

**Metall Zug Group** 

## Annual Report **2017**

### Quality Competence Innovative strength

The Metall Zug Group develops, manufactures and distributes innovative products, and provides services that meet the highest standards. The leading-edge innovations of the Household Appliances Business Unit, the efficient and absolutely reliable solutions of the Infection Control Business Unit, as well as the precision products of the Wire Processing Business Unit form the basis for the business success of the Metall Zug Group and its customers.

The pursuit of quality and commitment to operational efficiency within the Metall Zug Group underpin the day-to-day work in the business units, thereby ensuring an attractive range of high quality, efficient and resource-saving premium products.



### **The Metall Zug Group**

Metall Zug, an industrial group of companies headquartered in Zug, comprised three Business Units and had a workforce of around 4,000 at the end of 2017. The Household Appliances Business Unit includes the Swiss market leader V-ZUG AG with its foreign subsidiaries and V-ZUG Kühltechnik AG, SIBIRGroup AG and Gehrig Group AG. The Infection Control Business Unit is represented by the Belimed Group, and the Schleuniger Group makes up the Wire Processing Business Unit. On March 1, 2018, the Haag-Streit Group joined the Metall Zug Group as its new Medical Devices Business Unit. The Group now has around 5,000 employees. 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 982108, ticker symbol METN).

### **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

**SIBIR**Group

SIBIRGroup AG is a full-range supplier of kitchen and laundry appliances for private homes. 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.

### Infection Control



### Belimed Group

The Belimed Group is one of the leading global suppliers of innovative cleaning, disinfection and sterilization systems used in hospitals (Medical Business Area) and in the pharmaceutical industry (Life Science Business Area).

### 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 test automation. In addition, Schleuniger offers software packages to optimize machine efficiency and utilization for complex applications.

### Medical Devices

(as of March 2018)



### 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.

### **Key Figures at a Glance**

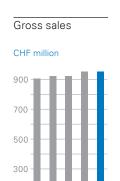
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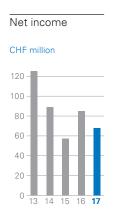
Metall Zug Group					
in CHF million	2017	2016	2015	2014	2013
Gross sales	959.2	960.6	927.8	927.0	908.6
Operating income (EBIT)	53.0	94.1	80.5	75.0	69.8
Net income	67.7	84.9	56.9	86.0	124.1
Cash flow from operating activities	90.1	95.4	104.6	135.8	162.3
in % of sales	9.4	9.9	11.3	14.6	17.9
Total assets	1188	1153	1084	1055	994
Current assets	842	828	788	763	702
in % of total assets	71	72	73	72	71
Fixed assets	346	325	296	292	291
in % of total assets	29	28	27	28	29
Total liabilities	268	266	251	249	246
in % of total assets	23	23	23	24	25
Shareholders' equity	920	886	833	806	748
in % of total assets	77	77	77	76	75
Investments	58.2	60.8	42.5	37.0	32.1
Employees	4015	3919	3812	3626	3507
Metall Zug AG					
in CHF million	2017	2016	2015	2014	2013
Total assets	858.3	779.3	737.9	692.2	670.9
Total liabilities	523.6	458.8	423.8	395.3	356.9
Shareholders' equity	334.7	320.5	314.1	296.9	314.0
Net income	40.6	35.5	44.1	28.6	26.4
Dividend in %	2801)	280	412	244	244
Dividend in %	280"	280	412	244	

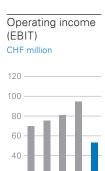
<sup>&</sup>lt;sup>1)</sup> According to the proposal of the Board of Directors to the General Meeting of Shareholders.

	2017	2016	2015	2014	2013
Household Appliances					
Gross sales in CHF million <sup>1)</sup>	587.4	599.2	581.9	589.2	579.4
Employees	2039	1989	1 951	1848	1747
Infection Control					
Gross sales in CHF million <sup>1)</sup>	193.4	206.1	198.3	209.0	221.1
Employees	1 197	1222	1 196	1 173	1 174
Wire Processing					
Gross sales in CHF million	180.5	158.2	150.1	131.3	110.9
Employees	750	677	642	592	574
Corporate					
Third-party revenue in CHF million	1.2	1.3	1.2	1.4	0.7
Employees	29	31	23	13	11

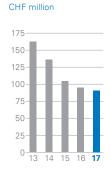
<sup>&</sup>lt;sup>1)</sup>Including sales with other Business Units.





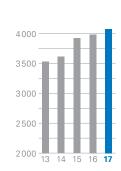


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Cash flow from

operating activities



Employees

The Metall Zug Group generated stable gross sales of CHF 959.2 million in the reporting year (previous year: CHF 960.6 million). Adjusted for acquisition and currency effects of  $0.8\,\%$  and  $0.1\,\%$  respectively, this is equivalent to an organic decline of  $1.0\,\%$  in local currencies.

Net sales achieved abroad increased from 40.7% in 2016 to 41.8% in 2017 to stand at CHF 391.1 million (previous year: CHF 382.2 million).

The Metall Zug Group generated an operating income (EBIT) of CHF 53.0 million (previous year: CHF 94.1 million). This corresponds to a decrease of 43.7 %. The financial year 2017 includes exceptional charges from the recognition of restructuring provisions and impairments on tangible and intangible assets mainly related to the restructuring of the Life Science Business Area of the Infection Control Business Unit. These exceptional charges had a negative impact on operating income (EBIT) in the amount of CHF 20.8 million. In the prior year, an exceptional profit of CHF 5.1 million resulted from the sale of the property in Ballwil, which was no longer used by Belimed. On a comparable basis, excluding the abovementioned impacts, operating income (EBIT) decreased by 17.1 % to CHF 73.8 million (previous year: CHF 89.0 million).

Expenditure for research and development stood at CHF 85.9 million (previous year: CHF 81.2 million) and amounted to 9.0 % of gross sales (previous year: 8.5 %).

The companies of the Metall Zug Group spent 2.5% of gross sales on marketing activities, as in the previous year.

Detailed figures for the individual Business Units are provided on page 70 of the Financial Report.

The Household Appliances Business Unit contributed operating income (EBIT) of CHF 65.4 million (previous year: CHF 76.8

million) and the Wire Processing Business Unit contributed CHF 22.3 million (previous year: CHF 22.8 million). The operating income (EBIT) contributed by Infection Control was CHF –34.2 million (previous year: CHF –6.3 million), including exceptional expenses from restructuring and impairments in the amount of CHF 18.0 million. The Corporate reporting segment generated an operating income of CHF –0.5 million (previous year: CHF 0.9 million) including an impairment of CHF 2.8 million on a property, which was also related to the restructuring of the Life Science Business Area.

The pleasing performance of securities increased the financial result from CHF 10.3 million in 2016 to CHF 30.4 million in 2017.

Tax expenses decreased from CHF 19.8 million in the previous year to CHF 16.6 million. However, in relation to income before taxes this represents an increase of the tax rate to 19.9 % compared to the previous year's figure of 19.0 %.

Net income stood at CHF 67.7 million (previous year: CHF 84.9 million).

The cash flow from operating activities amounted to CHF 90.1 million (previous year: CHF 95.4 million).

The net cash position at the end of 2017 declined to CHF 525.1 million (previous year: CHF 543.0 million).

Full-time equivalent employees increased by 96 employees to 4015 employees (previous year: 3919). A total of 2579 employees (previous year: 2524) are employed in Switzerland and 1436 (previous year: 1396) abroad.

The ratio of equity to total assets at the end of the reporting year rose to 77.4 % compared to 76.9 % in the previous year.

### •• Please open flap for "Key figures at a glance".

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### Letter to Shareholders

The Metall Zug Group is currently undergoing a period of transformation. Initiatives involving product and process digitization in all Business Units, the strategic modernization of the Zug production site in the Household Appliances Business Unit, further restructuring measures required at Belimed and the structural expansion at Schleuniger resulted in additional expenses. While gross sales remained stable at CHF 959.2 million, operating income (EBIT) fell to CHF 53.0 million (previous year: CHF 94.1 million). The financial result climbed to CHF 30.4 million (previous year: CHF 10.3 million). Net income came to CHF 67.7 million in the reporting year (previous year: CHF 84.9 million).

### Dear Shareholders

2017 was a low-key year for the Metall Zug Group in a number of ways. Although gross sales remained stable at CHF 959.2 million (previous year: CHF 960.6 million), sales declined by 1.0 % organically and in local currencies. Various expenses in relation to digitization and Industry 4.0, product development and structural expansion in all three Business Units, and extraordinary expenses for further restructuring measures at Belimed again had a negative impact on the result. The operating income (EBIT) reported by the Metall Zug Group fell to CHF 53.0 million (previous year: CHF 94.1 million). On a like-for-like basis, i.e. leaving aside the extraordinary expense of CHF 20.8 million in connection with the restructuring measures at Belimed, the 2017 figure actually fell to CHF 73.8 million (previous year: CHF 89.0 million, factoring out the CHF 5.1 million gain on the sale of property). The pleasing performance of securities increased the financial result to CHF 30.4 million (previous year: CHF 10.3 million). This resulted in net income of CHF 67.7 million (previous year: CHF 84.9 million).

The equity ratio rose to 77.4 % of total assets (previous year: 76.9 %). The net cash position reached CHF 525.1 million at the end of the reporting year (previous year: CHF 543.0 million).

### **Household Appliances: Sales Present a Mixed Picture**

V-ZUG, whose production facilities are mostly based in Switzerland, was able to improve its market position again in a declining domestic market despite recording a slight drop in sales. The selective expansion of its own-brand business abroad led to further strong growth. Business in China and

Hong Kong proved particularly successful. The sales generated through the OEM partner in the US failed to match the prior year's high level.

The decline in sales, expenses related to the strategic modernization of the Zug production site and to Industry 4.0, and a wide variety of product development initiatives adversely affected the profitability of the Household Appliances Business Unit

Gross sales of the Household Appliances Business Unit were down 2.0% to CHF 587.4 million (previous year: CHF 599.2 million). Operating income (EBIT) fell 14.8% to CHF 65.4 million (previous year: CHF 76.8 million).

### Infection Control: Further Restructuring in the Life Science Business Area

The Infection Control Business Unit experienced an unexpected downturn in sales in the second half of 2017. Delivery problems among suppliers of core components and production delays following the rollout of SAP in Grosuplje (Slovenia) and Mühldorf (Germany) meant that various projects in the seasonally important fourth quarter could no longer be delivered on time. Gross sales fell by 6.1 % to CHF 193.4 million (previous year: CHF 206.1 million).

Alongside this sales performance, the Life Science Business Area also had a negative impact on the Infection Control Business Unit's operating income. The Medical Business Area had been the focus of the restructuring measures to date; now it is the turn of the Life Science Business Area to undergo comprehensive restructuring.

