As well as performing the duties and responsibilities assigned to the Compensation Committee under the ERCO, the Human Resources and Compensation Committee develops the principles of corporate governance, which are then submitted to the Board of Directors for approval. This also includes periodic revision of the composition and size of the Board of Directors and its committees and of the board of directors of each subsidiary. In addition, the Committee proposes to the Board of Directors qualified candidates for the various bodies and also submits proposals to the Board of Directors regarding the compensation of the Board of Directors and Senior Management. It further develops and reviews the objectives and principles of human resources policy for approval by the Board of Directors, prepares the appointment of members of Senior Management and approves selected personnel decisions by the CEO. Finally, it reviews the basic structures in the area of the pension fund with regard to the scope and content of benefits, reviews the annual appraisal of the members of Senior Management conducted by the CEO, and keeps itself informed about employee development and HR succession planning. The Human Resources and Compensation Committee comprises Heinz M. Buhofer, Chairman, and Peter Terwiesch. The CEO and the CFO attend the Human Resources and Compensation Committee meetings as regular guests, except for topics related to themselves.

#### **3.6 Definition of Areas of Responsibility**

The Metall Zug Group is run as an industrial group of companies, in which operational responsibility for the management of the business and achievement of objectives of the Metall Zug Group rests with the CEO and Senior Management of Metall Zug AG. In principle, the Senior Management's mandate is comprehensive. Even if an area of responsibility lies with the Board of Directors, the Senior Management is expected to take intellectual initiatives and to deal with emerging business opportunities until they are ready for a decision. Certain topics which are of relevance to an individual Business Unit only are delegated to the Board of Directors and Senior Management of the main company of the respective Business Unit (V-ZUG AG, Belimed AG and Schleuniger Holding AG, and, as of March 1, 2018, Haag-Streit Holding AG). Within each Business Unit, management generally takes place along reporting lines.

The Board of Directors has established Organizational Regulations for the purpose of allocating areas of responsibility between the Senior Management and the Board of Directors. The current version, valid as of September 1, 2015, is available at [www.metallzug.ch/en/ueber-uns/corporate-governance](http://www.metallzug.ch/en/ueber-uns/corporate-governance). In addition, there are Group Management Regulations which govern the organization of the Group as resolved by the Board of Directors, the areas of responsibility and duties of Senior Management and of the boards of directors and senior management of the Business Units and subsidiaries. Furthermore, the Group Management Regulations govern fundamental aspects of compliance which apply to the entire Metall Zug Group and which constitute the legal basis for the issuing of further regulations applicable within the Metall Zug Group, or which refer to these regulations. The Group Management Regulations are supplemented by a comprehensive competency matrix, which defines the responsibilities and powers of the various bodies within the Metall Zug Group in general and for different business cases. To the extent that existing regulations at Business Unit or subsidiary level have not yet been adapted in line with the Organizational Regulations and the Group Management Regulations, the latter prevail.

### **3.7 Information and Control Instruments vis-à-vis Senior Management**

Detailed governance and management information is produced semi-annually in the Metall Zug Group in the form of separate financial statements (income statement, balance sheet and statement of cash flows) of the individual subsidiaries and consolidated financial statements of the Business Units of the Metall Zug Group. These are submitted to both the Audit Committee and the Board of Directors and commented on in detail by Senior Management. Depending on the size and the risks of the business, separate financial statements may also be produced either monthly or quarterly. The results are prepared for each Business Unit and are consolidated for the Metall Zug Group. In each case, results are compared to the prior-year period and to the budget. The achievability of budgets, which are integrated into rolling medium-term plans, is reviewed several times a year on the basis of forecasts. The managing directors or heads of each Business Unit submit regular reports on results and on the progress of budget achievement to the Senior Management of Metall Zug AG. The Board of Directors of Metall Zug AG receives, on a monthly basis, the key figures and written comments on other aspects of the operations of the Business Units and on the relevant market environment. In addition, key figures and brief commentaries on the course of business at the level of the Metall Zug Group are provided to the Board of Directors on a monthly basis. At meetings of the Board of Directors, Senior Management provides comprehensive information about the course of business in the Business Units and the Group.

The internal auditors conducted two audits in the reporting year. The results of each audit are discussed in detail with the corresponding companies and Business Units, and the key measures are agreed. The Chairman of the Board of Directors, members of the Audit Committee, members of Senior Management, and other line managers of the head of the audited unit receive a copy of each audit report. In addition, the reports and the key measures agreed are discussed by the Audit Committee. The internal audit unit is administratively subordinated to the CFO, but reports directly on functional issues to the Chairman of the Audit Committee.

The Metall Zug Group has put in place an appropriate system for monitoring and managing the risks associated with the company's activities. Risk management is a structured process that basically comprises all hierarchical levels and involves risk identification, risk analysis, risk management and risk reporting. The Business Unit heads are responsible for monitoring and managing their risks at an operational level. In all Business Units, certain persons are assigned responsibility for significant individual risks. These persons are responsible for taking concrete measures to manage these risks and for monitoring their implementation. On behalf of the Audit Committee, a risk report is drawn up at regular intervals for submission to the Board of Directors.

In terms of insurance, the Metall Zug companies enjoy risk-compatible cover in line with the industry and are insured appropriately against operational risks such as damage to property, business interruption and third-party liability.

In terms of business risks, the Metall Zug Group deals with interest-rate and currency risks in addition to those set out under the risk management system above. Currency risks are basically evaluated on a decentralized basis by the subsidiaries and hedged on a case-by-case basis. As a rule, hedging transactions are approved by the CFO in line with the applicable regulations.

## 4 Senior Management

### 4.1 Members of Senior Management

The Senior Management of Metall Zug AG comprises four members: the CEO, the CFO and the heads of the Household Appliances and Wire Processing Business Units. The current head of the Infection Control Business Unit, Beat Spalinger, and the head of the new Medical Devices Business Unit, René Ott, are not members of the Senior Management of the Metall Zug Group. Each reports to the board of directors of the main company of their respective Business Unit (Belimed AG, or – at present – the Belimed Steering Committee, and Haag-Streit Holding AG). Information on the nationality, age and function of the members of Senior Management is set out in section 4.2.

### 4.2 Other Activities and Vested Interests

The following disclosures concern other activities and vested interests of the members of the Senior Management of Metall Zug AG. Apart from the functions mentioned, none of the members of Senior Management has a permanent management or advisory function for an important interest group, nor an official function or political post.

#### Jürg Werner (CH) b. 1956

CEO of Metall Zug AG since June 1, 2012.

##### *Education:*

Doctorate in technical sciences,  
Swiss Federal Institute of Technology (ETH) Zurich,  
postgraduate degree in business management.

##### *Professional background:*

CEO of V-ZUG AG, June 1, 2010–August 31, 2013;  
COO of V-ZUG AG, 2010; Head of Development V-ZUG AG  
and Member of the Executive Board, 1996–2009; Head of  
Fire Detector Development at Cerberus AG, 1989–1996;  
researcher at Bell Communications Research Inc., USA,  
1987–1989; scientific assistant at Swiss Federal Institute of  
Technology ETH Zurich, 1981–1987.

##### *Activities in governing and supervisory bodies:*

Chairman of the Board of the Swiss Association for Standardization (SNV); Member of the DIN Presidial Board; Member of the Industrial Advisory Board of the Department of Mechanical and Process Engineering, ETH Zurich, of the Advisory Board of ZHAW Life Sciences and Facility Management and of

the Swiss Academy of Technical Sciences (SATW); Member of the Board of Technologie Forum Zug, Member of the Board of the Swiss Blockchain Federation.

#### Daniel Keist (CH) b. 1957

CFO of Metall Zug AG since January 1, 2013

##### *Education:*

Business Administration (lic. oec. HSG),  
University of St. Gallen.

##### *Professional background:*

Forbo Holding AG, Head of Corporate Center and Member of the Executive Board, 2007–2012; SIX Swiss Exchange, Head of Admissions and Member of the Group Executive Board, 2003–2007; Ernst & Young AG, Corporate Finance/Head of Capital Markets, partner, 2001–2003; Selecta Group, Director of Strategy and Business Development, from 2000 CFO, Member of the Executive Board, 1998–2001; UBS, Corporate Finance Advisory Switzerland, Co-Head of “Investment Banking Equity and Advisory”, 1984–1998; Sulzer AG, Controller, 1982–1984.

##### *Activities in governing and supervisory bodies:*

Member of the Regulatory Board of SIX Exchange Regulation AG.

#### Dirk Hoffmann (DE) b. 1961

Head of Household Appliances Business Unit at Metall Zug AG and CEO of V-ZUG AG since September 1, 2013.

##### *Education:*

Degree in electrical engineering from the University of the Armed Forces in Munich (Germany), honorary doctorate from the Visayas State University, Leyte, Philippines.

##### *Professional background:*

CEO for the Asia Pacific India regions of BSH Bosch and Siemens Home Appliances Group, 2009–2013; previously held a number of managerial positions in product and distribution areas, including Head of Global Marketing Cooking Division, BSH Bosch and Siemens Home Appliances Group 1993–2009.

##### *Activities in governing and supervisory bodies:*

President of the Innovationspark Zentralschweiz association; member of the Board of Trustees of the SENS Foundation.

### **Christoph Schüpbach (CH) b. 1966**

Head of Wire Processing Business Unit at Metall Zug AG since October 1, 2012; CEO of Schleuniger Group since August 1, 2009.

#### *Education:*

Federal Diploma in Mechanical Engineering FH, Master of Business Administration (MBA) from the University of Chicago Booth School of Business.

#### *Professional background:*

Management functions at Bystronic Group, culminating in Head of the NAFTA, North Europe and Asia/Pacific Market Division, 2003–2009, management functions within the ABB Group, culminating in Head of the Overvoltage Protection business area at ABB Switzerland, Product Manager for south-east Asia at ABB Malaysia and development engineer and project manager at ABB Hochspannungstechnik, 1993–2002.

### **4.3 Number of Permitted Additional Mandates (Senior Management)**

The number of permitted activities of the members of Senior Management in the top supervisory or management bodies of legal entities corresponds to the rules for members of the Board of Directors, which are explained in section 3.3 of this Corporate Governance Report.

### **4.4 Management Contracts**

Metall Zug AG has not concluded any management contracts with third parties.

### **5 Compensations, Shareholdings and Loans: Compensation Report**

For disclosures regarding compensation, please refer to the separate Compensation Report published on page 48 et seq. of this Annual Report.

## **6 Shareholders' Participation Rights**

### **6.1 Voting Rights and Representation Restrictions**

All shareholders may attend the General Meeting of Shareholders in person to exercise their rights or act at the General Meeting of Shareholders through written proxy to a duly authorized person, who is also a shareholder, or the independent representative.

The independent representative is obliged to exercise the voting rights transferred to him by the shareholders in accordance with their instructions. Pursuant to Art. 16a of the Articles of Association, the Board of Directors ensures that shareholders have the opportunity to

- submit instructions to the independent representative on every motion relating to agenda items mentioned in the invitation to the meeting,
  - submit general instructions to the independent representative regarding unannounced motions and new agenda items,
  - submit proxies and instructions electronically,
- whereas the Board of Directors sets the rules for the procedure and deadlines for the electronic submission of proxies and instructions.

### **6.2 Statutory Quorums**

In addition to the instances stated in Article 704 of the Swiss Code of Obligations (CO), resolutions on

- the restriction of the transferability of registered shares and the easing or cancellation of such restriction,
  - the dissolution of the company by liquidation,
- require the approval of at least two-thirds of the votes of the shares represented and the absolute majority of the share par value represented.

In all other instances, the General Meeting of Shareholders of Metall Zug AG adopts resolutions and holds elections by the majority of votes validly cast (excluding blank and invalid ballot papers) unless otherwise provided by law or the Articles of Association.

### 6.3 Convocation of the General Meeting of Shareholders

The General Meeting of Shareholders is convened by the Board of Directors or, where necessary, by the external auditors. The liquidators are also entitled to convene a general meeting.

### 6.4 Agenda Items

In principle, items are placed on the agenda in compliance with the legal provisions. Shareholders representing shares with a par value of at least one million Swiss francs may request in writing, and upon specification of the motion, inclusion of an item in the agenda within 50 days prior to the general meeting unless the company sets a different deadline by means of publication. The written request must be accompanied by a statement issued by a bank, confirming that the shares are deposited until after the General Meeting of Shareholders.

### 6.5 Entries in the Share Register

Only those registered shareholders who are listed in the share register as shareholders with the right to vote on a given cut-off date may exercise the right to vote at the General Meeting of Shareholders. The company's Articles of Association, issued on May 5, 2017, do not contain any rules regarding the cut-off date. It is determined by the Board of Directors and generally fixed for a date a few days prior to the General Meeting of Shareholders. The cut-off date is published along with the invitation to the General Meeting of Shareholders in the Swiss Official Gazette of Commerce (SOGC). There are no exceptions to the cut-off date rule.

## 7 Changes of Control and Defense Measures

### 7.1 Duty to Make an Offer

The duty to make a public offer to purchase in accordance with Articles 135 and 163 of the Financial Market Infrastructure Act has been waived (opting out).

### 7.2 Clauses on Changes of Control

In the event of a change of control, Metall Zug AG is not obliged to make any additional payments for the benefit of members of the Board of Directors, members of Senior Management or any other executives.

## 8 Auditors

### 8.1 Duration of the Mandate and Term of Office of the Lead Auditor

Auditors: Ernst & Young AG, Zug. Duration of mandate: since 2006.

Lead auditor: Rico Fehr.

Assumption of office of the lead auditor: 2013.

### 8.2 Auditing Fees

In the reporting year, the independent auditors, in particular Ernst & Young AG, charged Metall Zug AG, or the Metall Zug Group respectively, TCHF 1 122 for services related to the audit of the annual financial statements of Metall Zug AG and its subsidiaries, as well as for services related to the audit of the consolidated financial statements of the Metall Zug Group.

### 8.3 Additional Fees

The independent auditors, in particular third-party auditors, charged Metall Zug AG, or the Metall Zug Group respectively, additional fees of approximately TCHF 133, of which TCHF 59 was for audit-related additional services and TCHF 74 for tax consulting services.

### 8.4 Informational Instruments Pertaining to the External Audit

The external auditors are elected by the General Meeting of Shareholders for a period of one year. The lead external auditor is replaced at the latest after seven years. The Audit Committee is responsible for evaluating the external auditors. At least once a year, the members of the Audit Committee receive from the external auditors a summary of the audit results including suggestions for improvements or other findings developed by the external auditors in the scope of their audit activities. The lead external auditor is invited to all meetings of the Audit Committee. In 2018, he took part in three of four committee meetings. The Audit Committee assesses the performance of the external auditors on the basis of the documents, reports and presentations issued by the external auditors. In doing so, the Audit Committee evaluates the quality, relevance and contribution toward improving transparency on the basis of the statements and documentation made available by the external auditors. In addition, the committee seeks the opinion of the CFO. The amount of fees

charged by the external auditors is reviewed and compared with the auditing fees of other comparable Swiss industrial companies on a regular basis. Further information on the external auditors, in particular the amount of auditing fees, and fees charged by the external auditors for additional services outside the agreed audit scope can be found in sections 8.2 and 8.3 of this Corporate Governance Report. The Audit Committee takes care to ensure that the fees for services that fall outside the agreed audit scope do not exceed a reasonable amount, in order to safeguard the independence of the external auditors.

## **9 Information Policy**

Metall Zug AG and the Metall Zug Group pursue a transparent information policy toward the public and the financial markets. Metall Zug AG communicates openly and regularly with shareholders, the capital market and the general public. The CEO, CFO and Head of Corporate Communications & Investor Relations serve as direct points of contact.

Shareholders receive a print report on the financial year and a print version of the half-year report on request. Full versions of the annual report and half-year report are available online at [www.metallzug.ch/en/investoren/geschaeftsberichte-praesentationen](http://www.metallzug.ch/en/investoren/geschaeftsberichte-praesentationen). A media conference is held at least once a year.

Media releases are issued when an important event occurs. Current media releases and the media releases published in the last few years can be accessed at [www.metallzug.ch/en/medien/medienmitteilungen](http://www.metallzug.ch/en/medien/medienmitteilungen). The financial calendar is available at [www.metallzug.ch/en/investoren/kalender/](http://www.metallzug.ch/en/investoren/kalender/) and general information about Metall Zug AG and the Metall Zug Group can be found at [www.metallzug.ch/en/](http://www.metallzug.ch/en/).

At [www.metallzug.ch/en/news-service](http://www.metallzug.ch/en/news-service), interested persons can subscribe to a mailing list to receive ad hoc releases and further company information. The contact details for queries regarding Investor Relations can be found at [www.metallzug.ch/en/kontakt](http://www.metallzug.ch/en/kontakt).



# Compensation Report

The Compensation Report describes the compensation principles and governance framework for compensation to the Board of Directors and Senior Management of Metall Zug AG in financial year 2018. It has been prepared in accordance with the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares of November 20, 2013, (ERCO) and the principles of the Swiss Code of Best Practice for Corporate Governance" (Swiss Code), in the version issued by *economiesuisse* on September 29, 2014.

## General

The members of the Board of Directors and members of Senior Management are entitled to compensation commensurate with their activities, and to the usual social insurance as well as reimbursement of the expenses incurred in the interests of the company. The following report for the financial year 2018 is based on the revised Compensation Regulations of January 1, 2018.

The Group's compensation policy provides an adequate basis for the performance-based remuneration and motivation of the employees and managers in line with the market. The compensation system does not provide for any long-term incentive in the form of compensation components that are deferred, vested or blocked for a number of years or share-based compensation dependent upon the attainment of medium- or longer-term goals. The Board of Directors decided against such a long-term incentive and aims to align the interests of managers with those of the company by other means.

In accordance with Art. 25d of the Articles of Association, pensions and other post-employment benefits are only paid to the members of Senior Management and members of the Board of Directors by pension funds (including insurance companies, collective foundations or similar second-pillar institutions); the respective benefits and employer contributions are determined by the applicable regulations. In connection with early retirement, the company can provide bridging benefits amounting to no more than 80 % of the fixed compensation of the last financial year before early retirement to the insured persons or pay additional contributions to the pension fund up to the same maximum amount.

## Compensation System for the Board of Directors

The members of the Board of Directors receive a fixed compensation for their work in line with comparable market and industry rates as well as a lump-sum reimbursement of business expenses. Members of the Board of Directors who serve as Chairman of the Board of Directors or chairman of a committee or who perform special tasks (e.g. activities on the Board of Directors of subsidiaries) receive an additional fee for this additional function at comparable market rates. The Chairman of the Board of Directors is entitled to full inclusion in the company's occupational benefits scheme, provided he holds this office as his main occupation (Art. 25b of the Articles of Association). In the reporting year, the following members of the Board of Directors of Metall Zug AG held a seat on the board of directors of other Group companies: Marga Gyger at Gehrig Group AG (Member) and Martin Wipfli at Haag-Streit Holding AG (Chairman). Heinz M. Buhofer and Martin Wipfli also served as members of the Belimed Steering Committee, a temporary committee set up by the Board of Directors of Metall Zug AG.

The compensation of the Board of Directors is determined at the request of the Human Resources and Compensation Committee by the entire Board of Directors on an annual basis, usually in the first quarter of the year, for the period from the ordinary General Meeting of Shareholders to the ordinary General Meeting of Shareholders of the following year and presented to the General Meeting of Shareholders for approval in accordance with Art. 25c of the Articles of Association.

## Compensation System for Senior Management

The compensation of the members of Senior Management consists of a fixed basic salary and a performance-related variable compensation. In addition, the members of Senior Management receive a lump-sum expenses allowance.

The amount of the fixed compensation is determined at the request of the Human Resources and Compensation Committee by the entire Board of Directors, taking into account the fixed component agreed with Senior Management in their employment contracts, in the fourth quarter for the following

financial year with reference to the total amount approved by the General Meeting of Shareholders. Approval of the total amount available for the fixed compensation of the members of Senior Management is given by the General Meeting of Shareholders in accordance with Art. 25c of the Articles of Association for the following calendar year (prospective model).

If an approved total amount for the compensation of Senior Management is not sufficient to compensate the members appointed after the resolution by the General Meeting of Shareholders until the start of the next approval period, in accordance with Art. 25c of the Articles of Association an additional amount of no more than 40 % of the previously approved total compensation for Senior Management per person is available to the company for the approval period in question.

Variable compensation may not exceed 100 % of the fixed component. In accordance with Art. 25b of the Articles of Association, it is linked to qualitative and quantitative objectives, the structure of which may be determined by the entire Board of Directors with full discretion at the request of the Human Resources and Compensation Committee, taking into consideration the function of the member of Senior Management in question.

Depending on the function of the respective member of Senior Management, the quantitative targets refer to key figures at Group, Business Unit and/or project level. The qualitative assessments are based on the qualitative objectives, the nature of the work done and how it is performed, the commitment shown and the pursuit of the company's long-term, sustainable development; however, an integrated appraisal that looks beyond quantitative measurement systems is also used.

The employment contracts of the members of Senior Management provide for a target bonus, which comes to between 24 % and 80 % of the fixed compensation, depending on their function. In cases of very good performance, the target bonus may be exceeded by no more than 25 % (maximum bonus). As a general rule, the payment of any variable compensation

is conditional upon a positive net result being achieved at Group level or, in the case of Business Unit heads, at both Business Unit and Group level after the bonus has been charged to the income statement.

The amount of the target bonus for Senior Management is also determined at the request of the Human Resources and Compensation Committee by the entire Board of Directors in the fourth quarter for the following financial year, taking into consideration the target bonus agreed with Senior Management in their employment contracts. The variable compensation for Senior Management for a financial year is also determined at the request of the Human Resources and Compensation Committee by the entire Board of Directors following presentation of the annual financial statements in the first quarter of the following year on the basis of the achievement of the quantitative and qualitative targets agreed. It is paid out in accordance with Art. 25c of the Articles of Association following approval by the General Meeting of Shareholders (retrospective model).

### **Capital Participation Programs**

Metall Zug AG does not have any participation or option programs and no shares have been allocated to members of the Board of Directors, members of Senior Management or related parties. The Articles of Association do not contain any provisions that would permit the allocation of participation, conversion or option rights.

### **Details of Compensation**

Details of compensation to the Board of Directors and to Senior Management are set out on the following pages. Details of share ownership by the members of the Board of Directors and members of Senior Management are shown on page 91 of the Annual Financial Statements of Metall Zug AG.

### Compensation to the Board of Directors

Compensation to the Board of Directors in financial year 2018 is slightly higher than the previous year as a result of the additional duties performed by Martin Wipfli (Chairman of the Board of Directors of Haag-Streit Holding AG and Member of the Belimed Steering Committee) and the inclusion of lump-sum expense allowances. The Board of Directors pursues a consistent compensation practice and will propose to the General Meeting of Shareholders of May 3, 2019 that a total amount of maximum CHF 1 600 000 be made available for its compensation for the term of office up to the ordinary General Meeting of Shareholders in 2020. The increase compared with the previous year is due to the election of additional members.

No loans or credit facilities were granted to members of the Board of Directors or related parties, and the Articles of Association do not contain any provisions that would permit the

granting of loans or credit facilities. The lump-sum expense allowances for members of the Board of Directors who are not self-employed, which are based on an expense regulation approved by the tax authorities, will be disclosed as compensation as of financial year 2018 in the interests of full, all-round transparency. However, as "true lump-sum expenses" they do not have to be disclosed as they are not compensation in nature (the same applies to members of Senior Management below). The Board of Directors comprises non-executive members only.

The General Meeting of Shareholders on May 5, 2017 approved the total amount of CHF 1 215 000 available for fixed compensation to the members of the Board of Directors for the term of office up to the General Meeting of Shareholders on May 4, 2018. CHF 1 038 891 of this total amount was utilized for compensation to the Board of Directors in the corresponding period.

	2018			2017		
Compensation for the financial year, in CHF	Fixed compensation / fee (gross) <sup>1)</sup>	Social contributions <sup>2)</sup>	Total	Fixed compensation / fee (gross)	Social contributions <sup>2)</sup>	Total
Heinz M. Buhofer Chairman of the Board of Directors, Chairman of the Human Resources and Compensation Committee	520 000	66 238	586 238	520 000	65 492	585 492
Marga Gyger <sup>3)</sup> Member of the Audit Committee	149 937	4 937	154 874	129 937	4 937	134 874
Peter Terwiesch Member of the Human Resources and Compensation Committee	126 638	6 638	133 276	106 638	6 638	113 276
Martin Wipfli <sup>4)</sup> Chairman of the Audit Committee	275 000	0	275 000	150 000	0	150 000
<b>Total Board of Directors</b>	<b>1 071 575</b>	<b>77 813</b>	<b>1 149 388</b>	<b>906 575</b>	<b>77 067</b>	<b>983 642</b>

<sup>1)</sup> As of financial year 2018, lump-sum expense allowances are also disclosed as compensation under this heading. Only Marga Gyger and Peter Terwiesch are affected. Following adjustment for the lump-sum expense allowances, the amounts are identical to 2017.

<sup>2)</sup> Employer contribution AHV (old-age and survivors' insurance), IV (disability insurance), EO (loss of earnings compensation), ALV (unemployment insurance). In the case of the Chairman of the Board of Directors, this amount includes the contributions to pension schemes provided for by the Articles of Association.

<sup>3)</sup> The remuneration of Marga Gyger as a member of the Board of Directors of Gehrig Group AG is included in the above figures.

<sup>4)</sup> The remuneration of Martin Wipfli as Chairman of the Board of Directors of Haag-Streit Holding AG is included in the above figures.

### Compensation to Senior Management

Fixed compensation to the members of Senior Management in the reporting period is within the range of the previous year. The main reason for the slight increase is the fact that lump-sum expense allowances are now also included in this figure. For the 2020 financial year a considerably lower total amount of CHF 1 500 000 will be proposed to the General Meeting of Shareholders for the fixed compensation to Senior Management due to the latter's reduction. For the variable compensation of the members of Senior Management for financial year 2018, the Board of Directors will propose to the General Meeting of Shareholders on May 3, 2019, the higher amount of CHF 700 000 compared with the previous year (CHF 500 000). The variable compensation reflects the business result of the Metall Zug Group and the achievement of objectives by the members of Senior Management.

The employment contracts of the members of Senior Management do not provide for any severance payments. The notice period is generally six months. No loans or credit facilities were granted to members of Senior Management or

related parties, and the Articles of Association do not contain any provisions that would permit the granting of loans or credit facilities.

The General Meeting of Shareholders on May 5, 2017, approved the total amount of CHF 3 370 000 available for fixed compensation to the members of Senior Management for financial year 2018. CHF 2 851 539 of this total amount was utilized for fixed compensation to Senior Management in the reporting period. Of the total amount of CHF 500 000 approved by the General Meeting of Shareholders on May 4, 2018, for variable compensation to the members of Senior Management for the financial year 2017, CHF 408 061 was actually paid out.

	2018		2017	
Compensation for the financial year, in CHF <sup>1)</sup>	CEO	Senior Management (total)	CEO	Senior Management (total)
Fixed compensation (gross)	760 000	2 090 006	760 000	2 070 000
Other payments/benefits <sup>2)</sup>	66 460	190 875	3 590	25 454
Social contributions <sup>3)</sup>	184 687	570 658	189 017	598 511
<b>Total fixed compensation</b>	<b>1 011 147</b>	<b>2 851 539</b>	<b>952 607</b>	<b>2 693 965</b>
Variable compensation (gross)	234 759	600 969	167 078	386 330
Social contributions <sup>3)</sup>	13 205	33 805	9 398	21 731
<b>Total variable compensation<sup>4)</sup></b>	<b>247 964</b>	<b>634 774</b>	<b>176 476</b>	<b>408 061</b>
<b>Total compensation</b>	<b>1 259 111</b>	<b>3 486 313</b>	<b>1 129 083</b>	<b>3 102 026</b>

<sup>1)</sup> The highest compensation amount to a single member of Senior Management was paid to the CEO, Jürg Werner, in both reporting years.

<sup>2)</sup> Other payments, benefits and compensation (such as company car, supplementary insurance, etc.). As of financial year 2018, lump-sum expense allowances are also disclosed as compensation under this heading. If the lump-sum expense allowances are included in the 2017 figure for "Other payments/benefits" to ensure comparability, this category increases to CHF 65 590 for the CEO and CHF 189 454 for Senior Management as a whole for 2017. The lump-sum expense allowances were unchanged in both 2017 and 2018. Child and family allowances are not disclosed.

<sup>3)</sup> Employer contributions to pension schemes, AHV (old-age and survivors' insurance), IV (disability insurance), EO (loss of earnings compensation), ALV (unemployment insurance), daily sickness benefits insurance and accident insurance.

<sup>4)</sup> The variable compensation to the members of Senior Management is paid out in May of the following year subject to approval by the Annual General Meeting of Shareholders (on May 3, 2019 for the variable compensation for 2018). The amounts in the table are disclosed on an accrual basis.