The operating income (EBIT) of CHF –34.2 million (previous year: CHF –6.3 million including a gain of CHF 5.1 million on the sale of the property in Ballwil) includes the recognition of provisions for restructuring and impairments totaling CHF 18.0 million in the Life Science Business Area. In addition, an impairment of CHF 2.8 million had to be recognized in the Corporate reporting segment for a property used by Belimed.

### Wire Processing: High Growth, Expanded Service Range and Strengthened Structures

Schleuniger generated significant growth in sales in the reporting year. The new Software Business Area, featuring DilT AG (Germany), also contributed to this growth.

Schleuniger increased its gross sales by 14.1 % to CHF 180.5 million (previous year: CHF 158.2 million). Operating income (EBIT) was down 2.2 % at CHF 22.3 million (previous year: CHF 22.8 million) due to the substantial expenses on future growth and integration costs.

In the fourth quarter, Schleuniger signed an agreement to acquire a 60 % stake in adaptronic Prüftechnik GmbH (Germany), thereby adding customized testing solutions to its established range of services.

### Visible Transformation of V-ZUG's Main Site

In parallel with completion of the move into the new "Mistral" production, assembly and development building, various preparations were made for the next stage in the site's strategic transformation. A construction permit was granted for the first build-out phase of the new "Zephyr Hangar" production facility. The strategic site planning lays the foundations for the company's long-term growth, which V-ZUG is seeking to achieve through its selective internationalization strategy. Before the transformation of the company's main site into an urban center for technology and innovation – the planned Technology Cluster Zug – can continue, a legally binding development plan still needs to be approved. This plan was able to overcome important political hurdles in 2017.

### **New Business Unit: Medical Devices**

On February 28, 2018, the Metall Zug Group completed the acquisition of a 70 % stake in Haag-Streit Holding AG as announced in December 2017. Haag-Streit is a leading medtech company in the fields of ophthalmology (diagnostics and surgical microscopy), pneumology and precision optics. The company has become the fourth Business Unit of the Metall Zug Group: Medical Devices. Haag-Streit was founded in 1858 and is known for "precision by tradition".

### Farewell to Heinz Buhofer, Honorary Chairman of the Metall Zug Group

Following a short illness, honorary chairman Heinz Buhofer passed away on May 16, 2017, just a few days after his 90th birthday. He was a member of the Board of Directors of Metallwaren-Holding AG (now Metall Zug AG) from 1967 to 1997, becoming Chairman in 1972 and also Delegate in 1984. Thanks to his strong personality and outstanding vision, Heinz Buhofer has left a lasting mark on the Metall Zug Group.

### **Stable Dividend Distribution**

As in the previous year, the Board of Directors will propose to the General Meeting of Shareholders of May 4, 2018, 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**

The Metall Zug Group is currently undergoing a period of great transformation. With the groundbreaking ceremony for the new "Zephyr Hangar" building at the V-ZUG production site in Zug, the imminent restructuring measures in the Infection Control Business Unit and the additional costs in relation to Industry 4.0 and product development, the financial year 2018 can be regarded as another period of transition. The present currency constellation and the rapidly changing business conditions brought about by digitization present additional challenges. At the same time, the first-time consolidation of Haag-Streit as the fourth Business Unit will lead to a growth spurt. Although there are various challenges in 2018, the Metall Zug Group has reason to be confident and cautiously optimistic about the financial year. Its star may not be shining brightly at the moment, but Metall Zug is working hard to create stepping stones to a prosperous future in what is currently an unclear environment.

### Acknowledgements

Our employees are noted for their great flexibility and agility, for which we would like to thank all of them most sincerely. Our 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, especially at the present time.

Heinź M. Buhofer

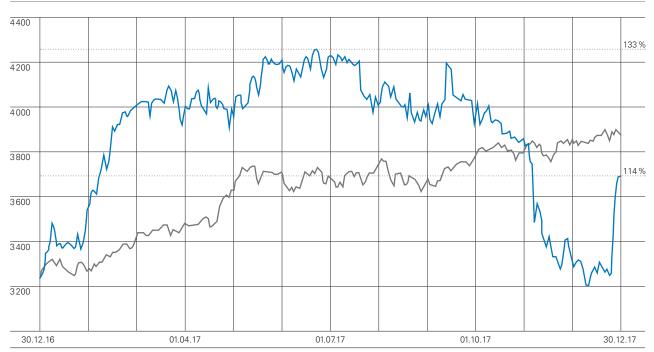
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Chairman of the Board of Directors

### **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



Type B registered shares Metall Zug AG

Source: www.six-swiss-exchange.com

The Board of Directors proposes to the General Meeting of Shareholders of May 4, 2018, 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 2017 corresponds to the dividend distribution approved for the financial year 2016.

Provided that the General Meeting of Shareholders approves this proposal, a total amount of CHF 31.5 million (previous year: 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 4, 2018 General Meeting of Shareholders

May 11, 2018 Payment of dividend

August 20, 2018
Publication of half-year results

N	u	m	b	er	ot	S	ha	res	3

		2017	2016	2015	2014	2013
Type A registered shares	par value CHF 2.50	1948640	1948640	1948640	1948640	1948640
Type B registered shares	par value CHF 25.00	255 136	255136	255136	255 136	255136
Figures per type A re	gistered share					
in CHF						
Net income		15.08	19.08	12.92	19.47	28.02
Cash flow from operatin	g activities	20.02	21.21	23.25	30.17	36.06
Shareholders' equity		204.36	196.95	185.04	179.03	166.19
Dividend		7.001)	7.00	11.072)	6.10	6.10
in CHF Net income		150.77	190.77	129.17	194.72	280.23
Net income		150.77	190.77	129.17	194.72	280.23
Cash flow from operatin	g activities	200.19	212.08	232.45	301.71	360.60
Shareholders' equity		2043.56	1969.52	1850.37	1790.32	1661.87
Dividend		70.001)	70.00	110.712)	61.00	61.00
Dividend yield (in %)		1.89	2.16	4.39	2.54	2.57
Total shareholder return	(in %)	16.27	32.87	7.36	4.05	29.31
Stock market price	High	4295	3365	2699	2700	2380
	Low	3155	2380	2233	2218	1910
	At year-end	3696	3239	2521	2405	2370
Total market capitali	zation <sup>3)</sup>					
in CHF million	At year-end	1663	1458	1 134	1082	1067

 $<sup>^{\</sup>mbox{\tiny 1)}}$  According to the proposal of the Board of Directors to the General Meeting of Shareholders.

<sup>&</sup>lt;sup>2)</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>&</sup>lt;sup>3)</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**



Dr. Jürg Werner

Making foresighted investments from a position of strength to be fit for a future that is changing faster than ever

. . .

At the end of 2017, Metall Zug publicly announced its acquisition of a majority holding in Haag-Streit Holding AG. The transaction has now been completed. What were the reasons for this step?

The Metall Zug Group has maintained a high cash position for many years. The aim was to use these liquid funds for industrial investments to create sustainable, profitable growth for our existing Business Units. Over the last few years, we have acquired a number of companies that ideally round out our product portfolio or – especially in Schleuniger's case – our range of services along the entire customer value chain. However, as these were mainly small-scale transactions, our financial strength continued to increase. That's why we were open to buying a new Business Unit as a fourth pillar.

### Why exactly did you acquire Haag-Streit, a medtech company?

Haag-Streit satisfied all the criteria we had defined for acquiring a fourth business unit: as a family company with a breadth and depth of industrial expertise, and precision products that are both high in quality and technologically advanced, Haag-Streit is an excellent cultural fit for the Metall Zug Group. The transaction expands our geographical footprint and diversifies our market, currency and political risks. Haag-Streit is one of the leaders in its sales markets, generating attractive

margins and offering the Metall Zug Group interesting prospects for growth, both organically and through acquisitions. Agreement on the purchase price was just one element that led to the successful conclusion of negotiations. The previous owners placed as much importance on the sustainable long-term development of the Haag-Streit Group and largely preserving its independence.

### In this digital age, the conditions under which companies operate are changing faster than ever. How will the newly expanded Metall Zug Group cope with this more dynamic environment?

Now that it has four Business Units, the Metall Zug Group may appear more complex and unwieldy to outside observers. But that is not the case. Each Business Unit has its own management team, its own Board of Directors guiding its strategic alignment, and its very own market presence. In addition to strategic management, the Senior Management of Metall Zug also has the task of making use of the diversity of our Business Units as a source of innovation, internal benchmarks and best practice. Together with the financial strength of the Metall Zug Group, this creates added value. We naturally exploit economies of scope where this makes

sense, and digitization has now also become a common denominator for all our Business Units. That said, cooperation is never imposed "from above" at the expense of agility. As a result, we'll continue to operate with a lean holding structure in future, passing on as much responsibility as possible to the Business Units and attaching great importance to each Business Unit retaining its independence. In this digital age, the companies that are most successful are those that can adapt quickest. And this is where market proximity and customer closeness, i.e. the ability to anticipate changing customer needs, play an all-important role.

### What do you mean by agility and how do you intend to succeed by taking prompt action?

One example is the new, interdisciplinary V-ZUG team that we set up last year in Rotkreuz (Switzerland) at the provisional base of "Innovationspark Zentralschweiz", an association aiming to create an innovation park for Central Switzerland. Deliberately placing this team outside the standard organizational structure enables it to develop digital solutions, products and new business models by taking part in agile projects. A new app for connecting all your household appliances via smartphone was created in next to no time, and added value delivered to customers in the form of additional services such as a selection of recipes and easy ordering of products. We will

continue to evolve this project organization, which is not unlike a start-up, in the V-ZUG Innovation Lab in order to develop a faster and more efficient response to digital disruption. The V-ZUG Innovation Lab's main task will be to pave the way for the future. It's up to the standard organization to make the future happen. Both organizational forms – i. e. start-up-like project teams that we can think of as "speedboats" and the standard operational structure – are equally important and have to be given the necessary resources. This also leads to the phenomenon of multiple investments, which we here at Metall Zug actually view as an opportunity.

### Can you explain this multiple investment phenomenon in greater detail?

We have made and will continue to make investments in the existing production sites of V-ZUG in Zug, of Belimed in Grosuplje (Slovenia), and of Schleuniger in Thun to boost our efficiency and take advantage of Industry 4.0. We are renewing the digital core in all Business Units to facilitate full data consistency while also enhancing our competencies and rounding out our product and service portfolio along the customer

value chain through acquisitions. We are creating an innovative environment through the Technology Cluster Zug multigenerational project and developing new, digital business models with agile organizational forms at the same time as continuing to maintain and make full use of our traditional product portfolios and business models.

### And why are you so sure that this represents an opportunity for the Metall Zug Group?

We are acting from a position of strength. Even after acquiring a 70 % stake in Haag-Streit Holding AG, we still have a large enough net cash position to be able to seize further opportunities. This means that our financial strength still allows us to implement all our strategically important investment plans without delays. As a company proud of its tradition, we also have well-established access to our large customer base

and a comprehensive installed base of high-quality products, both of which reflect our customers' trust and confidence in us. We want to strengthen that trust by providing even more customer benefits through innovative products, services and new business models in future. As our corporate culture is geared toward innovation and thanks to our highly professional employees, I am convinced that we will succeed in doing so.