# Report of the Statutory Auditor



To the General Meeting of  
**Metall Zug AG, Zug**

Zug, 15 March 2019

## Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Metall Zug AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 48 to 51 of the remuneration report.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of Metall Zug AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Rico Fehr  
Licensed audit expert  
(Auditor in charge)

Simon Balmer  
Licensed audit expert





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# Consolidated Income Statement

in CHF 1000	Notes	2018	2017
Gross sales		1 199 855	959 208
Sales deductions		-30 345	-22 518
<b>Net sales</b>	<b>1</b>	<b>1 169 510</b>	<b>936 690</b>
Changes in inventories		21 151	2 589
Other operating revenue		11 039	12 357
<b>Operating revenue</b>		<b>1 201 700</b>	<b>951 636</b>
Cost of materials	2	-430 538	-324 457
Personnel expenses	3	-472 232	-392 979
Depreciation on tangible assets	13	-31 065	-30 068
Amortization on intangible assets	13	-4 799	-3 728
Impairments on tangible and intangible assets	13	711	-7 682
Other operating expenses	4	-174 452	-139 707
<b>Operating expenses</b>		<b>-1 112 375</b>	<b>-898 621</b>
<b>Operating income (EBIT)</b>	<b>1</b>	<b>89 325</b>	<b>53 015</b>
Financial income	6	12 898	39 650
Financial expenses	6	-16 570	-9 542
Associated companies	6, 13	150	296
<b>Financial result</b>		<b>-3 522</b>	<b>30 404</b>
<b>Income before taxes</b>		<b>85 803</b>	<b>83 419</b>
Taxes	7	-16 880	-16 622
Non-controlling interest	8	-5 359	875
<b>Net income</b>		<b>63 564</b>	<b>67 672</b>
Net income per type A registered share (in CHF)	9	14.16	15.08
Net income per type B registered share (in CHF)	9	141.59	150.77

There is no dilution for 2018 or 2017 with regard to net income per share. Details of the individual items are available in the Notes to the consolidated financial statements as of page 67.

# Consolidated Balance Sheet

## Assets

in CHF 1000	Notes	12.31.2018	12.31.2017
Cash and cash equivalents		161 781	250 766
Securities	10	65 363	274 588
Trade receivables	11	179 461	125 287
Other receivables		29 685	31 827
Inventories	12	236 698	149 825
Prepaid expenses		8 643	9 733
<b>Current assets</b>		<b>681 631</b>	<b>842 026</b>
Land	13	2 511	999
Land and buildings	13	204 243	191 016
Plant and equipment	13	65 645	51 540
Prepayments and assets under construction	13	60 743	21 718
Other tangible assets	13	21 701	20 813
<b>Tangible assets</b>		<b>354 843</b>	<b>286 086</b>
Employer's contribution reserves	13, 25	20 695	16 787
Associated companies	13	634	394
Other financial assets	13	23 354	26 308
<b>Financial assets</b>		<b>44 683</b>	<b>43 489</b>
Software	13	27 021	16 037
Other intangible assets	13	14	17
<b>Intangible assets</b>		<b>27 035</b>	<b>16 054</b>
<b>Fixed assets</b>		<b>426 561</b>	<b>345 629</b>
<b>Total assets</b>		<b>1 108 192</b>	<b>1 187 655</b>

Details of the individual items are available in the Notes to the consolidated financial statements as of page 67.

## Liabilities and Shareholders' Equity

in CHF 1000

	Notes	12.31.2018	12.31.2017
Current financial liabilities	14	292	0
Trade payables		62 290	43 433
Other current liabilities	12, 15, 16	91 086	83 338
Accrued liabilities		73 360	59 048
Current provisions	17	33 297	33 771
<b>Current liabilities</b>		<b>260 325</b>	<b>219 590</b>
Long-term financial liabilities	14	5 185	240
Other long-term liabilities	16	15 884	6 231
Long-term provisions	17	58 408	41 990
<b>Non-current liabilities</b>		<b>79 477</b>	<b>48 461</b>
<b>Total liabilities</b>		<b>339 802</b>	<b>268 051</b>
Share capital	19	11 250	11 250
Capital reserves	19	351 310	351 328
Treasury shares	19	-6 027	-3 040
Retained earnings		342 819	561 888
Non-controlling interest		69 038	-1 822
<b>Shareholders' equity</b>		<b>768 390</b>	<b>919 604</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 108 192</b>	<b>1 187 655</b>

Details of the individual items are available in the Notes to the consolidated financial statements as of page 67.

# Consolidated Statement of Cash Flows

in CHF 1000	2018	2017
Net income before non-controlling interests	68923	66797
Financial result, net (excluding associated companies)	3672	-30108
Depreciation and amortization	35864	33796
Impairment	-711	7682
Result of associated companies	-150	-296
Net changes in provisions	-8756	9596
Taxes	16880	16622
Other non-cash items	3738	-1204
Change in securities <sup>1)</sup>	247660	32442
Change in trade receivables	-22388	-5957
Change in other receivables and prepaid expenses	20154	-15463
Change in inventories	-30910	-5603
Change in trade payables	11033	396
Change in other current liabilities and accrued expenses	16572	-381
Interest paid	-235	-72
Taxes paid	-25667	-18163
<b>Cash flow from operating activities</b>	<b>335679</b>	<b>90084</b>
Investments in tangible assets	-72220	-49074
Investments in financial assets	-6155	-4362
Investments in intangible assets	-14655	-12390
Investments in Group companies, net of cash acquired <sup>2)</sup>	-300680	-7885
Disposals of tangible assets	1057	442
Disposals of financial assets	4401	1953
Disposals of intangible assets	1	-
Interest received	83	86
Dividends received	164	-
<b>Cash flow from investing activities</b>	<b>-388004</b>	<b>-71230</b>
Change in long-term financial liabilities	-557	-175
Purchase/sale of treasury shares	-2987	5015
Dividend	-31839	-31417
<b>Cash flow from financing activities</b>	<b>-35383</b>	<b>-26577</b>
Currency translation effects	-1569	-305
<b>Change in "Net cash and cash equivalents"</b>	<b>-89277</b>	<b>-8028</b>

<sup>1)</sup> The cash flow from securities in 2018 mainly derives from the sale of securities for the provision of funds related to the acquisitions listed in Note 24.

<sup>2)</sup> In 2018, the position 'Investments in Group companies, net of cash acquired' contains the purchase of Haag-Streit Holding AG and its subsidiaries, of adaptronic Prüftechnik GmbH and of the minority stake of 35% in OptoMedical Technologies GmbH. The position is adjusted by a non-cash debt assumption in the amount of TCHF 43986 as well as a postponed purchase price payment of TCHF 85, also refer to Note 24. In 2017, this position included the purchase of 65% of DiIT AG and of STERIFAST, Lda.

# Changes in Shareholders' Equity

in CHF 1000	Share Capital	Capital Reserves	Treasury Shares	Retained Earnings	Accu- mulated Currency Transla- tion Dif- ferences	Total Retained Earnings	Non-con- trolling Interests	Total
<b>Balance on 01.01.2017</b>	<b>11 250</b>	<b>348 582</b>	<b>-5 273</b>	<b>539 898</b>	<b>-7 210</b>	<b>532 688</b>	<b>-961</b>	<b>886 286</b>
Dividend				-31 417		-31 417		-31 417
Purchase of treasury shares			-4 637			-		-4 637
Sale of treasury shares		2 782	6 870			-		9 652
Acquisitions				-9 460		-9 460	-45	-9 505
Other		-36				-		-36
Currency translation effects				-1 610	4 015	2 405	59	2 464
Net income				67 672		67 672	-875	66 797
<b>Balance on 12.31.2017</b>	<b>11 250</b>	<b>351 328</b>	<b>-3 040</b>	<b>565 083</b>	<b>-3 195</b>	<b>561 888</b>	<b>-1 822</b>	<b>919 604</b>
<b>Balance on 01.01.2018</b>	<b>11 250</b>	<b>351 328</b>	<b>-3 040</b>	<b>565 083</b>	<b>-3 195</b>	<b>561 888</b>	<b>-1 822</b>	<b>919 604</b>
Dividend				-31 448		-31 448	-391	-31 839
Purchase of treasury shares			-2 987			-		-2 987
Acquisitions				-249 269		-249 269	65 438	-183 831
Purchase of minorities				-786	8	-778	381	-397
Other		-18		44		44	19	45
Currency translation effects				-210	-972	-1 182	54	-1 128
Net income				63 564		63 564	5 359	68 923
<b>Balance on 12.31.2018</b>	<b>11 250</b>	<b>351 310</b>	<b>-6 027</b>	<b>346 978</b>	<b>-4 159</b>	<b>342 819</b>	<b>69 038</b>	<b>768 390</b>

See Note 19 (page 78) for more detailed information on the purchase/disposal of treasury shares and Note 24 (page 80) for more detailed information on acquisitions.



# Notes to the Consolidated Financial Statements

## General

The consolidated financial statements of the Metall Zug Group comply with the complete Swiss GAAP FER financial reporting standard currently applicable and are prepared on the basis of historical cost. The financial year taken as the basis for the consolidated financial statements is equivalent to the calendar year.

The Board of Directors released the consolidated financial statements for publication on March 15, 2019.

## Scope of Consolidation

The Group holds more than 50 % of the votes and capital of all consolidated subsidiaries. The acquisition method is applied, i.e. assets and liabilities as well as expenses and income are consolidated at 100 %. Any share of non-controlling interests in net income and shareholders' equity is reported separately. Associated companies in which the Metall Zug Group holds direct or indirect investments of 20 % to 50 % are accounted for using the equity method (proportional equity). Participations below 20 % are not consolidated.

At the time of the initial consolidation, assets and liabilities of the acquired companies and business parts are stated at fair value and in accordance with uniform Group policies. The excess of the acquisition price over the revalued net assets of the acquired companies or business parts is recognized as goodwill. This goodwill is offset against retained earnings without affecting net income. The impact of a theoretical capitalization is presented in the Notes to the Consolidated Financial Statements (see Note 13, page 75). The useful life of the goodwill is determined at the time of acquisition. It generally ranges from 3 to 5 years, and up to 20 years in exceptional cases.

## Principles of Consolidation

### Consolidation Method

Capital consolidation is performed to present the equity of the entire Group. In this context, the acquisition method is applied.

### Currency Translation

With regard to currency translation for consolidation purposes, the annual financial statements of the Group companies are translated into Swiss francs according to the current rate method. The exchange rate at the end of the year is applied to assets and liabilities, while the average exchange rate during the period under review is used for income statements and statements of cash flows. Equity is converted on the basis of historical exchange rates, the resulting currency effects are offset against retained earnings without affecting net income.

## Exchange Rates into CHF

Income Statement (Average Rate)	2018	2017
1 EUR	1.1554	1.1120
1 USD	0.9783	0.9846
1 GBP	1.3063	1.2688
1 AUD	0.7317	0.7548
1 SGD	0.7254	0.7133
100 CNY	14.8088	14.5828
100 JPY	0.8859	0.8780
100 HKD	12.4821	12.6361

Balance Sheet (Exchange Rate on 12.31.)	2018	2017
1 EUR	1.1269	1.1696
1 USD	0.9842	0.9745
1 GBP	1.2598	1.3166
1 AUD	0.6948	0.7608
1 SGD	0.7228	0.7288
100 CNY	14.3097	14.9701
100 JPY	0.8954	0.8650
100 HKD	12.5665	12.4730

## Sales and Revenue Recognition

Net sales include the inflow of economic benefits from sales of goods and services within the scope of ordinary business during the period under review. Sales reductions such as discounts, rebates and other concessions as well as payments to third parties such as commissions and any value added tax have been deducted from net sales reported.

Revenues are reported when the significant risks and rewards related to the ownership of products sold to the client (according to the contractual agreement) are transferred. Revenue from services is recognized in the accounting period in which the service is rendered.

In the case of agency transactions, only the value of own services is recognized. Business transactions involving identifiable multiple elements are recognized and valued separately.

### Intercompany Transactions

Intercompany receivables, payables and transactions are eliminated for fully consolidated companies. Allowances and value adjustments for intercompany receivables and investments are reversed. The individual Group companies' intercompany profits on inventories and tangible assets are also eliminated.

### Principles of Valuation

#### Securities

Listed securities and portfolios managed by third parties are recorded at stock market prices at the balance sheet date. Unlisted securities are shown in the balance sheet at acquisition cost less any impairment.

#### Trade Receivables

In addition to individual value adjustments, general value adjustments of up to 2 % for domestic receivables and up to 5 % for foreign receivables are made according to past experience.

#### Inventories

Purchased goods are recognized in the balance sheet at acquisition cost, predominantly according to the standard cost method or at market value if lower. Self-produced goods are valued at production costs including indirect production costs or at market value if lower. In addition to individual value adjustments, general value adjustments for general valuation risks are made according to past experience.

#### Tangible Assets

Tangible assets are recorded at historical costs or at production costs less straight-line depreciation according to the following table. If required from an economic point of view, impairments are recorded to reflect the decrease in value.

#### Depreciation and Amortization Table

	Years
Industrial, commercial and office buildings	33–50
Residential buildings	50–66
Plant and equipment	5–12
Special tools	3–5
Vehicles	5–10
Other tangible assets	2–8
Software	2–5
Other intangible assets	2–20

### Financial Assets

Financial assets are recorded at their acquisition value less necessary impairments. Associated companies are consolidated according to the equity method. The associated companies' share in the result is recorded and shown in the result for the period. Adjustments to the equity of associated companies are recorded in shareholders' equity and do not affect net income.

### Intangible Assets

Acquired intangible assets are recognized in the balance sheet if they are to bring measurable benefits to the company over several years. They are measured at historical cost less straight-line amortization according to the above depreciation and amortization table. Self-developed intangible assets are not capitalized.

### Liabilities

Liabilities are measured at their nominal value.

### Employee Benefits

The Group provides pension plans for the majority of its personnel in compliance with the respective country-specific legal provisions. The most important companies are located in Switzerland, where pension schemes are organized through independent foundations or collective foundations. These plans cover the economic consequences of old age, death or disability. Most pension plans are financed through employer and employee contributions. Pension contributions are calculated as a percentage of the insured salary. In Germany, seniority-related pension benefit obligations are established based on actuarial calculations. These pension benefit obligations are partially re-insured.

Changes in the employer's contribution reserves as well as any economic impact of surpluses or deficits of pension schemes on the Group are recorded as personnel expenses. They affect net income.

### Income Taxes

Current income taxes are calculated at the prevailing tax rates based on the expected statutory, respectively fiscal result for the period as per commercial law and according to the respective tax assessment rules. They are disclosed under Other current liabilities.

**Deferred Taxes**

Deferred taxes are calculated on the differences between the Group companies' tax balance sheet and the balance sheet prepared for consolidation purposes, insofar as these deviations affect income tax. The individual Group companies' current or expected tax rates are applied to calculate deferred taxes. Tax loss carryforwards are neither capitalized nor offset against provisions for deferred taxes. Net deferred tax assets from temporary differences are not capitalized.

**Provisions**

A provision is recognized if the Group has a probable obligation based on past events for which the amount and due date are still uncertain but can be estimated. The provisions position also includes deferred taxes. They are structured according to their maturity, i.e. a distinction is made between current provisions with an expected cash outflow within the next 12 months, and long-term provisions with an expected cash flow after more than one year. Provisions for guarantees are calculated based on historical data (average of actual costs in recent years).

**Contingent Liabilities**

Contingent liabilities are assessed according to the probability and scope of future unilateral contributions and costs, and are disclosed in the Notes.

**Risk Management****Risk Assessment and Management Process**

Risk assessment and risk control within the Metall Zug Group are based on a standardized four-stage risk management process which includes the following steps:

1. Identification of risks: Every three years, an extensive Group-wide risk identification is conducted. Within the scope of the survey, all business risks are compiled and documented on the basis of standard criteria. The identified risks are analyzed, updated and amended as necessary on an annual basis until the next extensive survey is conducted.
2. Risk analysis: The senior executives of the respective Business Units evaluate the risks identified in step 1 with a view to their probability of occurrence and their impact. When assessing the impact of a risk, both the financial implications and the effect on reputation are considered.
3. Risk control: The Business Units assign risk managers to each individual business risk and risk category who define specific measures and monitor the implementation of these measures.
4. Risk reporting: The Audit Committee and the Board of Directors of Metall Zug AG receives a consolidated risk report on an annual basis.

**Country Risks**

As a Group that operates globally (share of sales generated abroad: 52.7 %; 2017: 41.8 %), the Metall Zug Group is exposed to risks such as political, financial and societal insecurity in addition to turmoil, terrorism and unrest.

**Financial Risk Management**

Overall, the Metall Zug Group adopts a conservative and risk-averse approach. The Group's business activities expose it to a variety of financial risks, including those related to changes in equity market prices and currency and interest rate risks. Derivative financial instruments such as foreign exchange, commodity and interest rate contracts may be used to hedge these risks.

The principles of financial risk management are determined at Group level and apply to all Business Units. Besides providing guidance on general financial risk management, the principles also set forth requirements for specific areas such as the management of interest rate, currency and counterparty risks, the use of derivative financial instruments, and the investment policy for excess liquidity.

### Liquidity Risks

The Group uses a periodic liquidity planning instrument to monitor liquidity risk and has sufficient cash and cash equivalents, unused credit facilities and readily marketable securities to meet its liabilities.

On the balance sheet date, cash and cash equivalents and readily marketable securities exceeded financial liabilities by CHF 221.7 million (previous year: CHF 525.1 million). A maturity profile of the financial liabilities is included in Note 14.

In addition, the Group's excellent credit rating would allow it to make efficient use of the financial markets for financing purposes.

### Market Risks and Interest Rate Risks

Listed securities and portfolios managed by third parties are recorded at stock market prices on the balance sheet date. Unlisted securities are shown in the balance sheet at acquisition cost less any impairment.

The material securities position can lead to high volatility of net income.

#### Income from Securities

in 1000 CHF	2018	2017
Income from securities	-1 026	30 939
in % of income before taxes	-1.2	37.1
Change from previous year	-31 965	21 852
Change in % of income before taxes	-37.3	26.2

Metall Zug has very low interest-bearing financial liabilities at present. As a result, the Group's interest rate risk arises less from its financing structure and volume but more from its interest-bearing assets.

Metall Zug is exposed to commodity price risks as it requires raw materials such as steel to manufacture its products. The Metall Zug Group hedges the commodity price risk largely by entering into long-term purchasing agreements equivalent to the projected purchasing volumes. In addition, the purchase price for components is partly dependent on the market price of commodities like steel, aluminium, copper and plastics.

### Currency Risks

In Switzerland and abroad, the Metall Zug Group generates both sales revenues and costs in foreign currencies. Exchange rate movements therefore have an impact on the consolidated results.

These risks are partly mitigated through the concept known as natural hedging. This involves neutralizing currency risks from cash inflows in a certain currency with cash outflows in the same currency. However, the cash inflows and outflows do not match in size. As a result currency fluctuations can affect the Group's earnings margins, which means that the Group is exposed to a transaction risk. The Household Appliances Business Unit generates more costs than sales in foreign currency, making the EUR/CHF exchange rate of primary importance. For the Infection Control, Wire Processing and Medical Devices Business Units, the USD/EUR and USD/CHF exchange rates additionally have a significant impact on cash inflows and outflows (income in USD, costs in EUR and CHF).

In general, most of the transaction risks are systematically hedged, usually for 12 months.

In addition, the Household Appliances Business Unit in particular is exposed to currency risks whenever its competitors operating on a foreign currency basis factor the currency fluctuations in question into the prices of the products they sell in Switzerland. This can give rise to competitive advantages or disadvantages for the Business Unit.

Given the material securities position, exchange rate fluctuations also have an effect on the Group's financial result whenever securities are denominated in a currency other than the functional currency. The following table provides information about the net foreign currency effect on the financial result.

#### Foreign Currencies in the Financial Result

in 1000 CHF	2018	2017
Foreign exchange gains/losses (net)	-1 975	-163
in % of income before taxes	-2.3	-0.2
Change from previous year	-1 812	284
Change in % of income before taxes	-2.1	0.3

**Counterparty Risks from Treasury Activities**

Financial transactions are only entered into with counterparties with a high credit rating. Cash and cash equivalents and securities are invested in a variety of counterparties to avoid cluster risks. Most of the securities are managed by third parties under asset management mandates.

**Credit Risks**

Credit risks for the Group mainly arise from the sale of products and services (risk of default). The customer's financial circumstances are monitored on a permanent basis (wherever this makes sense). It is not customary to require additional collateral. As the Group has a broad customer base, its exposure to individual default risks is low. Specific allowances for doubtful receivables are established for anticipated bad debts. In addition, general provisions for doubtful receivables of maximum 2 % are formed for domestic receivables and maximum 5 % for foreign receivables, which are based on empirical values.

**Allowance for Doubtful Receivables**

in CHF 1000	2018	2017
Allowance for doubtful receivables	-7463	-4805
in % of trade receivables (gross)	4.0	3.7
Change to prior year <sup>1)</sup>	-1194	1471
Change in % of income before taxes	-1.4	1.8

<sup>1)</sup> Adjusted for the impact of the acquired Haag-Streit Holding AG and adapt-  
tronic Prüftechnik GmbH in the amount of TCHF 1464.

**List of Investments (as at 12.31.2018)**

Company	Domicile	Currency	Share Capital	Share of Capital and Votes
<b>V-ZUG AG</b>	<b>Zug</b>	<b>CHF</b>	<b>1900000</b>	<b>100 %</b>
V-ZUG Kühltechnik AG	Arbon	CHF	100000	100 %
V-ZUG Australia Pty. Ltd.	Sydney (AU)	AUD	100	100 %
V-ZUG Europe BVBA	Harelbeke-Kortrijk (BE)	EUR	2000000	100 %
V-ZUG (Shanghai) Domestic Appliance Co., Ltd.	Shanghai (CN)	CNY	8363000	100 %
V-ZUG (Changzhou) Special Components Co., Ltd.	Changzhou (CN)	CNY	19370000	100 %
V-ZUG Hong Kong Co., Ltd.	Hong Kong (HK)	HKD	500000	100 %
V-ZUG Singapore Pte. Ltd. <sup>1)</sup>	Singapore (SG)	SGD	250000	100 %
SIBIRGroup AG	Spreitenbach	CHF	500000	100 %
<b>Gehrig Group AG</b>	<b>Rümlang</b>	<b>CHF</b>	<b>2000000</b>	<b>100 %</b>
Hildebrand France S.a.r.l.	La Boisse (FR)	EUR	426720	100 %
<b>V-ZUG Immobilien AG</b>	<b>Zug</b>	<b>CHF</b>	<b>1000000</b>	<b>100 %</b>
<b>V-ZUG Infra AG</b>	<b>Zug</b>	<b>CHF</b>	<b>3518590</b>	<b>100 %</b>
<b>MZ Infra AG</b>	<b>Zug</b>	<b>CHF</b>	<b>1000000</b>	<b>100 %</b>
<b>Belimed AG</b>	<b>Zug</b>	<b>CHF</b>	<b>6500000</b>	<b>97.24 %</b>
Belimed Sauter AG	Sulgen	CHF	350000	100 %
Belimed GmbH	Mühldorf am Inn (DE)	EUR	6135550	100 %
Belimed d.o.o.	Grosuplje (SI)	EUR	28000	100 %
Belimed GmbH	Fehring (AT)	EUR	180000	100 %
Belimed B.V.	J.G. Rotterdam (NL)	EUR	18151	100 %
Belimed SAS	Sausheim (FR)	EUR	1650000	100 %
Belimed Ltd.	Shipley (UK)	GBP	200000	100 %
Belimed, Inc.	Charleston (US)	USD	3000000	100 %
Belimed Medical Equipment (Shanghai) Co.	Shanghai (CN)	CNY	4223180	100 %
STERIFAST Sterilization & Disinfection Systems, Lda.	Boticas (PT)	EUR	5000	100 %
<b>Belimed Life Science AG<sup>2)</sup></b>	<b>Sulgen</b>	<b>CHF</b>	<b>3000000</b>	<b>100 %</b>
Belimed Life Science d.o.o. <sup>2)</sup>	Grosuplje (SI)	EUR	7500	100 %
<b>Schleuniger Holding AG</b>	<b>Thun</b>	<b>CHF</b>	<b>2500000</b>	<b>100 %</b>
Schleuniger AG	Thun	CHF	150000	100 %
Schleuniger GmbH	Radevormwald (DE)	EUR	1025000	100 %
Schleuniger Test Automation GmbH	Jettingen (DE)	EUR	26000	100 %
Schleuniger, Inc.	Manchester (US)	USD	200000	100 %
Schleuniger Japan Co.	Tokyo (JP)	JPY	200000000	100 %
Schleuniger Trading (Shanghai) Co.	Shanghai (CN)	CNY	10863620	100 %
Schleuniger Machinery (Tianjin) Co., Ltd.	Tianjin (CN)	CNY	20000000	100 %
DiIT GmbH	Krailling (DE)	EUR	103000	100 %
adaptronic Prüftechnik GmbH <sup>3)</sup>	Wertheim (DE)	EUR	300000	60 %
L W Solutions Ltd.	Pontypridd (UK)	GBP	56878	20 %



**List of Investments (as at 12.31.2018) – Continuation**

Company	Domicile	Currency	Share Capital	Share of Capital and Votes
<b>Haag-Streit Holding AG<sup>4)</sup></b>	<b>Köniz</b>	<b>CHF</b>	<b>750 000</b>	<b>70 %</b>
Haag-Streit AG <sup>4)</sup>	Köniz	CHF	8 000 000	100 %
Spectros AG <sup>4)</sup>	Ettingen	CHF	500 000	100 %
Haag-Streit Deutschland GmbH <sup>4)</sup>	Wedel (DE)	EUR	500 000	100 %
Haag-Streit Surgical GmbH <sup>4)</sup>	Wedel (DE)	EUR	500 000	100 %
Möller-Wedel Beteiligungen GmbH <sup>4)</sup>	Wedel (DE)	EUR	1 510 000	100 %
Möller-Wedel GmbH & Co. KG <sup>4)</sup>	Wedel (DE)	EUR	663 800	100 %
Möller-Wedel Optical GmbH <sup>4)</sup>	Wedel (DE)	EUR	500 000	100 %
Möller-Wedel Verwaltung GmbH <sup>4)</sup>	Wedel (DE)	EUR	25 000	100 %
HS DOMS GmbH <sup>4)</sup>	Saalfeld (DE)	EUR	25 000	100 %
OptoMedical Technologies GmbH <sup>4) 5)</sup>	Lübeck (DE)	EUR	50 000	100 %
IPRO GmbH EDV für Augenoptiker <sup>4)</sup>	Leonberg (DE)	EUR	500 000	100 %
SARL Haag Streit France <sup>4)</sup>	Montcel (FR)	EUR	500 000	100 %
Haag-Streit Far East Ltd. <sup>4)</sup>	Shanghai (CN)	CNY	500 000	100 %
Clement Carke (Holdings) Ltd. <sup>4)</sup>	Harlow (UK)	GBP	7 200 000	100 %
Clement Clarke International Ltd. <sup>4)</sup>	Harlow (UK)	GBP	100 000	100 %
Haag-Streit UK Ltd. <sup>4)</sup>	Harlow (UK)	GBP	1 000	100 %
John Weiss & Son Ltd. <sup>4)</sup>	Harlow (UK)	GBP	20 000	100 %
Haag-Streit Holding US, Inc. <sup>4)</sup>	Mason (US)	USD	200	100 %
Haag-Streit USA, Inc. <sup>4)</sup>	Mason (US)	USD	100	100 %
Reliance Medical Products, Inc. <sup>4)</sup>	Mason (US)	USD	9 250	100 %

<sup>1)</sup> During the financial year 2018, V-ZUG Singapore Pte. Ltd. (SG) increased its share capital by SGD 200 000 to SGD 250 000.

<sup>2)</sup> In 2018, the entities Belimed Life Science AG, Sulgen, and Belimed Life Science d.o.o., Grosuplje (SI), were incorporated, but did not have any operating activity as per December 31, 2018.

<sup>3)</sup> Schleuniger Holding AG, Thun, purchased a 60 % stake in adaptronic Prüftechnik GmbH, Wertheim (DE), which has been consolidated since January 1, 2018 (refer to Note 24 for further information).

<sup>4)</sup> Metall Zug AG, Zug, acquired a 70 % stake in Haag-Streit Holding AG, Köniz, which has been consolidated since March 1, 2018 (refer to Note 24 for further information). A 100 % stake in the listed subsidiaries of Haag-Streit Holding AG were held by Haag-Streit Holding AG at the date of acquisition, except for OptoMedical Technologies GmbH, Lübeck (DE), of which a 65 % stake was held.

<sup>5)</sup> On December 17, 2018, Haag-Streit Holding AG, Köniz, purchased a 35 % stake in OptoMedical Technologies GmbH, Lübeck (DE), previously held by third parties. As of December 31, 2018, Haag-Streit Holding AG thus holds 100 % of OptoMedical Technologies GmbH.