### **Strategy**

Metall Zug AG is a listed Swiss industrial holding company with an entrepreneurial family as its main shareholder. It creates sustainable added value for its shareholders and adopts a decidedly long-term perspective. Through its Business Units it focuses on industrial enterprises with premium and precision products and makes systematic use of the diversity of these units as a source of innovation and best practice. The Group and each of its individual Business Units are also readying themselves strategically for the challenges associated with the digitization of products, production processes and business models that lie ahead.

The Metall Zug Group comprises the Household Appliances, Infection Control, Wire Processing and – from March 1, 2018 – Medical Devices 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 at group level.

Our **VISIOM:**Perfecting industrial competencies to the benefit of our customers.

**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, the Metall Zug Group is able to act autonomously and make independent decisions – even during economically difficult periods.

### **Economies of Diversity**

Metall Zug consciously makes use of the diversity of its Business Units as a source of innovation, internal benchmarks and best practice, without diluting the clear focus of those units. The Group companies each have their own market presence – including their own, independent brands and own marketing mix.

We understand the needs of our customers and aim to impress them with

best-in-class products
and services.

### **Business Development and Growth**

By rounding out the product range, expanding the customer segments and sales markets, and extending the offering along the value chain of its customers, Metall Zug seeks to achieve sustainable and profitable growth that will strengthen the Business Units. Following the acquisition of its fourth Business Unit, Medical Devices, investment opportunities for external growth are primarily being sought within the existing Business Units.

We develop our employees, challenge them and provide a business environment and conditions for

top performance.

### **Group Added Value**

With its expertise, services, financial strength and influence, the holding company generates added value for its Business Units and supports them in strategy implementation. It promotes and strengthens internal cooperation between the Business Units as well as the values shared throughout the Metall Zug Group, but also takes care to ensure that the individual Business Units retain their independence.

### **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 company in question and the Metall Zug Group as a whole.

We support **innovation** through an open and inspiring working and corporate culture.

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### **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 therefore develops the properties and sites of the Group companies in a targeted and sustainable fashion, while at the same time optimizing the deployment of capital.

### Strengthening V-ZUG through Site Development

At V-ZUG Immobilien AG, alongside the proper management of its own portfolio and the real estate management tasks performed for Metall Zug, strategic activities focus on the further development of the major transformational project at the main site in Zug, the 'Technology Cluster Zug'.

We **act** openly, honestly and **respectfully**both within and outside the company and comply with the law and regulations.

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A long-term implementation horizon is being assumed for this large-scale project. In 2017, the submission of the area plan for the Technology Cluster Zug on the V-ZUG site was passed by the government of the city of Zug for the first reading in the Zug city council (Grosser Gemeinderat). The same body approved the legally binding development plan on the first

reading at the end of 2017. A second reading is scheduled for mid-2018. In addition, preparatory work for the new 'Zephyr' building got under way. Construction is set to take place in four stages over the next eight years. The new architectural structure will lead to more compact use of the V-ZUG site and, together with the two buildings that already exist in the northern part of the site, enable the use of new production methods for the next generation of products as part of 'Industry 4.0'. Further information events were held both for the general public and for the site's immediate neighbors. V-ZUG is initiating the technology cluster as the site's main user, but with the aim of accommodating additional companies, startups, institutions and uses so as to develop a networked and high-quality ecosystem for innovation and production. The gradual transformation minimizes V-ZUG's operational risks

We use resources economically and thus create sustainable added value. Our actions and products have a **positive impact** on the environment, quality of life and profitability

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with respect to the overall project, enabling it to be realized during normal business operations and without interrupting production activities. Thanks to the cluster approach, which accommodates a variety of different uses, a framework will be created to strengthen not only V-ZUG as an industrial enterprise, but also the city of Zug, both as a business and technology hub in the canton of Zug and as a sustainable living environment.

### **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 58.2% of its net sales in Switzerland in 2017. The business unit with the highest sales is Household Appliances, with net sales of CHF 572.9 million.

### Household Appliances: Market Share Gains in Switzerland and Success with Own Brand Abroad

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. In the reporting year, V-ZUG and SIBIRGroup further expanded their market share in the declining domestic market.

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.

V-ZUG's own brand continued to perform well abroad, achieving pleasing growth rates in Europe through its use of selective marketing. Sales in China and Hong Kong doubled thanks to the company's increased presence and development activities of the last few years. Most of the markets in which V-ZUG relies on distribution partners also reported higher sales, particularly the Russian market, which had still been in decline the previous year. However, the drop in sales generated by the OEM partner in the US meant that sales outside Switzerland were down overall year on year.

### Infection Control: Optimum Solution for a Wide Variety of Customer Groups

Belimed is one of the leading global suppliers of innovative cleaning, disinfection and sterilization solutions in the Medical and Life Science Business Areas. Services make up an important part of the company's offering. The Belimed customer base ranges from global pharmaceutical companies to large

purchasing organizations within hospitals and university hospitals right through to local hospitals and large medical practices. Belimed's aim is to offer each client the best-possible solution, be it machines from the standard product range or customer-specific large-scale systems. Through additional services such as planning, simulation and validation plus support in optimizing overall costs and consumables requirements, Belimed delivers genuine added value to its customers as part of the total cost of ownership. The company is represented by a network of sales subsidiaries and authorized partners in more than 80 countries, and generated 91.5 % of its net sales outside Switzerland in the reporting year. Europe, North America and China remain its key markets.

### **Wire Processing: Connecting Value Chains**

As a leading supplier within the wire processing industry, Schleuniger is a globally active technology group. Its independently managed subsidiary, DilT AG, is an important player in digitization and the industrial IoT (Internet of Things) in its sales markets. Schleuniger products are used whenever high-precision, safe contact systems play a central role.

The Schleuniger 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 software solutions connect data along the entire process chain, improve process security and facilitate data consistency and traceability. Connecting value chains in wire production enables customers to substantially increase their productivity.

The key industries for Schleuniger are the automotive supply industry, entertainment electronics, IT, telecommunications, medicine, aviation, and apparatus and systems engineering. Its largest markets are the NAFTA zone, Germany, China and Japan. Schleuniger generated 99.5% of its net sales outside Switzerland in 2017. The Schleuniger Group sells its products directly in a total of eight countries on three continents through its own network of sales and service staff. Schleuniger also works with more than 40 distribution partners in other countries.

in CHF million	2017	2016	2015	2014	2013
Gross sales	587.4	599.2	581.9	589.2	579.4
Change in % (total in CHF)	-2.0	3.0	-1.2	1.7	4.0
Change in % (organic, in local currencies)	-2.0	2.9	-1.3	1.7	2.4
Net sales to third parties	572.9	584.6	568.3	572.7	561.7
Switzerland	528.6	537.8	532.3	537.6	537.
Europe (excluding Switzerland)	14.1	11.4	11.6	12.0	11.3
Americas	11.1	23.5	16.9	15.5	7.9
Asia/Pacific/Others	19.1	11.9	7.5	7.6	5.4
Operating income (EBIT)	65.4	76.8	69.1	70.0	54.
EBIT as % of gross sales	11.1	12.8	11.9	11.9	9.4
EBIT as % of net sales	11.4	13.1	12.2	12.2	9.6
Infection Control in CHF million	2017	2016	2015	2014	2013
Gross sales	193.4	206.1	198.3	209.0	221.
Change in % (total in CHF)	-6.1	3.9	-5.1	-5.5	10.
Change in % (organic, in local currencies)	-6.4	3.2	-2.3	-5.3	10.
Net sales to third parties	188.1	201.4	194.0	203.4	214.
Switzerland	16.1	18.4	16.4	16.6	19.:
Europe (excluding Switzerland)	73.6	80.4	91.7	97.1	103.
Americas	65.3	66.3	54.2	51.5	57.
Asia/Pacific/Others	33.1	36.3	31.6	38.3	34.
Operating income (EBIT)	-34.2	-6.3	-12.9	-13.0	0.
EBIT as % of gross sales	-17.7	-3.1	-6.5	-6.2	0.3
EBIT as % of net sales	-18.2	-3.1	-6.6	-6.4	0.0
Wire Processing in CHF million	2017	2016	2015	2014	201;
Gross sales Chango in % (total in CHE)	180.5	158.2	150.1	131.3 18.4	110.9
Change in % (total in CHF)  Change in % (organic, in local currencies)	9.6	5.4 2.6	14.3 13.1	20.0	7.6 6.6
Not calce to third parties	175.7	153.5	145.2	127.6	107.
Net sales to third parties Switzerland	0.9	1.1	1.4	1.8	107.
Europe (excluding Switzerland)	75.5	52.2	51.8	47.2	38.
Americas	60.9	56.3	51.6	40.1	35.
Asia/Pacific/Others	38.4	44.0	40.8	38.6	32.
Operating income (EBIT) EBIT as % of gross sales	<b>22.3</b> 12.4	<b>22.8</b> 14.4	<b>21.2</b> 14.2	19.5 14.8	<b>15</b> .
EDIT as 0/ of pat ast	12.4	14.4	14.2	14.8	13.

12.7

EBIT as % of net sales

14.9

14.6

15.2

14.0

# Colorful, aromatic cuisine Tanja Grandits, long-standing V-ZUG Ambassador Restaurant Stucki in Basel (Switzerland)



## thanks to the V-ZUG Vacuisine method of cooking.

V-ZUG Vacuisine is a sous-vide technique that involves cooking food slowly in vacuumsealed bags at low temperatures. Vegetables retain their bright color while the flavors become both fuller and more nuanced; fish and meat come out perfectly tender, taking on an unbelievably succulent texture.

Tanja Grandits has developed her own distinctive style, based on a masterly use of herbs and spices. Her restaurant is also a world apart – dominated by freshness and aromas, with colors and refined touches setting the scene.

The vacuum cooking method is used in Tanja Grandits's kitchen for certain cuts of meat such as beef fillet or corn-fed chicken, and frequently for vegetables such as artichokes, asparagus and carrots. "Each dish has one main flavor and one main color," Tanja Grandits explains. The modern, steam-based Vacuisine technology used in V-ZUG appliances provides ideal assistance.

Tanja Grandits has been working closely with V-ZUG since 2012, supporting appliance development and even helping to run kids' cooking events.

The Household Appliances Business Unit has been developing, manufacturing and distributing high-quality kitchen and laundry appliances for private and commercial customers for many years. 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. and V-ZUG Singapore Pte., Ltd. as well as V-ZUG Kühltechnik AG, SIBIR-Group AG, Gehrig Group AG and V-ZUG Infra AG 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 without delay on their first customer visit. In the international arena, V-ZUG has further built up the services on offer in the individual markets to actively support the brand. The Household Appliances Business Unit employs a workforce of around 2000, most of whom are based in Switzerland.

### The 2017 Financial Year

The Household Appliances Business Unit once again faced a challenging market environment in Switzerland, its home market, which remained in decline. The Business Unit responded to persistent price pressure and cases of bankruptcy among both customers and suppliers through customer proximity, innovation and programs to increase efficiency. The Household Appliances Business Unit was able to further expand on its position as market leader in Switzerland. In the international arena, V-ZUG generated high growth rates in its own-brand business, but lower sales through its OEM partner in the U.S.

The above-average decline in operating income is attributable to a wide variety of initiatives and future projects, as well as the drop in sales. The strategic modernization of the Zug production site entailed preparatory and planning work for the new production facility. V-ZUG is also rolling out two new core applications, SAP S/4HANA and mLogistics (field service management), thus allowing many existing subsystems to be replaced. These new applications will enable the company to undergo a full-scale digital transformation. In addition, V-ZUG invested in a variety of digitization initiatives. Digital solutions,

products and new business models were analyzed and developed as part of agile projects.

Gross sales of the Household Appliances Business Unit were down 2.0% to CHF 587.4 million (previous year: CHF 599.2 million). There were no acquisition effects, and the currency effect was negligible. This led the Business Unit to record an organic decline in local currency of 2.0%. At CHF 65.4 million, the Household Appliances Business Unit's operating income (EBIT) was 14.8% lower than the previous year's record-breaking level (CHF 76.8 million).

### **Dynamic Own-Brand Business Abroad**

In the reporting year, V-ZUG doubled sales in mainland China and Hong Kong. Among other things, V-ZUG succeeded in securing the largest residential construction project in the company's history. The project in Qingdao, a major seaport outside Beijing, consists of 391 residential units, all of which are to be fitted out exclusively with V-ZUG appliances. Over 3,000 appliances, most of which were produced in Zug and Arbon, were shipped to China in 23 containers. Significantly, these included 60 Refresh Butlers, to which the project devoted particular attention. A clear sign that brand building in the Chinese market is beginning to bear fruit. The new ZUGO-RAMA in Hong Kong was opened in fall 2016, and the ZUGO-RAMA in Shanghai celebrated its third anniversary last year. But V-ZUG also lifted sales significantly in all the other important markets in which it has established its own structures over the last few years, especially Australia and Germany.



a new production facility is being built to house a new press.

In addition, most markets in which the company works with distribution partners performed well, especially the Russian market which had declined in the previous year. However, business in Turkey remained difficult due to the political environment.

The sales generated through the OEM partner in the U.S. failed to match the prior year's high level due to special factors and the base effect.

### New Design, Extremely Robust, Connected and Practical to Use

V-ZUG launched a variety of new products, such as the new hob extractor – an alternative to classic extractor hoods for lovers of purism in kitchen design. V-ZUG launched two world exclusives: the Adora SL dishwasher with the new Party program that rinses slightly dirty dishes in just 11 minutes, and hobs featuring OptiGlass, a particularly robust, almost diamond-hard surface. All appliances with the V-ZUG Home option have been prepared for integration in digital networks. The V-ZUG Home app, which was launched at the Swissbau trade fair in Basel in January 2018, makes networking selected appliances easy.

The new digital core of V-ZUG

facilitates end-to-end mapping of goods and value flows and standardizes processes and technologies.

The Gehrig Group displayed its version of digital networking for professional kitchen appliances at igeho in Basel, Switzerland's foremost trade fair for the hotel and catering sector. A vacuum sealer that reduces the volume of waste by 70% was added to the product range. In the healthcare sector, the Gehrig Group has the widest portfolio of bedpan washerdisinfectors for hospitals and care homes.

### **Physical and Digital Transformation**

The move to the new "Mistral" production, assembly and development building at V-ZUG's main site was completed in the reporting year. At the same time, various measures were taken to prepare for the site's further transformation. V-ZUG requested permission in June 2017 to build a new production facility that will house a new press. That permission was granted in the fourth quarter. Production processes and material flows have been reorganized in preparation for the new development, and existing facilities dismantled. Probing was carried out to evaluate the degree of contamination on the site, which has been in industrial use for more than a century. The next step in the construction will take around two years. Based on the future development plan, currently awaiting approval, for the overall area of what will eventually become the Technology Cluster Zug, further buildings are to be constructed over the medium term in order to realize a vertical factory. This will increase production capacity and create more flexibility. New machines for the surface finishing of pressed parts are also to be installed.

### Physical and digital transformation

### as challenges in the past and in coming financial years.

To make sure it can live up to increasing requirements in respect of new products, online distribution channels and networked services, V-ZUG is replacing its current ERP system with SAP S/4HANA. This large-scale IT project was launched in October 2016 and should be completed by summer 2018. V-ZUG will then be ideally equipped for the digital transformation and have standardized processes and technologies with end-to-end mapping of goods and value flows.

### **SIBIRGroup: Swiss-wide Presence**

A food center – a roomy, double-door refrigerator – was launched under the SIBIR brand for the first time in the reporting year and was well received by the market. In addition, the new "Bulli" line of vintage models that pay homage to the retro design of the legendary Volkswagen Type 2 minibus of the 1950s, has been a commercial success. SIBIRGroup continues to focus on the repair and exchange of household appliances for property management companies and cooperative residential associations throughout Switzerland. Last year's efforts to better develop the market in French-speaking Switzerland and Ticino gave rise to an improved market presence and good sales in these regions. This should also help to further strengthen the nationwide presence of the SIBIRGroup service organization, which is brand neutral.

### **Gehrig Group: New Reference Customers Acquired**

Gehrig Group succeeded in acquiring new reference customers in the reporting year. For example, the company was asked to equip the production floor of the famous Hug biscuit factory in Malters near Lucerne with a Hobart industrial dishwasher. The University of Applied Sciences and Arts Northwestern Switzerland, for which Gehrig Group helped plan and install a large-scale conveyor dishwasher, is another new reference customer. After choosing Gehrig Group to equip its dining cars with dishwashers last year, Swiss Federal Railways (SBB) once again placed an order with the company, this time to supply its restaurant cars with coffee machines.

## The unique customer service and comprehensive service network

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provided by V-ZUG, SIBIRGroup and Gehrig Group impress existing customers as much as new ones.

### Outlook

V-ZUG aims to 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. Plans to open a ZUGORAMA in Singapore represent the next step in the targeted expansion of its international presence. Setting up its own local distribution company in South East Asia should enable it to develop this growth market. The weakening of the Swiss franc against the euro is likely to ease some of the price pressure at home. At the same time, it will lead to a substantial increase in material costs. The physical transformation of the main production site in Zug, the preparations for a new refrigeration production facility in eastern Switzerland and the digital transformation of internal processes and of the product and service range are all challenging. These changes mean that the 2018 financial year will be another period of transition for the Household Appliances Business Unit.





## thanks to experienced service technicians and long-standing customer relationships.

As deputy head of the Central Sterile Supply Department (CSSD), Shkodran Qerimi appreciates his interactions with Belimed's experienced service technicians, who have been involved in the challenging task of renovating and extending "his" CSSD over the past few years. That's why their trust and confidence in one another is high. Both sides also know that the necessary expertise is available at all times – for the washers and sterilizers, including those of the newest generation, as well as for the infrastructure that has been operating reliably and precisely for decades now.

It is the regular maintenance work performed by the service technicians that makes sure the equipment has a long working life. The lively exchange of information, conducted in a spirit of partnership, and the transfer of knowledge by service technicians he has known for years allow Shkodran Qerimi to perform simple maintenance work himself. The CSSD at the Schulthess Clinic in Zurich serves 12 operating rooms. Nine high-performance single-chamber washers (WD 290) and four vertical steam sterilizers (MST-V 6-6-12) are currently in use in the CSSD. The latter devices are network compatible to ensure seamless traceability of all process-relevant data, which is becoming more and more of a must-have requirement for customers.

The Schulthess Clinic in Zurich, a Swiss Olympic Medical Center, is one of Europe's leading orthopedic clinics and employs more than 1,300 people. It specializes in orthopedic surgery, neurology, rheumatology and sports medicine.

Belimed has been partnering the Schulthess Clinic reliably for more than 25 years, delivering a comprehensive package of products and services.

Belimed is one of the leading global suppliers of innovative cleaning, disinfection and sterilization solutions in the Medical and Life Science Business Areas. The company has some 1200 employees in 10 countries and is represented by a network of sales subsidiaries and authorized partners in more than 80 countries.

Belimed 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 purchasing organizations within hospitals and university hospitals right through to local hospitals and large medical practices. Demand for infection control solutions is growing worldwide. The Belimed product portfolio aims to provide each client with the best-possible solution, be it machines from the standard product range or customerspecific large-scale systems. Through additional services such as planning, 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. Comprehensive services such as training, maintenance and remote diagnostics round out the company's offering.

### The 2017 Financial Year

In the Medical Business Area, the consolidation process continued in the U.S., the most important market globally. Beside purchasing associations such as IDNs (integrated delivery networks) and GPOs (group purchasing organizations), larger and larger regional hospital chains are being established. The trend toward day-care clinics is also on the rise. In addition, the previous year's high staff turnover had a negative impact on the result in the reporting year. The market in China failed to grow last year. State hospitals in the region have fewer funds at their disposal for investments, and the important military hospitals were ordered to put projects temporarily on hold. The European market generally remained highly competitive, and a distinct reticence became noticeable among customers in France in the run-up to the elections there.

In the Life Science Business Area, Belimed experienced generally healthy demand in the U.S. that was primarily driven by the modernization of existing systems. The tougher environment in Europe over the last few years led to production capacities being consolidated, while new capacities continue to be established in Asia.

With the relocation of production having been completed on schedule in the 2016 financial year, Belimed's focus in the reporting year switched to the SAP rollout at the production sites in Grosuplje (Slovenia) and Mühldorf (Germany). This new ERP system was up and running by the end of August 2017. The teething troubles encountered during the rollout in the months with the highest seasonal capacity utilization caused some delays in production and delivery and gave rise to additional costs.

Furthermore, Belimed suffered from faulty and delayed deliveries of core components by suppliers, which hit the project business particularly hard, as this is an area in which it is not possible to make partial deliveries to customers but only full and complete delivery of the final system.

### Project delays in the fourth quarter with strong sales

had a negative impact on the result for 2017, but led to a high order backlog at the start of 2018.

The combination of these effects meant that the high volume at the factories could not be translated into corresponding sales, thus having a negative impact on the Infection Control Business Unit's operating income.

Gross sales fell by 6.1% to CHF 193.4 million (previous year: CHF 206.1 million). Taking into account the negligible currency and acquisition effects, the organic decline in sales came to 6.4% in local currencies. Operating income (EBIT) of CHF –34.2 million includes the recognition of provisions for restructuring in the amount of CHF 13.1 million and impairments of CHF 4.9 million. On a like-for-like basis and leaving aside the extraordinary expenses, operating income amounted to CHF –16.2 million (in the previous year, the reported income of CHF –6.3 million included the gain of CHF 5.1 million on the sale of the property in Ballwil). The extraordinary expenses referred to above do not include an impairment of CHF 2.8 million for a property used by Belimed that was charged to the Corporate reporting segment.