## 1 Segment Information

The business activities of Metall Zug Group comprise the following Business Units:

Household Appliances	Appliances for kitchen, laundry and gastronomy sector, as well as services and other products <sup>1)</sup>
Infection Control	Equipment for hospitals (Medical), the pharmaceutical industry (Life Science) and laboratories, as well as services and other products <sup>1)</sup>
Wire Processing	Wire processing equipment, test systems, software and services
Medical Devices	Products and services for diagnosis and surgery, mainly in the fields of ophthalmology and surgical microscopy
Corporate	Management and real estate

### By Business Unit

	Net Sales to Third Parties		Operating Income (EBIT)		Net Assets Invested <sup>2)</sup>	
in CHF 1000	2018	2017	2018	2017	2018	2017
Household Appliances	579 166	572 859	48 313	65 407	243 284	199 455
Infection Control	197 312	188 091	-10 476	-34 237 <sup>4)</sup>	76 903	79 753
Wire Processing	214 527	175 740	28 924	22 332	84 196	68 067
Medical Devices <sup>3)</sup>	178 505	n/a	21 578	n/a	178 402	n/a
Corporate	0	0	986	-487 <sup>5)</sup>	678 991	438 795
Consolidation	0	0	0	0	-696 379	-339 564
<b>Total</b>	<b>1 169 510</b>	<b>936 690</b>	<b>89 325</b>	<b>53 015</b>	<b>565 397</b>	<b>446 506</b>

	EBIT as % of Net Sales		Contribution to Operating Income (EBIT)		EBIT in % of Net Assets Invested	
in percent	2018	2017	2018	2017	2018	2017
Household Appliances	8.3 %	11.4 %	54.1 %	123.4 %	19.9 %	32.8 %
Infection Control	-5.3 %	-18.2 %	-11.7 %	-64.6 %	-13.6 %	-42.9 %
Wire Processing	13.5 %	12.7 %	32.4 %	42.1 %	34.4 %	32.8 %
Medical Devices <sup>3)</sup>	12.1 %	n/a	24.2 %	n/a	12.1 %	n/a
Corporate			1.0 %	-0.9 %	0.1 %	-0.1 %
Consolidation			0.0 %	0.0 %	0.0 %	0.0 %
<b>Total</b>			<b>100.0 %</b>	<b>100.0 %</b>	<b>15.8 %</b>	<b>11.9 %</b>

<sup>1)</sup> Other products of the Household Appliances Business Unit comprise containers, surface technology and specialty products, other products of the Infection Control Business Unit comprise specialty products. Both in the reporting year and in the previous year these other products contributed less than 1 % of net sales.

<sup>2)</sup> Average current assets and average fixed assets, excl. cash and cash equivalents and securities, minus interest-free liabilities, excluding the goodwill offset against retained earnings.

<sup>3)</sup> The Medical Devices Business Unit contains Haag-Streit Holding AG and its subsidiaries for the period from March 1, 2018 to December 31, 2018 (10 months). Therefore, prior year disclosures for this business unit are not applicable (n/a).

<sup>4)</sup> Includes expenses of TCHF 13 122 arising from an increase in restructuring provisions and TCHF 4927 from impairments of tangible and intangible assets.

<sup>5)</sup> Includes TCHF 2 755 expenses from impairments of tangible assets.

**Net Sales to Third Parties by Region****2018**

in CHF 1000	Household Appliances	Infection Control	Wire Processing	Medical Devices <sup>1)</sup>	Total
Switzerland	532 289	11 633	2 570	6 576	553 068
Europe (excluding Switzerland)	15 247	77 342	95 441	60 674	248 704
Americas	22 595	72 985	71 124	74 633	241 337
Asia/Pacific/Others	9 035	35 352	45 392	36 622	126 401
<b>Total 2018</b>	<b>579 166</b>	<b>197 312</b>	<b>214 527</b>	<b>178 505</b>	<b>1 169 510</b>

**2017**

in CHF 1000	Household Appliances	Infection Control	Wire Processing	Medical Devices <sup>1)</sup>	Total
Switzerland	528 594	16 071	919	n/a	545 584
Europe (excluding Switzerland)	14 075	73 638	75 546	n/a	163 259
Americas	11 052	65 313	60 850	n/a	137 215
Asia/Pacific/Others	19 138	33 069	38 425	n/a	90 632
<b>Total 2017</b>	<b>572 859</b>	<b>188 091</b>	<b>175 740</b>	<b>n/a</b>	<b>936 690</b>

<sup>1)</sup> The Medical Devices Business Unit contains Haag-Streit Holding AG and its subsidiaries for the period from March 1, 2018 to December 31, 2018 (10 months). Therefore, prior year disclosures for this Business Unit are not applicable (n/a).

**2 Cost of Materials**

In the year under review, the cost of materials increased by TCHF 106 081, from TCHF 324 457 to TCHF 430 538. In relation to gross sales it increased slightly from 33.8 % to 35.9 %. Cash discounts on goods purchased are recorded as cost reductions.

**3 Personnel Expenses**

in CHF 1000	2018	2017
Wages and salaries	-386 959	-321 755
Pension contributions	-24 757	-19 333
Other personnel expenses	-60 516	-51 891
<b>Total personnel expenses</b>	<b>-472 232</b>	<b>-392 979</b>

The number of full-time equivalents increased by 1 189 in the reporting year (previous year: increase of 96) to 5 204 (previous year: 4 015). This represents an increase of 29.6 % (previous year: increase of 2.4 %) but includes 1 137 additional full-time equivalents from acquisitions outlined in Note 24. Personnel expenses increased by TCHF 79 253, of which TCHF 76 509 resulting from these acquisitions.

In the previous year, the Welfare Fund of V-ZUG AG allocated TCHF 400 to employer's contribution reserves. This allocation reduced the pension expenses of V-ZUG AG and therefore of Metall Zug Group by the corresponding amount (see Note 13).

**4 Other Operating Expenses**

in CHF 1000	2018	2017
Marketing/sales promotion	-31 409	-24 160
Maintenance and repair	-19 291	-16 863
Administrative expenses	-71 584	-57 659
Other costs	-52 168	-41 025
<b>Total other operating expenses</b>	<b>-174 452</b>	<b>-139 707</b>

Other operating expenses increased in the financial year 2018 by TCHF 34 745 of which TCHF 27 488 derive from the new Business Unit Medical Devices. In relation to gross sales, other operating expenses decreased from 14.6 % to 14.5 %. Other operating expenses include a net release of guarantee provisions in the amount of TCHF 3 991 (prior year: release of TCHF 561).

The cost increase of TCHF 106 87 (excluding the effect of the release of guarantee provisions) of the existing Business Units (without Medical Devices) mainly results from higher non-capitalizable expenditures in relation to the on-going site development in Zug as well as from various digitization and IT projects initiated within the group.

## 5 Research and Development

Expenses for research and development are included in operating expenses and relate to personnel costs, cost of material, overhead costs and external services. These expenses of TCHF 98045 increased compared to the previous year by TCHF 12 174 and were charged as in the past directly to the income statement. While gross sales increased significantly compared to the prior year, expenses for research and development decreased to 8.2 % of gross sales (previous year: 9.0 %).

## 6 Financial Result

in CHF 1000	2018	2017
Interest income	71	93
Income from securities	5367	34182
Income from financial assets	1479	6
Foreign exchange gains	5981	5369
<b>Total financial income</b>	<b>12898</b>	<b>39650</b>
Interest expenses	-320	-72
Losses on securities	-6393	-3243
Expenses from financial assets	-967	0
Other financial expenses	-934	-695
Foreign exchange losses	-7956	-5532
<b>Total financial expenses</b>	<b>-16570</b>	<b>-9542</b>
<b>Associated companies</b>	<b>150</b>	<b>296</b>
<b>Net financial result</b>	<b>-3522</b>	<b>30404</b>

Income from securities and losses on securities mainly include the gross reported income and capital gains/losses from portfolio management. The net position of foreign exchange gains/losses decreased from TCHF -163 in the prior year to TCHF -1975.

**7 Taxes****Expenditure**

<b>in CHF 1000</b>	<b>2018</b>	<b>2017</b>
Current income taxes	-19 139	-19 334
Deferred income taxes	2 259	2 712
<b>Total expenditure</b>	<b>-16 880</b>	<b>-16 622</b>

**Liabilities**

<b>in CHF 1000</b>	<b>2018</b>	<b>2017</b>
Current income taxes	13 396	14 316
Deferred income taxes	19 176	18 455
<b>Total liabilities</b>	<b>32 572</b>	<b>32 771</b>

<b>Income Taxes 2018</b>	<b>Tax rate</b>	<b>Tax amount in CHF 1000</b>
Income before taxes		85 803
Weighted average applicable tax rate/calculated taxes	18.6 %	15 930
Utilization of previously unrecognized tax loss carry forwards		-1 620
Additional unrecognized tax losses		3 272
Change of unrecognized temporary differences		676
Tax effects on investments		-3 039
Non-taxable income/non-tax deductible expenses		533
Income tax from prior periods		143
Other effects		985
<b>Reported tax rate/taxes according to the income statement</b>	<b>19.7 %</b>	<b>16 880</b>

<b>Income Taxes 2017</b>	<b>Tax rate</b>	<b>Tax amount in CHF 1000</b>
Income before taxes		83 419
Weighted average applicable tax rate/calculated taxes	10.5 %	8 782
Utilization of previously unrecognized tax loss carry forwards		-1 114
Additional unrecognized tax losses		4 232
Change of unrecognized temporary differences		3 139
Tax effects on investments		-721
Non-taxable income/non-tax deductible expenses		846
Income tax from prior periods		487
Other effects		971
<b>Reported tax rate/taxes according to the income statement</b>	<b>19.9 %</b>	<b>16 622</b>

Tax expenses amount to 19.7 % of income before taxes (previous year: 19.9 %). The weighted average applicable tax rate of 18.6 % is calculated from the income tax rates likely to apply to the income of the individual Group companies in the respective tax jurisdiction, which naturally varies according to the actual earnings figures. The increase in this calculated tax rate to 18.6 % from 10.5 % in the previous year is mainly due to prior year's high financial income of Metall Zug AG in relation to the net income of the Group. The average weighted tax rate for deferred income taxes on temporary differences amounts to 21.0 % (previous year: 19.5 %).

Potential tax reductions resulting from tax loss carry forwards and temporary differences amount to TCHF 47 506 (previous year: TCHF 37 877). The potential tax reductions of the companies disclosed in Note 24 amount to TCHF 13 597. The potential tax reductions increased in net terms by TCHF 9 629 (previous year: increase of TCHF 2 881). Potential tax reductions are not capitalized due to uncertain recoverability.

The financial income of Metall Zug AG is subject to federal income tax, including participation exemption.

## 8 Non-controlling Interests

in CHF 1000	2018	2017
Belimed AG	-415	-875
Haag-Streit Holding AG	4 712	
OptoMedical Technologies GmbH	-235	
adaptronic Prüftechnik GmbH	1 297	
<b>Total result attributable to non-controlling interests</b>	<b>5 359</b>	<b>-875</b>

As at year-end 2018, minority stakes of 30 % in Haag-Streit Holding AG, of 40 % in adaptronic Prüftechnik GmbH and of 2.76 % in Belimed AG are held by third parties (2016: 2.76 % in Belimed AG). Furthermore, as part of the acquisition of Haag-Streit Holding AG, 65 % of OptoMedical Technologies GmbH was acquired. The minority stake of 35 % was purchased on December 17, 2018, see Note 24.

## 9 Net Income per Share

	2018	2017
Issued type A registered shares	1 948 640	1 948 640
Average outstanding type A registered shares	1 948 640	1 944 294
Issued type B registered shares	255 136	255 136
Average outstanding type B registered shares	254 056	254 415
Net income as per income statement (in CHF 1 000)	63 564	67 672
Weighted average number of shares	448 920	448 844
<b>Net income per type A registered share (in CHF)</b>	<b>14.16</b>	<b>15.08</b>
<b>Net income per type B registered share (in CHF)</b>	<b>141.59</b>	<b>150.77</b>

Net income per share is calculated by dividing the net income by the weighted average of outstanding shares less the weighted average of treasury shares. The 1 948 640 type A registered shares correspond to 194 864 type B registered shares.

There is no dilution for 2018 or 2017 with regard to net income per share.



**10 Securities**

in CHF 1000	12.31.2018	%	12.31.2017	%
Investments up to 12 months	1 218	1.8	122 948	44.8
Fixed-income investments over 12 months	18 539	28.4	48 114	17.5
Shares and similar investments	45 606	69.8	103 526	37.7
<b>Total securities</b>	<b>65 363</b>	<b>100.0</b>	<b>274 588</b>	<b>100.0</b>

Securities are mainly managed by third parties in asset management mandates. The further decrease in securities compared to the prior year mainly relates to the provision of the purchase price for the companies listed in Note 24.

**11 Trade Receivables**

in CHF 1000	12.31.2018	12.31.2017
Gross trade receivables	186 924	130 092
Allowance for doubtful receivables	-7 463	-4 805
<b>Total trade receivables</b>	<b>179 461</b>	<b>125 287</b>

**12 Inventories**

in CHF 1000	12.31.2018	12.31.2017
Raw materials	35 458	19 096
Trade goods	64 393	49 416
Semifinished and finished products	197 783	121 433
Advance payments to suppliers	1 170	1 371
Specific value adjustments	-32 671	-15 750
General value adjustments	-29 435	-25 741
<b>Total inventories</b>	<b>236 698</b>	<b>149 825</b>

Advance payments from customers are not offset against inventories; they are reported as other current liabilities and amount to TCHF 27 769 (previous year: TCHF 21 312).