### With the acquisition of Sterifast

Belimed gains access to the fast-growing low temperature sterilization market.

### **Medical Business Area Ready for a Profitable Future**

Following last year's successful transfer of production, all products in the Medical Business Area, apart from sterilization pressure chambers, are now manufactured in Grosuplje (Slovenia). The SAP rollout at this production location was also completed in the reporting year. This means that the Medical Business Area (including Service) now has both a platform and a digital core that will enable future profitable growth. Delayed deliveries in the fourth quarter of 2017 left the Business Area with an above-average order backlog at the start of 2018. Furthermore, a large number of new products were launched last year, demonstrating the potential for synergies created by the new proximity of Belimed's research and development departments to its sister company V-ZUG at the Zug site.

### **Life Science Business Area Requires Additional Restructuring**

While restructuring efforts have concentrated on the Medical Business Area so far, the focus must now shift to the Life Science Business Area. The separation of Medical and Life Science in 2016 showed that the current structures of the Life Science Business Area are too cost-intensive. In addition, the two Life Science sites are operating at less than full capacity. The lower than expected sales had a further negative impact on the Life Science Business Area's operating income. Senior Management is looking at a number of different options for restructuring Life Science. However, these deliberations have not yet been completed. Based on the imminent restructuring, provisions and impairments totaling CHF 18.0 million were charged to Infection Control's operating income in 2017. An additional impairment of CHF 2.8 million was also made for a property used by Life Science. This is included in the Corporate reporting segment's operating income.

### **Expertise Acquired in Low Temperature Sterilization**

In the middle of the year, Belimed acquired STERIFAST Sterilization & Disinfection Systems, Lda., a small Portuguese company specializing in low temperature sterilization. The increase in minimally invasive surgical procedures means there is a growing need for complex surgical instrumentation. Many of these instruments are heat and moisture sensitive, requiring low temperature alternatives when it comes to cleaning and sterilization. The acquisition of STERIFAST will give Belimed access to know-how and solutions for the fast-growing low temperature sterilization market and allow it to strengthen its position as a full solution provider.

### New Cleaning and Disinfecting Solutions thanks to Strategic Partnership

Following the successful launch of a new range of cleaning chemicals in the US market in 2016, Belimed rolled out the "Belimed Protect" range in the fourth quarter of the reporting year in other markets outside the U.S. The new portfolio of cleaning and disinfecting solutions was created through a strategic partnership with B. Braun Medical AG. "Belimed

Protect" was developed and validated for use with Belimed's washer-disinfectors. The product combines powerful cleaning and disinfecting with material compatibility, thus offering patients and staff protection and helping to optimize productivity during the decontamination process.

The restructuring measures taken and the modernization of the digital core

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pave the way for the Medical Business Area to achieve a profitable future.

### **Outlook**

With the relocation of production to the three sites in Sulgen (Switzerland), Mühldorf (Germany), and Grosuplje (Slovenia), the transfer of headquarters and the research and development department to Zug, and the simplification of structures in Switzerland, Germany, and Benelux, Belimed has made progress in the last few years toward establishing an organization that will generate value and enjoy long-term profitability. The past year showed that the turnaround in the Medical Business Area is now within reach. At the same time, it became apparent that the Life Science Business Area is too complex in structure and has far too high costs - especially given last year's sales level. Once the ongoing evaluation of options has been completed, the necessary restructuring measures will be taken in Life Science in the 2018 financial year. As things stand today, the restructuring costs incurred should be covered to a large extent by the provisions recognized in the reporting year for this purpose.





## thanks to an integrated solution with complete transparency and traceability

Over the next two years, DiIT AG, an innovative provider of software solutions for manufacturing execution systems (MES) used in wire harness production that became a wholly owned subsidiary of the Schleuniger Group at the start of 2017, will supply all 24 plants of the YAZAKI Europe Group with the latest version of its core product, 4Wire CAO (Cutting and Assembly Optimization).

"We have placed our faith in the products of our strategic partner, DiIT, for well over a decade," explains Andreas Engels, Head of IT Europe at YAZAKI. The company is a full-service provider of integrated solutions for electrical and electronic distribution and display systems (EEDDS) that employs around 290,000 people worldwide at 487 locations in 45 countries.

4Wire CAO ensures the optimization of the cutting and component production areas, while increasing efficiency, quality and traceability. The tier-one wire harness supplier YAZAKI has also started using a further solution from the 4Wire product range, namely 4Wire PLS (Production and Logistics Suite), which supports customized finishing and JIT/JIS (Just-in-Time/Just-in-Sequence) dispatch control in the final step of production. The DiIT range also includes 4Wire PPG (Production Plan Generation) software, which automatically generates the relevant production documentation at the interface between engineering and production.

As a leading supplier within the wire processing industry, Schleuniger is a globally active technology group. Its independently managed subsidiary, DilT AG, is an important player in digitization and the industrial IoT (Internet of Things) in its sales markets.

Schleuniger products are used whenever highly precise wire processing and safe contact systems play a central role. The Schleuniger 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 software solutions connect data along the entire process chain, improve process security and facilitate data consistency and traceability. Connecting value chains in wire production enables customers to substantially increase their productivity.

Schleuniger employs a workforce of some 750 employees worldwide, including more than 30 apprentices. Following the acquisition of a controlling interest in adaptronic Prüftechnik GmbH at the start of 2018, headcount has risen to around 900.

Schleuniger covers a wide geographical area and generated 99.5% of its net sales outside Switzerland in the reporting year. Its largest markets are the NAFTA zone, Germany, China and Japan. These markets are served by Schleuniger's own sales and service companies. An additional 40 distribution partners round out the global market coverage. The Group's key growth markets lie in Eastern Europe, North Africa, Mexico and China. The main industries for Schleuniger are the automotive supply industry, entertainment electronics, IT, telecommunications, medicine, aviation, and apparatus and systems engineering. Schleuniger's development and production activities are based in Switzerland, Germany and China.

#### The 2017 Financial Year

Schleuniger increased gross sales in the reporting year, surpassing the previous year's figure by 14.1%. The increased sales momentum was driven by both organic and external growth. The D-A-CH market region (Germany, Austria and Switzerland) recorded the highest growth in sales year on year.

The automotive industry's share of the Business Unit's sales rose yet again in the past financial year. Schleuniger continued to benefit from a variety of trends, such as the further increase in demand for automation solutions, infotainment, and communication between cars and external infrastructures, as well as the megatrends in the automotive industry including self-driving cars and the electrification of vehicles.

CrimpCenters and semiautomatic machines for shielded cables used in e-mobility and for coaxial cables used in information and communications technology (ICT) experienced above-average growth, thus allowing Schleuniger to further consolidate its leading position in the Cut & Strip product area. The Cut, Strip & Terminate (CST) segment fell short of expectations. However, Schleuniger did succeed in broadening its CST customer base in the automotive industry by acquiring an important new key account. In addition, the CST segment saw an upturn in order intake in the fourth quarter.

The Operations Hub in Tianjin (China), which develops, manufactures and sells wire harness systems and peripheral devices including prefeeders and semiautomatic twisting machines, also performed well in terms of order intake and sales.

Schleuniger increased its gross sales by 14.1% to CHF 180.5 million (previous year: CHF 158.2 million). Adjusted for the acquisition and currency effects of 4.4% and 0.1% respectively, this is equivalent to organic growth of 9.6% in local currencies. At CHF 22.3 million, operating income (EBIT) remained practically unchanged year on year (previous year: CHF 22.8 million). The lower profitability is directly linked to the ongoing structural development required to implement the "Strategy 2025" that was defined in 2016.

#### **Expansion of Structures and Management Capacities**

On the back of the steady growth of past years and after expanding its production capacities in Thun and Cham in 2016, Schleuniger turned its attention to management capacities by strengthening its Management Committee in the reporting year to include a Head of Business Segment Solutions and Software and a Head of Business Segment Products.

Schleuniger also invested in full-scale internal digitization at all its locations worldwide. These investments are still ongoing and will incur a certain level of additional costs in the coming years.

The main cornerstones of the "Strategy 2025" are now in place, and the company's transformation from high-quality machine manufacturer and solution provider to strategic system partner can get fully under way. Schleuniger is setting its sights on further growth and gains in market share. Alongside internal growth, this also involves external growth through targeted M&A transactions.

#### **Digitization of Customer Value Chains**

By increasing its existing shareholding in DiIT AG, head-quartered in Krailling near Munich (Germany), from 35% to 100%, effective January 1, 2017, Schleuniger can now help its customers – especially wire harness manufacturers – make another leap forward in digitalizing their value chains. The trend toward autonomous driving calls for better process safety, data consistency and traceability in wire harness production. DiIT's software solutions allow drawings of wire harnesses to be imported into the production process, and production modules to be generated along with route sheets and

Software solutions
from DiIT offer

process security, data consistency and traceability in the manufacture of wire harnesses for vehicles. bills of material. DilT's solutions help to optimize wire processing machines for the production of the required wires and connections and the final wire harness assembly, as well as supporting the logistics process. Schleuniger thus provides a fully integrated solution that generates substantial efficiency gains for its customers.

#### **Consolidating Testing Expertise**

In November 2017, Schleuniger signed an agreement to acquire a 60% stake in adaptronic Prüftechnik GmbH, based in Wertheim (Germany). The transaction was completed at the start of 2018. The acquisition of adaptronic allows Schleuniger to add customized solutions for adapting and testing wire harnesses, connectors and assemblies for the automotive, automation technology, railway technology, aviation, aerospace and industrial sectors to its existing range of products and services.

## Acquisition of adaptronic strengthens the range of products and services

in a best-in-test approach.

Alongside the traditional wiring test involving continuity, short circuit and component testing, adaptronic's core competency lies in insulation testing and dielectric strength testing, adaptronic is a leader in the high-voltage testing sector, which is set to become more important thanks to the global trend toward e-mobility.

adaptronic is a perfect fit for Schleuniger Test Automation GmbH (formerly Cirris Solutions GmbH), which was taken over in 2015. Schleuniger Test Automation previously sourced the testing components for its test automation solutions from third parties. Its skill set encompasses automation, designing

testing programs and developing software. By acquiring adaptronic, the Wire Processing Business Unit will now be able to develop and produce test devices and proof testers as well as complete test automation systems within the Schleuniger Group.

From Machine and Automation Specialist to Strategic System Partner

One of the aims of the "Strategy 2025" is to transform Schleuniger, already a high-quality machine manufacturer and solution provider, into a strategic system partner for its customers. The acquisitions referred to above were transacted with this in mind. The increasingly important business area of Testing was built up and expanded through a number of collaborative ventures and takeovers. At the same time, by acquiring complete control of DilT AG, Schleuniger gained direct access to a leading provider of manufacturing execution systems for wire processing and wire harness production.