### 13 Fixed Assets

#### Tangible Assets

in CHF 1000

	Land	Land & Buildings	Plant & Equipment	Prepayments & Assets Under Construction	Other Tangible Assets	Total Tangible Assets
<b>Acquisition costs</b>						
<b>Balance on 01.01.2017</b>	<b>948</b>	<b>250051</b>	<b>176826</b>	<b>52192</b>	<b>74519</b>	<b>554536</b>
Changes in scope of consolidation			62		156	218
Additions		2440	12381	22585	8385	45791
Disposals		-4076	-15290	-5	-5889	-25260
Reclassifications		45834	7838	-53063	-613	-4
Currency translation effects	51	2005	531	9	850	3446
<b>Balance on 12.31.2017</b>	<b>999</b>	<b>296254</b>	<b>182348</b>	<b>21718</b>	<b>77408</b>	<b>578727</b>
Changes in scope of consolidation	1844	17849	7851	1330	2032	30906
Additions		3435	12823	50921	6688	73867
Disposals	-384	-26	-1999	-156	-7635	-10200
Reclassifications <sup>1)</sup>		-3837	8532	-13027	841	-7491
Currency translation effects	52	-878	-262	-43	-659	-1790
<b>Balance on 12.31.2018</b>	<b>2511</b>	<b>312797</b>	<b>209293</b>	<b>60743</b>	<b>78675</b>	<b>664019</b>
<b>Accumulated depreciation</b>						
<b>Balance on 01.01.2017</b>	<b>0</b>	<b>-97319</b>	<b>-128543</b>	<b>0</b>	<b>-54645</b>	<b>-280507</b>
Depreciation current year		-7580	-15077		-7411	-30068
Impairment		-3997	-1533		-1	-5531
Disposals		4067	15032		5719	24818
Reclassifications		21	-340		320	1
Currency translation effects		-430	-347		-577	-1354
<b>Balance on 12.31.2017</b>	<b>0</b>	<b>-105238</b>	<b>-130808</b>	<b>0</b>	<b>-56595</b>	<b>-292641</b>
Depreciation current year		-7420	-15806		-7839	-31065
Impairment			711			711
Disposals		26	1936		7481	9443
Reclassifications <sup>1)</sup>		3931	-123		113	3921
Currency translation effects		147	442		-134	455
<b>Balance on 12.31.2018</b>	<b>0</b>	<b>-108554</b>	<b>-143648</b>	<b>0</b>	<b>-56974</b>	<b>-309176</b>
<b>Net book values on 12.31.2017</b>	<b>999</b>	<b>191016</b>	<b>51540</b>	<b>21718</b>	<b>20813</b>	<b>286086</b>
<b>Net book values on 12.31.2018</b>	<b>2511</b>	<b>204243</b>	<b>65645</b>	<b>60743</b>	<b>21701</b>	<b>354843</b>
Of which land 12.31.2017		45851				
Of which land 12.31.2018		50356				

<sup>1)</sup> In 2018, land and buildings in the net amount of TCHF 2312 were reclassified to assets held for sale, which form part of other receivables.

**Financial and Intangible Assets  
in CHF 1000**

	Employer's Contribution Reserves	Associated Companies	Shares in Companies <sup>1)</sup>	Long-term Loans and Receivables	Total Financial Assets	Intangible Assets
<b>Acquisition costs</b>						
<b>Balance on 01.01.2017</b>	<b>16226</b>	<b>1574</b>	<b>27362</b>	<b>3261</b>	<b>48423</b>	<b>43828</b>
Additions	561		4113	249	4923	12390
Disposals		-1476	-1755	-198	-3429	-518
Reclassifications						4
Adjustments through income statement		296			296	
Currency translation effects				3	3	115
<b>Balance on 12.31.2017</b>	<b>16787</b>	<b>394</b>	<b>29720</b>	<b>3315</b>	<b>50216</b>	<b>55819</b>
<b>Changes in scope of consolidation</b>	<b>3741</b>	<b>163</b>	<b>17</b>	<b>10</b>	<b>3931</b>	<b>1184</b>
Additions	167		3323	3021	6511	13396
Disposals			-14159	-117	-14276	-797
Reclassifications						1259
Adjustments through income statement		150			150	
Dividend payments		-66			-66	
Currency translation effects		-7		-17	-24	-138
<b>Balance on 12.31.2018</b>	<b>20695</b>	<b>634</b>	<b>18901</b>	<b>6212</b>	<b>46442</b>	<b>70723</b>
<b>Accumulated amortization</b>						
<b>Balance on 01.01.2017</b>	<b>0</b>	<b>0</b>	<b>-6960</b>	<b>-72</b>	<b>-7032</b>	<b>-34306</b>
Amortization current year						-3728
Value adjustments (net)			305		305	
Impairment						-2151
Disposals						517
Currency translation effects						-97
<b>Balance on 12.31.2017</b>	<b>0</b>	<b>0</b>	<b>-6655</b>	<b>-72</b>	<b>-6727</b>	<b>-39765</b>
Amortization current year						-4799
Value adjustments (net)			-1058	-190	-1248	
Disposals			6216		6216	796
Currency translation effects						80
<b>Balance on 12.31.2018</b>	<b>0</b>	<b>0</b>	<b>-1497</b>	<b>-262</b>	<b>-1759</b>	<b>-43688</b>
<b>Net book values on 12.31.2017</b>	<b>16787</b>	<b>394</b>	<b>23065</b>	<b>3243</b>	<b>43489</b>	<b>16054</b>
<b>Net book values on 12.31.2018</b>	<b>20695</b>	<b>634</b>	<b>17404</b>	<b>5950</b>	<b>44683</b>	<b>27035<sup>2)</sup></b>

<sup>1)</sup> Incl. private-equity investments.<sup>2)</sup> Of which TCHF 27021 (previous year: TCHF 16037) software.

### **Tangible Assets**

In 2018, value adjustments of TCHF 711 were released in connection with impairments recognized in the previous year. In the prior year, impairments on fixed assets in the amount of TCHF 5531 were recognized, resulting from the restructuring of the Life Science segment within the Infection Control Business Unit. Furthermore, new software was introduced in the Infection Control Business Unit during 2017 which led to an impairment of TCHF 2 151 on not yet entirely depreciated intangible assets. See Note 17 for further information.

### **Financial Assets**

#### **Employer's Contribution Reserves**

The increase in employer's contribution reserves in 2018 mainly results from the acquisitions mentioned in Note 24. Together with interest credited of TCHF 167, the employer's contribution reserve increased by TCHF 3908 in 2018. In the previous year, the Welfare Fund of V-ZUG AG allocated TCHF 400 to the employer's contribution reserves. Together with interest credited of TCHF 161, the employer's contribution reserve increased by TCHF 561 in the previous year.

#### **Associated Companies**

Attributable estimated profits on associated companies for financial year 2018 amount to TCHF 150 (previous year: TCHF 296).

In the previous year, the Group acquired 65 % of DiIT AG, Krailling (DE), previously held by third parties. This resulted in a disposal in associated companies of TCHF 1 476 as the participation of 35 % in DiIT AG was previously recognized in associated companies (see Note 24).

#### **Shares in Companies incl. Private-Equity Investments**

In 2018, a fully impaired financial investment with gross book value of TCHF 6212 was derecognised. Value adjustments in the amount of TCHF 1058 were provided on shares in companies incl. private-equity investments (previous year: release of TCHF 305). This increase mainly relates to the financial investment in Schlatter Industries AG.

#### **Long-term Loans and Receivables**

Long-term financial assets mainly comprise loans to third parties and deposits to secure rents.

### **Goodwill**

Goodwill recorded against retained earnings of TCHF 249269 (previous year: TCHF 9685) results from the acquisitions mentioned in Note 24. Additionally, goodwill was reduced by purchase price adjustments of TCHF 45 resulting from the previous year's acquisition of STERIFAST, Lda (previous year: reduction of TCHF 180). The accumulated acquisition values of goodwill amount to TCHF 265513 (previous year: TCHF 16289). The theoretical capitalization of goodwill would not have resulted in an impairment in either the current year or the previous year. Overall, the capitalization and theoretical amortization of goodwill over a useful life of 3 years would have resulted in an additional amortization of TCHF 73893 (previous year: TCHF 5184). After deduction of a theoretical amortization, the goodwill that can theoretically be capitalized has a residual value of TCHF 182733 (previous year: TCHF 7402).

**14 Current and Long-term Financial Liabilities**

in 1 000

Financial Instruments 2018	Currency (FC)	Term	Amount FC	Amount CHF	Interest Rate
Mortgage with fixed interest	EUR	03.31.2036	3 178	3 581	1.0 %
Unsecured bank loans with fixed interest	EUR	09.30.2025	1 405	1 584	1.0 % / 2.45 %
Other financial liabilities (various)				312	
<b>Total</b>				<b>5 477</b>	
<b>Of which current financial liabilities</b>				<b>292</b>	

in 1000

Financial Instruments 2017	Currency (FC)	Term	Amount FC	Amount CHF	Interest Rate
Other financial liabilities (various)				240	
<b>Total</b>				<b>240</b>	

As collateral for a mortgage of TCHF 3 581, assets with a book value of TCHF 6 201 were encumbered (previous year: 0).

**15 Pension Liabilities**

Pension liabilities amount to TCHF 643 (previous year: TCHF 361). They are recorded as other current liabilities.

**16 Other Long-term Liabilities**

Effective March 1, 2013, the newly established V-ZUG Kühltechnik AG acquired the business activities of the refrigeration equipment unit of AFG Arbonia-Forster Holding AG by way of an asset deal. The goodwill of TCHF 11 389 resulting from the acquisition is presented within liabilities and is systematically reversed. Goodwill is caused by deferred development costs and necessary adjustments to the operations, both already factored into the purchase price. Goodwill will be reversed over time in line with the development activities and the adjustments to the operational processes. The reversal based on this concept will be reviewed and if necessary adjusted on an annual basis. Development costs materialized from 2014 to 2017 and respective goodwill in the amount of TCHF 6 400 was released until end 2017. Adjustments to the operations will be initiated at a later stage. The remaining goodwill amounts to TCHF 4 989 and is reported as other long-term liabilities. Accordingly, the financial year 2018 is not affected by the release of goodwill (2017: release of TCHF 1 600).

Other long-term liabilities also include TCHF 10 000 granted by V-ZUG AG in 2016 to establish a fund to subsidize affordable housing. These were included in other current liabilities in the prior year.



## 17 Provisions

in CHF 1000

	Deferred Taxes	Guarantees	Pension	Restruc- turing	Other	Total
<b>Balance on 01.01.2017</b>	<b>21 167</b>	<b>38 022</b>	<b>3 226</b>	<b>1 039</b>	<b>4 596</b>	<b>68 050</b>
Additions	37	23 171	97	13 122	750	37 177
Utilization	-2 749	-22 592	-164	-890	-1 540	-27 935
Release		-952	-32		-1 375	-2 359
Change in scope of consolidation		56			97	153
Currency translation effects		254	289	3	129	675
<b>Balance on 12.31.2017</b>	<b>18 455</b>	<b>37 959</b>	<b>3 416</b>	<b>13 274</b>	<b>2 657</b>	<b>75 761</b>
Of which current provisions		28 595	165	3 793	1 218	33 771
<b>Balance on 01.01.2018</b>	<b>18 455</b>	<b>37 959</b>	<b>3 416</b>	<b>13 274</b>	<b>2 657</b>	<b>75 761</b>
Additions	1 208	21 316	2 122	2 469	3 586	30 701
Utilization	-3 467	-22 629	-1 933	-4 033	-1 183	-33 245
Release		-2 966	-98	-4 638	-769	-8 471
Change in scope of consolidation	2 982	835	16 739	389	6 901	27 846
Currency translation effects	-2	-185	-555	-158	13	-887
<b>Balance on 12.31.2018</b>	<b>19 176</b>	<b>34 330</b>	<b>19 691</b>	<b>7 303</b>	<b>11 205</b>	<b>91 705</b>
Of which current provisions		24 419	161	7 303	1 414	33 297

Provisions for guarantees are calculated on the basis of historical data (average of actual costs in recent years). As per December 31, 2018, restructuring provisions of TCHF 7 303 (previous year: TCHF 13 274) were recognized. Most of these restructuring provisions are related to the restructuring of the Life Science Business Area of the Infection Control Business Unit. The provisions recognized in the previous year were based on a restructuring plan which contained various possible options. A provision was recognized for the most likely option. On June 5, 2018, the final restructuring plan for the Life Science Business Area was communicated. According to this plan, Metall Zug Group intends to separate the current activities of the Life Science Business Area of its Infection Control Business Unit into a new Business Unit. As part of this restructuring, the Life Science Business Area discontinued most of the production and assembly of the Segment Life Science in Mühldorf (DE) by December 31, 2018. Certain functions were taken over by the existing organization in Sulgen (CH), while the Grosuplje site in Slovenia was further expanded. Based on this detailed restructuring plan, additional restructuring provisions for the site in Mühldorf (DE) were recorded and provisions for the site in Sulgen (CH) were released. Therefore, in 2018, restructuring provisions in the net amount of TCHF 1 999 were released in the Infection Control Business Unit. Impairments on tangible assets that were recognized in the prior year relating to this restructuring were partially released in 2018, based on the final restructuring plan (refer to Note 13).

Other provisions include amongst others the expected cash outflows related to various legal cases. From the increase in other provisions of TCHF 3 586, an amount of TCHF 1 990 relates to the Infection Control Business Unit.

**18 Significant Shareholders**

As at December 31, 2018, the following shareholders own more than 3 % of the total number of votes:

	<b>Type A Registered Shares</b>	<b>Type B Registered Shares</b>	<b>Votes</b>	<b>Votes Previous year</b>
Elisabeth Buhofer and Heinz M. Buhofer <sup>1)</sup>	1 480 650	4 074	67.4 %	67.4 %
Shareholder group Stöckli <sup>2)</sup>	340 800	18 338	16.3 %	16.3 %
Werner O. Weber, indirectly through Wemaco Invest AG	82 000	42 429	5.6 %	5.6 %

<sup>1)</sup> For the most part held through Buhofer Trust I, Vaduz, as well as Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer and Julia Häcki, to the extent that they are acting in mutual agreement (Buhofer Trust I).

<sup>2)</sup> Ursula Stöckli-Rubli, Walter Stöckli-Rubli, Elisabeth Stöckli Enzmann, Johannes Stöckli, Matthias Stöckli-Aguilar, Helen Jauch-Stöckli, Hubert Stöckli-Hernandez, Othmar Stöckli (shareholders' agreement) according to the public notification of February 24, 2015.

**19 Shares****Composition of Share Capital**

1 948 640	Type A registered shares at par value CHF 2.50	Swiss security no. 209 262	CHF 4 871 600
255 136	Type B registered shares at par value CHF 25.00	Swiss security no. 3982 108	CHF 6 378 400
<b>2 203 776</b>	<b>Votes</b>	<b>Share capital</b>	<b>CHF 11 250 000</b>

No equity instruments were issued in the year under review or in the previous year. Undistributable, statutory or legal reserves amount to TCHF 16 769 (previous year: TCHF 12 156).

In 2018, Metall Zug AG purchased 989 type B registered shares from third parties. As at December 31, 2018, Metall Zug AG holds 1 730 type B treasury shares at an average purchase price of CHF 3 484 (as at December 31, 2017: 741 type B treasury shares).

In 2017, 11 300 type A registered shares were sold to a related party and in return 1 130 type B registered shares were purchased from the same related party at the same price (nominal value adjusted). The profit of TCHF 1 757 resulting from the sale of the type A registered shares was taken directly to capital reserves.