This allows Schleuniger to cover every step of wire producers' value chains digitally, from generating CAD drawings and processing all types of wires and cables on semi- and fully automatic machines to delivering customer-specific automation solutions and conducting efficient and seamless wire harness tests right through to logistical planning.

At the productronica 2017 in Munich, the foremost trade fair for electronics development and production, Schleuniger succeeded in positioning itself among various customers as a strategic system partner along their value chains. In this way, Schleuniger is aiming to capture a higher share of wallet from customers designated as key accounts, particularly in the automotive industry.

#### Outlook

Growth prospects in the two main sales markets, the automotive industry, and information and communications technology, remain intact. The growing trend toward personalization of vehicles, increasing electrification, self-driving cars and ever higher demands in respect of safety, communication and comfort are unbroken trends in the automotive industry. In the information and communications technology market segment, the unabated rise in the number of mobile end de-

vices, antenna stations and the volumes of data being transmitted present opportunities for growth. With the imminent dawning of the 5G age, the requirements placed on antenna components will continue to rise.

# Higher share of wallet among key accounts in the automotive industry

thanks to becoming a strategic system partner

Thanks to its leading market position in high-precision Crimp-Centers and semiautomatic machines for shielded cables used in e-mobility and for coaxial cables used in information and communications technology, Schleuniger is ideally placed to achieve profitable growth that outstrips the market. The acquisition of adaptronic, also a provider of high-voltage testing solutions for the e-mobility sector that now stands to benefit from the Schleuniger Group's global distribution structure, supports this assessment.

To ensure future growth, Schleuniger wants to continue to invest in structures, production capacities, and research and development. At the same time, controlling and reducing costs will become top priority.

## Sustainability and Corporate Social Responsibility

As an industrial manufacturing group, Metall Zug is aware of the responsibility it bears toward society and the environment. The use of the buildings required for business purposes, and the production, operation and use of the appliances and machines brought to market 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 that make production more sustainable and reduce the consumption of energy and water.

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. All entities of the Metall Zug Group in Switzerland therefore rely solely on electricity generated from Swiss hydropower and self-produced solar power.

#### **Household Appliances: Current and future measures**

Reducing CO<sub>2</sub> emissions is a matter of great importance for V-ZUG. A schedule was therefore drawn up in consultation with the Energy Agency of the Swiss Private Sector (EnAW) for lowering CO2 by 2020. Since then, a large number of measures have helped V-ZUG attain its targets, including installing a large photovoltaic system, deploying a waste heat recovery system in the data center and purchasing biogas and Swiss hydropower. CO<sub>2</sub>-neutral production is the stated medium-term goal. This objective is supported by the energy concept for the Technology Cluster Zug, the multigenerational project being realized on the current production site. The Cluster will draw on local renewable energy sources, using groundwater and lake water to generate its own heating and cooling and thus making seasonal thermal energy storage possible. V-ZUG regularly publishes a sustainability report providing information on its performance in relation to the environment and society, among other things. The report (available at http://www.vzug.com/ch/en/nachhaltigkeit\_ziele) is prepared in accordance with the guidelines of the Global Reporting Initiative (GRI).

## Infection Control: Case Study Shows Efficiency Gains and Protection for Hospital Staff

Belimed takes resource responsibility and sustainability very seriously. Its entire product range is engineered with high energy efficiency and resource conservation in mind. Washers and sterilizers are designed to use less water and chemicals, leading to significant reductions in resource consumption and the associated costs. According to a documented case study

(www.belimed.com/en-us/services-support/resources/case-studies), Belimed demonstrates that customers have the potential to deliver improvements through their use of cleaning products. New cleaning solutions introduced by Belimed in the US reduced average wash cycle times by four and a half minutes, or 11 %. As well as saving water, this translates into the ability to process more washer loads. This led to fewer delays in the operating room as the hospital had more sterile instruments at its disposal. In addition, staff at the Central Sterile Supply Department (CSSD) reported less reprocessing of the cleaned instruments and no more allergic reactions, presumably due to the lack of subtilisin in the product enzyme formulations.

## Wire Processing: Protecting the Environment and Giving Back to the Community

Schleuniger protects the environment by using sustainable construction materials and renewable energies, as illustrated by the new production and training center in Thun, which opened at the end of 2016. The building is made entirely of wood and its walls conform to Minergie Standards. The approximately 200,000 kilowatt hours of electricity per year generated by the company's own photovoltaic system at its headquarters in Thun cover around 25% of its electricity needs. In China, Schleuniger set up a donation funding plan for the Hu Zhen Bang Hope Primary School in Mao Jiaping Village with the assistance of the "Share4love" organization. Books and gifts were distributed to the children again in 2017. Schleuniger employees in the US collected donations in aid of those affected by the hurricanes in Puerto Rico and Texas as well as the Mexico City earthquake victims.

## **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 resources strategy, recruitment activities and employee development accordingly. Metall Zug places great importance on comprehensive health promotion and accident prevention for its employees and supports their commitment to society and the environment.

The Metall Zug Group is aware that the selection and development of employees plays a vital role in today's competitive environment. 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, the Metall Zug Group aims to position itself 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. They support the successful dual system of education by providing a large number of trainee positions, which also allows them to benefit from highly skilled employees trained in-house.

## Household Appliances: Occupational Health Management

V-ZUG 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: they 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.

#### Infection Control: Cultural Fit and Teamwork

The Human Resources function, which has been expanded in recent years, supports managers in the objective-setting process that was rolled out globally and provides them with assistance in using a recruitment tool. A structured, behavioral questionnaire ensures that job candidates are a good cultural fit, as was reflected in a recent employee survey where 'being part of a strong team' was one of the most frequently cited reasons for why people enjoy working at Belimed.

#### **Wire Processing: Award-winning Training Program**

Top priority is given to vocational training at all Schleuniger Group sites. Schleuniger firmly believes in training the skills required for the future of the company in-house as far as possible. Schleuniger has combined its training workshop and machine production facilities in the same building at its Thun headquarters so that apprentices learning a technical occupation can become more involved in actual orders, providing them with ideal preparation for their future working life. Schleuniger GmbH in Radevormwald was named 'Best Training Company' by the Cologne Chamber of Industry and Commerce (IHK) in recognition of the interesting and varied training it provides for industrial sales people, mechatronics engineers and industrial mechanics. The success of this approach is reflected in the extremely high retention rates for trainees after their apprenticeships at the Radevormwald site and throughout the Schleuniger Group as a whole. But trainees are not the only employees to receive support and encouragement. Schleuniger offers staff at various sites the chance to attend language courses and supports members of the workforce who want to continue their professional development – by studying at university, for example.

## **Group Structure**

Operational Organization of the Metall Zug Group (as at December 31, 2017)

#### **Metall Zug Group**

Zug

I	Ηοι	ıseh	old	Ann	liances	Infect	i

#### Infection Control

#### Wire Processing

### Corporate

#### V-ZUG AG Zug

V-ZUG Kühltechnik AG (CH)

V-ZUG Australia Pty. Ltd. (AU)

V-ZUG Europe BVBA (BE)

V-ZUG (Shanghai)

Domestic Appliance Co., Ltd. (CN)

V-ZUG (Changzhou)

Special Components Co., Ltd. (CN)

V-ZUG Hong Kong Co., Ltd. (HK)

V-ZUG Singapore Pte., Ltd. (SG)

SIBIRGroup AG (CH)

Gehrig Group AG (CH)

Hildebrand France S.A.R.L. (FR)

V-ZUG Infra AG (CH)

#### Belimed AG

Zug

Belimed Sauter AG (CH)

Belimed GmbH (DE)

Belimed GmbH (AT)

Belimed SAS (FR)

Belimed B.V. (NL)

Belimed d.o.o. (SI)

Belimed Ltd. (UK)

Belimed, Inc. (US)

Belimed Medical Equipment

(Shanghai) Co., Ltd. (CN)

STERIFAST Sterilization & Disinfection Systems, Lda. (PT)

#### Schleuniger Holding AG

Thun

Schleuniger AG (CH)

Schleuniger GmbH (DE)

Schleuniger Test Automation GmbH (DE)

Schleuniger, Inc. (US)

Schleuniger Japan Co., Ltd. (JP)

Schleuniger Trading (Shanghai)

Co., Ltd. (CN)

Schleuniger Machinery (Tianjin)

Co., Ltd. (CN)

DilT AG (DE)

## Metall Zug AG

Zug

V-ZUG Immobilien AG (CH)

MZ Infra AG (CH)

## **Corporate Governance**

All information in this Corporate Governance Report refers to the situation as at December 31, 2017, or to the 2017 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 Metall Zug AG's Articles of Association, which were revised in the reporting year as of May 5, 2017, and the Organizational Regulations of September 1, 2015. No material changes occurred between December 31, 2017, and the publication date of the Annual Report, other than the completion of the acquisition of 70% of the shares in Haag-Streit Holding AG and 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 December 13, 2016.

#### 1 Group Structure and Shareholders

#### 1.1 Group Structure

The operational group structure is illustrated on page 38 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: 3982108, 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 69 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, 2017, are listed on page 80 of the Financial Report under note 19 ("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 Hacki Buhofer, Philipp Buhofer, Martin Buhofer and Julia Hacki also indirectly have a participating interest in Metall Zug AG.

In the reporting year, a disclosure notification was made on June 13, 2017, 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 this and earlier disclosure notifications can be found on the website of SIX Exchange Regulation (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 81 of the Financial Report (see note 20 "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 63 of the Financial Report (see "Changes in Shareholders' Equity"). Information on the changes in capital in 2015 can be found on page 63 of the Annual Report 2016 (see "Changes in Shareholders' Equity").

#### 2.4 Shares and Participation Certificates

Detailed information on the shares of the Metall Zug AG (number of shares, type and par value) is available on page 81 of the Financial Report (see note 20 "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: 3982108, 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 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 the financial year 2017, 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 44 and 45. 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 of Senior Manage- ment
Mandates in listed companies	5
Mandates in other, non-listed legal entities with compensation	15
Mandates in non-profit or non-commercial legal entities (such as associations and other charitable, social, cultural or sports-related 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 with 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.

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 seven extraordinary meetings, two of which were 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 one-day workshops 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 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 four 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 respec-

tive 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. In addition, there are Group Management Regulations which govern the organization of the Group as resolved by the Board of Directors, the organization, 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 revised Organizational Regulations and the new Group Management Regulations, the latter prevail.

## 3.7 Information and Control Instruments vis-a-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

### **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 2018

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

Chairman of the Senior Management of Metall Zug AG, 2002–2008; various operational roles at the former Group company MZ-Immobilien AG, 1984–1997.

## Activities in governing and supervisory bodies:

Member of the Board of Directors of Zug Estates Holding AG, Zug (Chairman up to the 2014 General Meeting of Shareholders); 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 2018

#### 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 2018

#### 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 2018

#### 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 Elma Electronic 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.

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 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 head of the Infection Control Business Unit, Beat Spalinger, is not a member of the Senior Management of the Metall Zug Group. He reports to the CEO of Metall Zug 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 the 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 Executive Board of economiesuisse; Member of the Board of Technologie Forum Zug.

#### 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.

#### 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.

#### 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 51 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 new Articles of Association issued on May 5, 2017, no longer 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 774 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 53, of which TCHF 4 was for audit-related additional services and TCHF 49 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 2017, 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, 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. 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. The financial calendar is available at www.metallzug.ch/en/investoren/kalenderand general information about Metall Zug AG and the Metall Zug Group can be found at www.metallzug.ch/en/.

At 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.

## **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 2017. 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 2017 is based on the Compensation Regulations of January 1, 2014. This set of regulations underwent revision by the Board of Directors on December 6, 2017. The new Compensation Regulations came into force on January 1, 2018, and are valid from the financial year 2018 onward.

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, with the exception of Marga Gyger at Gehrig Group AG, no member of the Board of Directors of Metall Zug AG held a seat on the Board of Directors of a Group company.

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.

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 94 of the Annual Financial Statements of Metall Zug AG.

#### **Compensation to the Board of Directors**

Compared with the previous year, there was practically no change in compensation to the Board of Directors in the financial year 2017. In the interests of a consistent compensation practice, the Board of Directors will propose to the General Meeting of Shareholders on May 4, 2018, that the total amount of CHF 1 215 000 be made available for its compensation for the term of office up to the ordinary General Meeting of Shareholders in 2019.

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, have not been disclosed. The Board of Directors comprises non-executive members only.

The General Meeting of Shareholders on April 29, 2016, approved the total amount of CHF 1 440 000 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 5, 2017. CHF 1 009 986 of this total amount was utilized for compensation to the Board of Directors in the corresponding period.

			2017			2016
Compensation for	Fixed	Social	Total	Fixed	Social	Total
the financial year,	compensa-	contribu-		compensa-	contribu-	
in CHF	tion/fee	tions <sup>1)</sup>		tion/fee	tions1)	
	(gross)			(gross)		
Heinz M. Buhofer	520000	65492	585492	520000	77306	597306
Chairman of the Board of Directors,						
Chairman of the Human Resources						
and Compensation Committee						
Marga Gyger <sup>2)</sup>	129937	4937	134874	156288	6288	162 576
Member of the Audit Committee						
Peter Terwiesch	106638	6638	113276	106638	6638	113 276
Member of the Human Resources						
and Compensation Committee						
Martin Wipfli	150000	0	150000	150000	0	150000
Chairman of the Audit Committee						
Total Board of Directors	906575	77067	983 642	932926	90232	1023158

<sup>&</sup>lt;sup>1)</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>&</sup>lt;sup>2)</sup> The remuneration of Marga Gyger as a member of the Board of Directors of Gehrig Group 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. For the variable compensation for financial year 2017, the Board of Directors will propose to the General Meeting of Shareholders on May 4, 2018, a reduced amount of CHF 500 000 compared with the previous year (CHF 1 500 000). 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 six months in each case. 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 April 29, 2016, approved the total amount of CHF 3970000 available for fixed compensation to the members of Senior Management for financial year 2017. CHF 2693965 of this total amount was utilized for fixed compensation to Senior Management in the reporting period. Of the total amount of CHF 1500000 approved by the General Meeting of Shareholders on May 5, 2017, for variable compensation to the members of Senior Management for the financial year 2016, CHF 1324046 was actually paid out.

		2017		2016
Compensation for	CEO	Senior	CEO	Senior
the financial year,		Management		Management
in CHF¹)		(total)		(total)
Fixed compensation (gross)	760 000	2070000	760000	2070000
Other payments/benefits <sup>2)</sup>	3590	25454	3353	24821
Social contributions <sup>3)</sup>	189017	598511	190028	618169
Total fixed compensation	952607	2693965	953381	2712990
Variable compensation (gross)	167 078	386330	684 121	1253535
Social contributions <sup>3)</sup>	9398	21731	38482	70511
Total variable compensation <sup>4)</sup>	176476	408061	722603	1324046
Total compensation	1 129 083	3 102 026	1675984	4037036

<sup>&</sup>lt;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>&</sup>lt;sup>2)</sup> Other payments, benefits and compensation (such as company car, supplementary insurance, etc.). Lump-sum expense allowances based on an expense regulation approved by the tax authorities and child and family allowances are not disclosed.

<sup>&</sup>lt;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>&</sup>lt;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 4, 2018 for the variable compensation for 2017). The amounts in the table are disclosed on an accrual basis.

## **Report of the Statutory Auditor**



Ernst & Young Ltd Gotthardstrasse 26 CH-6300 Zug Phone +41 58 286 75 55 Fax +41 58 286 75 50

www.ey.com/ch

To the General Meeting of Metall Zug AG, Zug

Zug, 16 March 2018

#### 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 2017. 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 51 to 54 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 2017 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

## **Financial Report**

The Metall Zug Group generated stable gross sales of CHF 959.2 million in the reporting year (previous year: CHF 960.6 million). The operating income (EBIT) amounts to CHF 53.0 million (previous year: CHF 94.1 million). This corresponds to a decrease of 43.7%. The financial year 2017 includes exceptional charges of CHF 20.8 million from the recognition of restructuring provisions and impairments on tangible and intangible assets. These are related to the restructuring of the Life Science Business Area of the Infection Control Business Unit. In the prior year, a profit of CHF 5.1 million resulted from the sale of the property in Ballwil, which was no longer used by Belimed. Excluding the above impacts, operating income (EBIT) decreased by 17.1% to CHF 73.8 million (previous year: CHF 89.0 million). The pleasing performance of securities increased the financial result from CHF 10.3 million in 2016 to CHF 30.4 million in 2017. Net income came to CHF 67.7 million (previous year: CHF 84.9 million). The ratio of equity to total assets at the end of the reporting year further increased to 77.4% compared to 76.9% in the previous year. Metall Zug AG holds a net cash position of CHF 525.1 million as at year-end (previous year: CHF 543.0 million).



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## **Consolidated Income Statement**

in CHF 1000	Notes	2017	2016
Gross sales		959208	960634
Sales deductions		-22518	-21 181
Net sales	1	936690	939453
Changes in inventories		2589	9380
Other operating revenue	2	12357	13379
Operating revenue		951 636	962212
Cost of materials	3	-324457	-326894
Personnel expenses	4	-392979	-358589
Depreciation on tangible assets	14	-30068	-31437
Amortization on intangible assets	14	-3728	-5519
Impairments on tangible and intangible assets	14	-7682	0
Other operating expenses	5	-139707	-145627
Operating expenses		-898621	-868066
Operating income (EBIT)	1	53015	94 146
Financial income	7	39650	26120
Financial expenses	7	-9542	-16234
Associated companies	7, 14	296	407
Financial result		30404	10293
Income before taxes		83 419	104439
Taxes	8	-16622	-19823
Non-controlling interest	9	875	315
Net income		67672	84931
Net income per type A registered share (in CHF)	10	15.08	19.08
Net income per type B registered share (in CHF)	10	150.77	190.77

There is no dilution for 2017 or 2016 with regard to net income per share. Details of the individual items are available in the notes to the consolidated financial statements on page 70.

## **Consolidated Balance Sheet**

#### **Assets**

Assets			
in CHF 1000	Notes	12.31.2017	12.31.2016
Cash and cash equivalents		250766	259294
Securities		274588	284 212
Trade receivables	12	125 287	117634
Other receivables	·	31 827	18714
Inventories	13	149825	140721
Prepaid expenses		9733	7133
Current assets		842 026	827708
Land	14	999	948
Land and buildings	14	191 016	152732
Plant and equipment	14	51 540	48283
Prepayments and assets under construction	14	21718	52 192
Other tangible assets	14	20813	19874
Tangible assets		286 086	274 029
Employer's contribution reserves	14, 26	16787	16226
Associated companies	14	394	1574
Other financial assets	14	26308	23591
Financial assets		43489	41391
Software	14	16037	9498
Other intangible assets	14	17	24
Intangible assets		16054	9522
Fixed assets		345 629	324942
Total assets		1187655	1152650

Details of the individual items are available in the notes to the consolidated financial statements on page 70.

Note 14 contains a more detailed disclosure of tangible assets in addition to the disclosures made in the prior-year report. As a result, certain reclassifications of prior-year figures occured within tangible assets.

#### **Liabilities and Shareholders' Equity**

in CHF 1000	Notes	12.31.2017	12.31.2016
Current financial liabilities	15	0	500
Trade payables		43433	42326
Other current liabilities	13, 16, 17	83338	89283
Accrued liabilities		59048	61006
Current provisions	18	33771	33102
Current liabilities		219590	226217
Long-term financial liabilities		240	0
Other long-term liabilities		6231	5 199
Long-term provisions		41990	34948
Non-current liabilities		48461	40 147
Total liabilities		268051	266364
Share capital		11 250	11 250
Capital reserves	20	351328	348582
Treasury shares	20	-3040	-5273
Retained earnings		561888	532688
Non-controlling interest		-1822	-961
Shareholders' equity		919604	886286
Total liabilities and shareholders' equity		1187655	1152650

Details of the individual items are available in the notes to the consolidated financial statements on page 70.

## **Consolidated Statement of Cash Flows**

in CHF 1000	2017	2016
Net income before non-controlling interests	66797	84616
Financial result, net (excluding associated companies)	-30108	-9886
Depreciation and amortization	33796	36956
Impairment	7682	_
Result of associated companies	-296	-407
Net changes in provisions	9596	-3970
Taxes	16622	19823
Other non-cash items	-1204	-14059
Change in securities	32442	-1189
Change in trade receivables	-5957	-12210
Change in other receivables and prepaid expenses	-15463	2499
Change in inventories	-5603	-4089
Change in trade payables	396	5382
Change in other current liabilities and accrued expenses	-381	19576
Interests paid	-72	-26
Taxes paid	-18163	-27582
Cash flow from operating activities	90084	95434
Investments in tangible assets	-49074	-55395
Investments in financial assets	-4362	-5640
Investments in intangible assets	-12390	-5358
Investments in Group companies, net of cash acquired	-7885	-41
Disposals of tangible assets	442	1283
Disposals of financial assets	1953	14496
Disposals of intangible assets	_	8
Interests received	86	73
Cash flow from investing activities	-71230	-50574
Change in long-term financial liabilities	-175	-743
Purchase/sale of treasury shares	5015	307
Dividend	-31 417	-29359
Cash flow from financing activities	-26577	-29795
Currency translation effects	-305	-32
Change in "Net cash and cash equivalents"	-8028	15 033

 $Information \ on \ the \ composition \ of \ "Net \ cash \ and \ cash \ equivalents" \ is \ available \ on \ note \ 27 \ (page \ 85).$ 

In 2017, the position 'Investments in Group companies, net of cash acquired' contains the purchase of DiIT AG and of Sterifast Lda., also refer to Note 25. In 2016, this position included the purchase of HMZ Beteiligungen AG. In 2017, a non-cash allocation of TCHF 400 (previous year: TCHF 10000) to the employer's contribution reserves as well as a non-cash interest posting of TCHF 162 (previous year: TCHF 461) were credited to the employer's contribution reserves (see note 14, page 78). In 2016, there were non-cash additions of TCHF 3283 to Tangible Assets caused by accruals for expected outstanding invoices. The cash flows from usage of these accruals are included in the position Investments in tangible assets in 2017.