Furthermore, in 2017, 1 346 type B registered shares were sold to third parties. The profit of TCHF 1 025 resulting from the sale was also taken directly to capital reserves.

**20 Transactions with Related Parties**

In the reporting year, invoices for services and appliances supplied to Zug Estates Holding AG Group companies in the amount of TCHF 221 (previous year: TCHF 157) were issued. On the other hand, expenses of TCHF 147 (previous year: TCHF 144) were incurred by gastronomy and real estate management services rendered to Metall Zug AG Group companies. As at December 31, 2018, accounts receivable of TCHF 17 (previous year: TCHF 3) and accounts payable of TCHF 8 (previous year: TCHF 1) are on the balance sheet from companies belonging to Zug Estates Holding AG. In the previous year, Metall Zug AG granted a short-term loan in the amount of TCHF 10 000 to Zug Estates Holding AG at market conditions which was fully repaid in 2018. The interest received on this loan amounts to TCHF 2 in 2018.

Some years ago, one of the Group companies allowed its pension fund to construct buildings under leasehold on the company's land. The resulting claim towards the pension fund for leasehold interests in 2018 amounts to TCHF 36 (previous year: TCHF 36). Furthermore, project services were rendered during 2018 in favour of the pension fund in the amount of TCHF 15 (previous year: TCHF 0.)

In 2017, 11 300 type A registered shares of Metall Zug AG of Metall Zug AG's treasury shares were sold to a shareholder listed in Note 18 "Significant shareholders" and in return 1 130 type B registered shares of Metall Zug AG were purchased from the same shareholder at the same, nominal value-adjusted, price.

Information on the compensation amounts paid to the Board of Directors and Senior Management is available in the compensation report on pages 50 and 51.

## 21 Leasing Liabilities

The liabilities from operating leases that are not shown in the balance sheet are structured as follows, according to maturity:

in CHF 1000	12.31.2018	12.31.2017
up to 1 year	2552	2984
up to 3 years	2366	2674
over 3 years	177	580
<b>Total</b>	<b>5095</b>	<b>6238</b>

## 22 Derivative Financial Instruments

Within the securities portfolios managed by third parties, limited investments in derivative financial instruments are allowed. These derivative financial instruments are held for trading purposes and are recorded at market values.

in CHF 1000	12.31.2018			12.31.2017		
Base Value	Contract Values	Market Values		Contract Values	Market Values	
		Positive	Negative		Positive	Negative
Foreign exchange				3703	8	-19
Equity instruments/indices				2640	55	
<b>Total market values</b>				<b>6343</b>	<b>63</b>	<b>-19</b>

To hedge future cash flows and balance sheet positions, the following financial instruments are kept, which are presented in line with the underlying transaction.

in CHF 1000	12.31.2018			12.31.2017		
Base Value	Contract Values	Market Values		Contract Values	Market Values	
		Positive	Negative		Positive	Negative
Foreign exchange	247903	424	-2225	226043	674	-1383
Interest rates				409		
<b>Total market values</b>	<b>247903</b>	<b>424</b>	<b>-2225</b>	<b>226452</b>	<b>674</b>	<b>-1383</b>

### 23 Contingent Liabilities/Other Off-Balance Sheet Obligations

As at December 31, 2018, trade receivables of foreign subsidiaries worth TCHF 12311 (previous year: TCHF 10799) served as collateral for credit lines. The carrying amount of fixed-term deposits, securities and properties that are pledged as collateral amount to TCHF 36508 (previous year: TCHF 15877).

In addition to purchase commitments of TCHF 44845 (previous year: TCHF 6204) there are also a number of long-term employment and rental contracts with a volume of TCHF 36258 (previous year: TCHF 17923).

Metall Zug AG made investment commitments to two private equity funds totaling TCHF 10000 (previous year: TCHF 10000), of which TCHF 5914 was paid in at the end of 2018 (previous year: TCHF 5395).

### 24 Acquisition and Sale of Consolidated Subsidiaries

Schleuniger Holding AG, Thun, purchased a 60 % stake in adaptronic Prüftechnik GmbH, Wertheim (DE), which is consolidated from January 1, 2018. Furthermore, Metall Zug AG, Zug, acquired a 70 % stake in Haag-Streit Holding AG, Köniz, which is consolidated from March 1, 2018. As part of this transaction, the directly and indirectly held subsidiaries of Haag-Streit Holding AG as included in the List of Investments (page 66) were acquired. Haag-Streit Holding AG and its subsidiaries form the new Medical Devices Business Unit of the Metall Zug Group.

The following assets and liabilities were assumed as at the acquisition date by applying the acquisition method of consolidation:

in CHF 1000	adaptronic Prüftechnik GmbH	Haag-Streit Holding AG and subsidiaries
Cash and cash equivalents	2725	56435
Other current assets	5052	140361
Non-current assets	6908	73113
Short-term financial liabilities	-824	-3189
Other current liabilities	-2965	-26725
Non-current liabilities	-5763	-27566
<b>Total identifiable net assets</b>	<b>5133</b>	<b>212429</b>

On December 17, 2018, Haag-Streit Holding AG repurchased the remaining 35 % non-controlling interest in OptoMedical Technologies GmbH, Lübeck (DE).

The purchase price for the acquisitions amounts to TCHF 401790 and includes acquisition-related costs of TCHF 4253, of which TCHF 1892 had already been paid in 2017. In the course of the purchase price payment, pre-existing loan receivables of the entities due from the vendors in the amount of TCHF 43986 were assumed and offset against the purchase price. The goodwill paid in connection with the above-mentioned transactions totals TCHF 249269 and was offset against retained earnings at the time of acquisition (see Changes in Shareholders' Equity, page 59). As part of the final purchase price adjustments of Haag-Streit Holding AG and its subsidiaries, the purchase price and the goodwill were reduced by TCHF 2271 during the second half of 2018.

On January 1, 2017, Schleuniger Holding AG, Thun, purchased 65 % of DiIT AG, Krailling, (DE), previously held by third parties. Schleuniger Holding AG thus holds 100 % of DiIT AG. Effective May 29, 2017, Belimed AG, Zug, acquired STERIFAST Sterilization & Disinfection Systems, Lda., Boticas (PT). The following assets and liabilities were acquired as at the acquisition date:

in CHF 1000	DiIT AG	STERIFAST, Lda.
Current assets	3410	464
Fixed assets	97	68
Current liabilities	-592	-354
Non-current liabilities	-174	-413
<b>Total identifiable net assets</b>	<b>2741</b>	<b>-235</b>

The goodwill paid in connection with the above-mentioned transactions totals TCHF 9685 and was offset against retained earnings at the time of acquisition (see Changes in Shareholders' Equity, page 59).

## 25 Pension Benefit Obligations

The most important companies providing pension plans are located in Switzerland, where pension schemes are organized through independent foundations or insured pension plans according to Swiss pension law (BVG). Patronage funds are also in place. The purpose of these funds is to provide ex gratia contributions to current and former employees to assist with the economic consequences of old age, disability, death and hardship circumstances.

### Employer's Contribution Reserves (ECR)

	Nominal Value	Renounced Use	Balance Sheet	Additions / Releases	Balance Sheet	Result from ECR or Similar Items in Personnel Expenses	
in CHF 1000	12.31.2018	12.31.2018	12.31.2018	2018	12.31.2017	2018	2017
Patronage funds/ pension schemes	17 223		17 223		16 507	165	559
Pension plans <sup>1)</sup>	3 472		3 472		280	2	2
<b>Total</b>	<b>20 695</b>	<b>0</b>	<b>20 695</b>	<b>0</b>	<b>16 787</b>	<b>167</b>	<b>561</b>

### Economical Benefit / Economical Obligation and Pension Benefit Expenses

	Surplus / Deficit According to Pension Plans <sup>2)</sup>	Economical Part of the Organization <sup>3)</sup>	Change or Impact on Net Income in Business Year <sup>4)</sup>	Contributions for the Period <sup>5)</sup>	Pension Expenses in Personnel Expenses	
in CHF 1000	12.31.2018	12.31.2018	12.31.2017	2018	2018	2017
Patronage funds/ pension schemes	2 643					
Pension plans without surplus/deficit					-22 984	-19 278
Pension plans with deficit	-19 691	-19 691	-3 416	-16 836	-1 848	-616
<b>Total</b>	<b>-17 048</b>	<b>-19 691</b>	<b>-3 416</b>	<b>-16 836</b>	<b>-24 832</b>	<b>-19 894</b>

<sup>1)</sup> The increase in employer's contribution reserves mainly derives from the acquisitions mentioned in Note 24.

<sup>2)</sup> In the prior year, pension schemes with surpluses of TCHF 3073 and deficits of TCHF -3416 existed.

<sup>3)</sup> The economical part of the organization on pension plans with deficits of TCHF 19 691 (previous year: TCHF 3416), originates mainly from closed defined benefit plans abroad and is recognized in full as a pension provision.

<sup>4)</sup> In 2018, a total amount of TCHF 92 was accounted for in the income statement as a result of the negative change in the economical part (prior year: TCHF 100 positive change). The change includes additions from acquisitions in the amount of TCHF 16 739.

<sup>5)</sup> Includes payments to pension schemes that bear pension risks themselves in the amount of TCHF 20 037 (previous year: TCHF 19 257) and payments to pension schemes that do not bear risks themselves in the amount of TCHF 861 (previous year: TCHF 737).



Most pension plans are financed through the employer's and the employee's contributions. Pension contributions are calculated as a percentage of the insured salary.

In 2018, the employer's contribution reserve increased by TCHF 3 908, of which TCHF 3 750 results from acquisitions and TCHF 167 from interest. In the prior year, the Welfare Fund of V-ZUG AG allocated TCHF 400 to the employer's contribution reserves. This allocation reduced the pension expenses of V-ZUG AG and therefore of Metall Zug Group by the respective amount. Together with interest credited of TCHF 161, the employer's contribution reserves increased by TCHF 561 in 2017.

Patronage funds can provide ex gratia contributions to current and former employees to assist with the economic consequences of old age, disability, death and hardship circumstances. It is not the companies' intention to obtain an economic benefit from the uncommitted resources of these patronage funds in the foreseeable future. This does not apply to the employer's contribution reserves.

#### Composition of Pension Expenses

in CHF 1000	2018	2017
Pension contributions at the organization's expense	-24 832	-19 994
Contributions to pension plans from employer's contribution reserves	0	0
<b>Total contributions<sup>1)</sup></b>	<b>-24 832</b>	<b>-19 994</b>
Change in employer's contribution reserves due to allocation, asset development, value adjustment, discounting, interest payments, etc.	167	561
<b>Contributions and changes in employer's contribution reserves</b>	<b>-24 665</b>	<b>-19 433</b>
Change in economic benefits for the organization from surplus	0	0
Change in economic liabilities for the organization from deficit	-92	100
<b>Total change in economic impact of surplus/deficit</b>	<b>-92</b>	<b>100</b>
<b>Pension expenses in personnel expenses</b>	<b>-24 757</b>	<b>-19 333</b>

<sup>1)</sup> No extraordinary contributions were agreed upon or paid in the reporting year or in the previous year.

#### 26 Changes in "Net Cash and Cash Equivalents"

The statement of cash flows is based on "Net cash and cash equivalents", which is composed as follows:

in CHF 1000	12.31.2018	12.31.2017
Cash and cash equivalents	161 781	250 766
Current financial liabilities	-292	0
<b>Total "Net cash and cash equivalents"</b>	<b>161 489</b>	<b>250 766</b>
Changes from the previous year	-89 277	-8 028

#### 27 Events After the Balance Sheet Date

Metall Zug is looking into spinning off the Household Appliances Business Unit and turning it into an independent, listed company. The exact details and timetable will be worked out over the next few months. The spin-off and listing is not to be expected before the second quarter of 2020.

# Report of the Statutory Auditor



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To the General Meeting of  
**Metall Zug AG, Zug**

Zug, 15 March 2019

## Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements presented on pages 55 to 82 of Metall Zug AG, which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of cash flows, changes of shareholders' equity and notes to the consolidated financial statements for the year ended 31 December 2018.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.


**Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

**Inventory valuation**

<b>Risk</b>	<p>Inventories and the related value adjustments amount to TCHF 298'804 and TCHF 62'106, respectively. The value adjustments primarily relate to replacement and maintenance materials which are disclosed under semi-finished and finished products as well as under trade goods.</p> <p>During our audit, we focused on these items, since they are material to the consolidated financial statements and the related value adjustments are based on assumptions that have a significant impact on the consolidated financial statements. Information regarding the valuation of inventory is disclosed under 'Inventories' in the principles of valuation section (page 61) as well as under '12 Inventories' (page 72).</p>
<b>Our audit response</b>	<p>Among the inventory valuation (acquisition or standard costs), we assessed the calculation of the value adjustments and compared the underlying management assumptions with past experience. We reviewed the aging analysis to identify excess inventory. Furthermore, we compared acquisition costs with net realizable values and thus analyzed the valuation of inventories.</p> <p>Our audit procedures did not lead to any reservations concerning the recognition and measurement of inventory.</p>

### Completeness and measurement of provisions for guarantees

<b>Risk</b>	<p>The calculation of provisions for guarantees amounting to TCHF 34'330 in total is dependent on underlying assumptions that are determined on the basis of historical values such as average actual costs incurred over the past years and that cover the expected costs for guarantees in the future due to new facts and circumstances. Given the importance of the management assessment in the calculation and the overall materiality of the provision, we consider this as significant to our audit. The provisions are disclosed in the principles of valuation section (page 62) as well as under '17 Provisions' (page 77).</p>
<b>Our audit response</b>	<p>We assessed the underlying assumptions by comparing them with past experience. In addition, we considered the influence of current events, such as the launch of new products or specific guarantee claims. We discussed individual cases taken into account in the provisions with local management. Furthermore, we analyzed the criteria to recognize provisions as well as the underlying assumptions that were made in determining the relevant amounts.</p> <p>Our audit procedures did not lead to any reservations concerning the completeness and measurement of provisions for guarantees.</p>

### Revenue recognition

<b>Risk</b>	<p>Revenue is recorded when the risks and rewards of ownership of the goods sold are transferred to the buyer. Hence, there are different contractual arrangements that determine the time at which the risks and rewards are transferred. Furthermore, a certain degree of judgment is involved in terms of determining when all revenue recognition requirements are fulfilled, in particular for products that have a long production time of up to several months. Details of revenue recognition are disclosed under 'Sales and revenue recognition' (page 60) as well as under '1 Segment Information' (page 67).</p>
<b>Our audit response</b>	<p>We analyzed the revenue recognition process from order placement to billing, and reviewed the implemented controls. During our audit, we focused on the assessment of the recognition of sales transactions that took place close to the balance sheet date. We reviewed the transactions on the basis of the underlying documents, such as contracts and delivery slips. We compared the credit notes in the new financial year with the respective accrual in the reporting year. Moreover, taking delivery terms (Incoterms) into account, we assessed whether the rights and obligations were transferred to the customer in the period under review.</p> <p>Our audit procedures did not lead to any reservations relating to the recognition of revenues.</p>

**Acquisition of Haag-Streit Group**

**Risk** As outlined in note '24 Acquisition and Sale of Consolidated Subsidiaries' on page 80, Metall Zug AG acquired 70% of the issued share capital and voting rights of Haag-Streit Holding AG and its directly and indirectly held subsidiaries. The acquisition of Haag-Streit Group was significant to our audit due to the financial magnitude of the transaction and due to significant judgments and assumptions involved in the recognition and measurement of the acquired assets and assumed liabilities. As a result of acquisitions, goodwill of TCHF 249'269 was offset against retained earnings in 2018.

**Our audit response** We discussed the purchase price allocation and the reasonableness of the applied assumptions and estimates with management. We assessed the appropriateness of the judgments taken in the fair value valuation of the assets and liabilities. Further, we attended the inventory stock take at the most significant locations such as Switzerland, Germany and the USA as part of the closing. Additionally we reviewed the determination of goodwill offset with retained earnings and the related disclosures in the notes. Our audit procedures did not lead to any reservations relating to the purchase price allocation and the disclosure in the notes.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd



Rico Fehr  
Licensed audit expert  
(Auditor in charge)



Simon Balmer  
Licensed audit expert



# Income Statement

in CHF	Notes	2018	2017
Dividend income		48 000 000	63 000 000
Other operating revenue		4 087 767	4 192 080
<b>Operating revenue</b>		<b>52 087 767</b>	<b>67 192 080</b>
Personnel expenses		-4 257 263	-4 967 091
Other operating expenses		-2 373 707	-1 574 748
Increase of provisions (net)		0	-60 000 000
Depreciation		-241 860	-224 527
<b>Operating expenses</b>		<b>-6 872 830</b>	<b>-66 766 366</b>
<b>Operating income (EBIT)</b>		<b>45 214 937</b>	<b>4 257 14</b>
Financial income	1	34 062 696	53 516 086
Financial expenses	2	-41 162 302	-9 793 682
<b>Financial result</b>		<b>-7 099 606</b>	<b>43 722 404</b>
<b>Income before taxes</b>		<b>38 115 331</b>	<b>44 148 118</b>
Taxes		540	-353 819
<b>Net income</b>		<b>38 115 871</b>	<b>40 609 921</b>

# Balance Sheet

## Assets

in CHF	Note	12.31.2018	12.31.2017
Cash and cash equivalents		29 764 202	136 399 073
Listed securities	3	65 144 936	252 538 818
Loans to related parties	4	0	10 000 000
Loans to subsidiaries	5	4 500 000	0
Other receivables third parties		200 046	749 118
Other receivables subsidiaries		947 196	270 611
Accrued expenses third parties		47 969	1 563
Accrued expenses subsidiaries		68 500	101 400
<b>Current assets</b>		<b>100 672 849</b>	<b>400 060 583</b>
Financial assets		15 404 757	23 064 731
Loans to subsidiaries	5	244 535 000	222 050 000
Investments	6	597 793 611	210 217 343
Tangible assets		26 056	42 367
Intangible assets	7	2 736 546	2 901 560
<b>Fixed assets</b>		<b>860 495 970</b>	<b>458 276 001</b>
<b>Total assets</b>		<b>961 168 819</b>	<b>858 336 584</b>

## Liabilities

Other payables third parties		328 576	483 7915
Other payables subsidiaries		7 269	2 264
Accrued liabilities third parties		706 623	2 133 462
Accrued liabilities subsidiaries		547 000	375 000
<b>Current liabilities</b>		<b>1 589 468</b>	<b>7 348 641</b>
Provisions		516 238 180	516 238 180
Loans from subsidiaries		104 910 316	0
<b>Non-current liabilities</b>		<b>621 148 496</b>	<b>516 238 180</b>
<b>Total liabilities</b>		<b>622 737 964</b>	<b>523 586 821</b>
Share capital		11 250 000	11 250 000
Statutory capital reserves			
Capital contribution reserves		1 750 052	1 750 052
Statutory profit reserves		562 500	562 500
Voluntary profit reserves	9	274 143 291	274 143 291
Retained earnings			
Retained earnings carried forward		13 573 738	4 411 877
Net income		38 115 871	40 609 921
Treasury shares	9	-602 7097	-304 0378
<b>Shareholders' equity</b>		<b>338 430 855</b>	<b>334 749 763</b>
<b>Total liabilities and shareholders' equity</b>		<b>961 168 819</b>	<b>858 336 584</b>

# Notes to the Annual Financial Statements

Metall Zug AG is a company limited by shares and its registered offices are at Industriestrasse 66, Zug, Switzerland.

## Financial Reporting Principles Applied in these Financial Statements (as far as these are not specified by law)

The financial statements presented here were prepared in accordance with the provisions on commercial accounting contained in the Swiss Code of Obligations (articles 957–963b CO).

### Listed Securities

Listed securities and portfolios managed by third parties are recorded at stock market prices on the balance sheet date. The position contained valuation reserves until December 31, 2017 which were released in 2018.

### Financial Assets

Financial assets are recorded at acquisition cost less necessary impairments.

### Loans to Related Parties

Loans to related parties are recorded at their nominal value less necessary impairments.

### Loans to Subsidiaries

Loans to subsidiaries are recorded at their nominal value less necessary impairments.

### Tangible Assets

Tangible assets are recorded at acquisition cost less accumulated depreciation permitted for tax purposes. The tangible assets position comprises furniture and cars. The straight-line depreciation method is applied on the basis of a useful life of five years. If there are indications that tangible assets are overvalued, the book values are reviewed and impaired if necessary.

### Intangible Assets

Acquired intangible assets are recognized in the balance sheet if they are to bring measurable benefits to the company over several years. Software is measured at acquisition cost less straight-line amortization over the useful life of three years. Brands are measured at acquisition cost less straight-line amortization over 20 years. If there are indications that intangible assets are overvalued, the book values are reviewed and impaired if necessary.

### Provisions

Various provisions are built up to secure the lasting prosperity of the company.

### Treasury Shares

Treasury shares are recognized at the time of purchase at acquisition cost as minus items under equity. In the event of a subsequent resale, the gain or loss is directly taken to equity.

## Information, Breakdowns and Explanations of Balance Sheet and Income Statement Items

### 1 Financial Income

in CHF	2018	2017
Income from securities	7 277 297	48 343 769
Income from financial assets	3 157	23 039
Income from release of valuation reserves	21 846 535	0
Interest income from loans to subsidiaries	4 935 707	5 149 278
<b>Total financial income</b>	<b>34 062 696</b>	<b>53 516 086</b>

**2 Financial Expenses**

in CHF	2018	2017
Expenses from securities	-7 417 195	-3 393 682
Interest expense loans from subsidiaries	-245 829	0
Interest expense third parties	-84 278	0
Impairment on loans to subsidiaries	-33 415 000	0
Expenses waiver loans to subsidiaries	0	-6 400 000
<b>Total financial expenses</b>	<b>-41 162 302</b>	<b>-9 793 682</b>

**3 Listed Securities**

in CHF	12.31.2018	12.31.2017
Listed securities, gross	65 144 936	274 385 353
Valuation reserves	0	-21 846 535
<b>Total listed securities, net</b>	<b>65 144 936</b>	<b>252 538 818</b>

**4 Loans to Related Parties**

In the prior year, this position included a short-term loan to Zug Estates Holding AG in the amount of TCHF 10 000. This loan was fully repaid in 2018.

**5 Loans to Subsidiaries**

in CHF	12.31.2018	12.31.2017
Loans to subsidiaries, gross	282 450 000	222 050 000
Impairment on loans to subsidiaries	-33 415 000	0
<b>Total loans to subsidiaries, net</b>	<b>249 035 000</b>	<b>222 050 000</b>
Of which current loans to subsidiaries	4 500 000	0

As at December 31, 2018, subordinations on loans to subsidiaries amount to TCHF 38 200 (previous year: TCHF 0).

**6 Investments**

Detailed information on the investments of Metall Zug AG, Zug as at December 31, 2018 is available on pages 65 and 66.

**7 Intangible Assets**

in CHF	12.31.2018	12.31.2017
Software, gross	319 290	262 460
Accumulated amortization	-249 644	-194 500
<b>Software, net</b>	<b>69 646</b>	<b>67 960</b>
Brands, gross	3 334 000	3 334 000
Accumulated amortization	-667 100	-500 400
<b>Brands, net</b>	<b>2 666 900</b>	<b>2 833 600</b>
<b>Total intangible assets</b>	<b>2 736 546</b>	<b>2 901 560</b>

## Additional Information Required by Law

### 8 Significant Shareholders

See Note 18 to the consolidated financial statements, page 78.

### 9 Treasury Shares

In 2018, 989 type B registered shares were purchased from third parties. As at December 31, 2018, Metall Zug AG holds 1 730 type B treasury shares at an average purchase price of CHF 3 484 (as at December 31, 2017: 741 type B treasury shares).

In 2017, 11 300 type A registered shares were sold to a related party and in return 1 130 type B registered shares were purchased from the same related party at the same price (nominal value adjusted). The profit of TCHF 1 757 resulting from the sale of the type A registered shares was taken directly to voluntary profit reserves.

Furthermore, in 2017, 1 346 type B registered shares were sold to third parties. The profit of TCHF 1 025 resulting from the sale was also taken directly to voluntary profit reserves.

### 10 Share Ownership by Current Members of the Corporate Bodies

	as at 12.31.2018		as at 12.31.2017	
	Type A Registered Shares	Type B Registered Shares	Type A Registered Shares	Type B Registered Shares
<b>Heinz M. Buhofer</b> , Chairman of the Board of Directors	563 040 <sup>1)</sup>	938	563 040 <sup>1)</sup>	938
<b>Marga Gyger</b> , Member of the Board of Directors	0	0	0	0
<b>Peter Terwiesch</b> , Member of the Board of Directors	0	10	0	10
<b>Martin Wipfli</b> , Member of the Board of Directors	0	516	0	270
<b>Jürg Werner</b> , CEO	0	20	0	20
<b>Daniel Keist</b> , CFO	0	0	0	0
<b>Dirk Hoffmann</b> , CEO Household Appliances Business Unit	0	20	0	20
<b>Christoph Schüpbach</b> , CEO Wire Processing Business Unit	0	0	0	0

<sup>1)</sup> For the most part held through the Buhofer Trust I, Vaduz.

### 11 Sureties

There are sureties to secure credit lines to Group companies from banks amounting to TCHF 26 762 (previous year: TCHF 26 257). Furthermore, sureties in the amount of TCHF 139 (previous year: TCHF 213) were granted to suppliers of a subsidiary.

### 12 Contingent Liabilities

Metall Zug AG made investment commitments to two private equity funds totaling TCHF 10 000 (previous year: TCHF 10 000), of which TCHF 5 914 was paid by the end of 2018 (previous year: TCHF 5 395). Furthermore, in 2018, Metall Zug AG issued a parent support letter in favor of the subsidiary Belimed AG, Zug.

### 13 Number of Full-time Equivalents

The number of full-time equivalents averaged between 10 and 50 in the year under review (unchanged).

### 14 Release of Hidden Reserves

In 2018, hidden reserves in the amount of TCHF 21 847 were released (previous year: TCHF 0).

### 15 Events After the Balance Sheet Date

Metall Zug is looking into spinning off the Household Appliances Business Unit and turning it into an independent, listed company. The exact details and timetable will be worked out over the next few months. The spin-off and listing is not to be expected before the second quarter of 2020.

# Proposal for the Appropriation of Available Earnings

in CHF	12.31.2018	12.31.2017
	<b>Proposal of the Board of Directors</b>	<b>Resolution of the General Meeting of Shareholders</b>
Retained earnings carried forward	13 573 738	4 411 877
Net income	38 115 871	40 609 921
<b>Retained earnings</b>	<b>51 689 609</b>	<b>45 021 798</b>
Distribution of cash dividend		
for each type A registered share CHF 7.00 gross	13 640 480	13 640 480
for each type B registered share CHF 70.00 gross	17 859 520	17 859 520
<b>Total</b>	<b>31 500 000</b>	<b>31 500 000</b>
minus dividend on treasury shares <sup>1)</sup>	- 121 100	- 51 940
<b>Retained earnings to be carried forward</b>	<b>20 310 709</b>	<b>13 573 738</b>

<sup>1)</sup> As at December 31, 2018, 1 730 type B treasury shares are not entitled to a dividend (previous year: 741 type B treasury shares). The share capital entitled to a distribution, and thus the distributed dividend, may vary due to possible changes in the portfolio of treasury shares until the record date of the dividend payment.

Subject to the General Meeting of Shareholders' approval of the Board of Directors' proposal, the dividend will be paid on Thursday, May 9, 2019 (payment date). The last trading date with entitlement to receive the dividend is Monday, May 6, 2019. The shares of Metall Zug AG will be traded ex-dividend as of Tuesday, May 7, 2019.



# Report of the Statutory Auditor



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To the General Meeting of  
**Metall Zug AG, Zug**

Zug, 15 March 2019

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements presented on pages 87 to 92 of Metall Zug AG, which comprise the income statement, balance sheet and notes, for the year ended 31 December 2018.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.


**Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

**Valuation of investments and loans**

<b>Risk</b>	The core business of Metall Zug AG is granting loans to subsidiaries (TCHF 249'035) and holding investments (TCHF 597'794) and these two items make-up 88% of all assets. Depending on the operational developments of the individual business units, there is a valuation risk with regard to investments and loans. Loans are disclosed under section 5 and Investments under section 6 in the notes to the financial statements.
<b>Our audit response</b>	We assessed the impairment considerations of management and reviewed the impairments recorded on investments and loans. We compared the carrying amounts of the investments with the company's proportional share in equity. Where this net asset value consideration was insufficient, we considered the valuations as determined by management (e.g., using the discounted cash flow method) to support the book value. We examined the significant assumptions made in these calculations and involved internal valuation specialists if necessary. In case of loans to companies with negative equity, we reviewed the valuation adjustments recorded. Our audit procedures did not lead to any reservations concerning the recognition and measurement of investments and loans.

### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Rico Fehr  
Licensed audit expert  
(Auditor in charge)



Simon Balmer  
Licensed audit expert

# Addresses

(as at March 1, 2019)

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