## **Changes in Shareholders' Equity**

in CHF 1000	Share Capital	Capital Reserves	Treasury Shares	Retained Earnings	Accu- mulated Currency	Total Retained Earnings	Non-con- trolling Interests	Total
					Transla-			
					tion Dif- ferences			
Balance on 01.01.2016	11250	342335	-18779	513 906	-15428	498478	-616	832668
Dividend		6046	13400	-48805		-48805		-29359
Purchase of treasury shares			-1700					-1700
Sale of treasury shares		201	1806					2007
Acquisitions				-33		-33		-33
Associated companies	-			-234		-234		-234
Currency translation effects	-			-9867	8218	-1649	-30	-1679
Net income				84931		84931	-315	84616
Balance on 12.31.2016	11 250	348582	-5273	539898	-7210	532688	-961	886286
Balance on 01.01.2017	11 250	348582	-5273	539898	-7210	532688	-961	886286
Dividend				-31 417		-31 417		-31 417
Purchase of treasury shares			-4637			_		-4637
Sale of treasury shares		2782	6870			_		9652
Acquisitions				-9460		-9460	-45	-9505
Other		-36				_		-36
Currency translation effects				-1610	4015	2405	59	2464
Net income				67672		67672	-875	66797
Balance on 12.31.2017	11 250	351328	-3040	565 083	-3195	561888	-1822	919604

See note 20 (page 81) for more detailed information on the purchase/disposal of treasury shares and notes 14 (page 78) and 25 (page 83) for more detailed information on acquisitions and on associated companies.

## **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 16, 2018.

#### **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 14, page 78). 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 CH	F	
Income Statement	2017	2016
(Average Rate)		
1 EUR	1.1120	1.0900
1 USD	0.9846	0.9852
1 GBP	1.2688	1.3347
1 AUD	0.7548	0.7329
1 SGD	0.7133	0.7136
100 CNY	14.5828	14.8390
100 JPY	0.8780	0.9076
100 HKD	12.6361	12.6915
Balance Sheet	2017	2016
(Exchange Rate on 12.31.)		
		-
1 EUR	1.1696	1.0717
1 USD	0.9745	1.0172
1 GBP	1.3166	1.2547
1 AUD	0.7608	0.7340
1 SGD	0.7288	0.7024
100 CNY	14.9701	14.6459
100 JPY	0.8650	0.8712
100 HKD	12.4730	13.1201

#### 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 licenses	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:

- Identification of risks: Every three years, an extensive Groupwide 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.
- Risk analysis: The top 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 as sessing the impact of a risk, both the financial implications
   and the effect on reputation are considered.
- 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 Board of Directors of Metall Zug AG receives a consolidated risk report on an annual basis.

#### **Country Risks**

As a business that operates globally (share of sales generated abroad: 41.8 %; 2016: 40.7 %), 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 contracts and commodity and interest rate swaps 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 525.1 million (previous year: CHF 543.0 million).

As the financial liabilities are not material in size (2017: CHF 0.2 million; 2016: CHF 0.5 million), no maturity profile has been included in this risk disclosure.

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	2017	2016
Income from securities	30939	9087
in % of income before taxes	37.1	8.7
Change from previous year	21852	4889
Change in % of income	26.2	4.7
before taxes		

Metall Zug has barely any interest-bearing financial liabilities at present. As a result, the Group's interest rate risk arises less from its financing structure and volume and 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, aluminum, 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 and Wire Processing 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 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 investments in 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

roreign currencies in the rinali	ciai nesuit	
in 1000 CHF	2017	2016
Foreign exchange gains/	-163	-447
losses (net)		
in % of income before taxes	-0.2	-0.4
Change from previous year	284	3,634
Change in % of income	0.3	4.4
before taxes		

#### **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 mainly arise from the sale of the Group's 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 valuation allowances are established for anticipated bad debts. In addition, general provisions for doubtful debts of maximum 2 % are formed for Swiss receivables and maximum 5 % for foreign receivables, which are based on empirical values.

#### **Allowance for Doubtful Receivables**

in 1000 CHF	2017	2016
Allowance for doubtful	-4805	-6276
receivables		
In % of trade receivables (gross)	3.7	5.1
Change from previous year	1 471	-1978
Change in % of income	1.8	-1.9
before taxes		

#### List of Investments (as at 12.31.2017)

Company	Domicile	Currency	Share Capital	Share of Capital
				and Votes
V-ZUG AG	Zug	CHF	1900000	100%
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.	Singapore (SG)	SGD	50000	100 %
SIBIRGroup AG	Spreitenbach	CHF	500000	100 %
Gehrig Group AG	Rümlang	CHF	2000000	100%
Hildebrand France S.a.r.l.	La Boisse (FR)	EUR	426720	100 %
V-ZUG Immobilien AG	Zug	CHF	1000000	100%
V-ZUG Infra AG	Zug	CHF	3518590	100%
MZ Infra AG	Zug	CHF	1000000	100%
Belimed AG	Zug	CHF	6500000	97.24%
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	18 151	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	Boticas (PT)	EUR	5000	100 %
Systems, Lda.				
Schleuniger Holding AG	Thun	CHF	2500000	100%
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 %
DilT AG	Krailling (DE)	EUR	103000	100 %
L W Solutions Ltd.	Pontypridd (UK)	GBP	56878	20 %

Effective January 1, 2017, Schleuniger Holding AG, Thun, purchased 65 % of DilT AG, Krailling (DE), previously held by third parties. Schleuniger Holding AG thus holds 100 % of DilT AG. Furthermore, V-ZUG Singapore Pte. Ltd. (SG), commenced business on this date.

On March 20, 2017, HMZ Beteiligungen AG, Zug, was renamed V-ZUG Infra AG, Zug. Effective March 28, 2017, Beltech Medical Services Ltd., Shipley (UK), was dissolved.

On May 29, 2017, Belimed AG, Zug, acquired STERIFAST Sterilization & Disinfection Systems, Lda., Boticas (PT).

#### 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 medical institutions, the life science industry and laboratories,
	as well as services and other products <sup>1)</sup>
Wire Processing	Wire processing equipment, software and services
Corporate	Management and real estate

#### By Business Unit

0	0	0	18	-339564	
				000504	
0	0	-4874)	857	438795	390374
1/5/40	153499	22332	22845	68067	58500
475740	150 100	00000		00007	
188091	201380	-342373)	-6341 <sup>5)</sup>	79753	84058
572859	584574	65407	76767	199455	179910
2017	2016	2017	2016	2017	2016
to	Third Parties		(EBIT)		Invested <sup>2)</sup>
	Net Sales		rating Income		Net Assets
	2017 572859 188091 175740	to Third Parties           2017         2016           572859         584574           188091         201380           175740         153499           0         0	to Third Parties           2017         2016         2017           572859         584574         65407           188091         201380         -342373           175740         153499         22332           0         0         -4874	to Third Parties         (EBIT)           2017         2016         2017         2016           572859         584574         65407         76767           188091         201380         -34237³)         -6341⁵)           175740         153499         22332         22845           0         0         -487⁴)         857	to Third Parties         (EBIT)           2017         2016         2017         2016         2017           572859         584574         65407         76767         199455           188091         201380         -34237³         -6341⁵         79753           175740         153499         22332         22845         68067           0         0         -487⁴         857         438795

	EBIT as % of		Contribution to		EBIT in % of Net	
		Net Sales	Operating	Income (EBIT)	Assets Invested	
in percent	2017	2016	2017	2016	2017	2016
Household Appliances	11.4 %	13.1 %	123.4 %	81.5 %	32.8 %	42.7 %
Infection Control	-18.2 %	-3.1 %	-64.6 %	-6.7 %	-42.9 %	-7.5 %
Wire Processing	12.7 %	14.9 %	42.1 %	24.3 %	32.8 %	39.1 %
Corporate			-0.9 %	0.9 %	-0.1 %	0.2 %
Consolidation			0.0%	0.0 %	0.0%	-0.0 %
Total			100.0%	100.0%	11.9%	23.2%

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

<sup>&</sup>lt;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> Includes expenses of TCHF 13122 arising from an increase in restructuring provisions and TCHF 4927 from impairments of tangible and intangible assets.

 $<sup>^{\</sup>mbox{\tiny 4)}}$  Includes TCHF 2755 expenses from impairments of tangible assets.

 $<sup>^{5)}</sup>$  Includes the profit of TCHF 5 100 from the sale of the property in Ballwil, which is no longer used by Belimed.

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

2017				
in CHF 1000	Household	Infection	Wire	Total
	Appliances	Control	Processing	
Switzerland	528594	16071	919	545584
Europe (excluding Switzerland)	14075	73638	75546	163259
Americas	11 052	65313	60850	137215
Asia/Pacific/Others	19138	33069	38425	90632
Total 2017	572859	188091	175 740	936690
2016	Household	Infaction	Wiro	Total
in CHF 1000	Household	Infection	Wire	Total
	Appliances	Control	Processing	
Switzerland	537835	18372	1079	557 286
Europe (excluding Switzerland)	11387	80403	52 172	143962
Americas	23481	66306	56255	146042
Asia/Pacific/Others	11 871	36299	43993	92163
Total 2016	584574	201380	153 499	939453

#### 2 Other Operating Revenue

Other Operating Revenue includes revenues from recharges for research and development services which increased by TCHF 3100 in the year under review. 2016 included the profit of TCHF 5100 from the sale of the property in Ballwil, which was no longer used by Belimed.

#### **3 Cost of Materials**

In the year under review, the cost of materials decreased in absolute terms by TCHF 2437, from TCHF 326894 to TCHF 324457. In relation to gross sales it decreased slightly from 34.0 % to 33.8 %. Cash discounts on goods purchased are recorded as cost reductions.

#### **4 Personnel Expenses**

Total personnel expenses	-392979	-358589
Other personnel expenses	-51891	-48496
Pension contributions	-19333	-9306
Wages and salaries	-321755	-300787
in CHF 1000	2017	2016
<u> </u>		

Headcount increased by 96 in the reporting year (previous year: increase of 107) to 4015 (previous year: 3919). This represents an increase of 2.4% (previous year: increase of 2.8%).

In 2017 the Welfare Fund of V-ZUG AG allocated TCHF 400 (previous year: TCHF 10000) 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 14).

#### **5 Other Operating Expenses**

Total other operating expenses	-139707	-145 627
Other costs	-41 025	-54534
Administrative expenses	-57659	-53204
Maintenance and repair	-16863	-13461
Marketing/sales promotion	-24160	-24428
in CHF 1000	2017	2016

Other operating expenses decreased by TCHF 5920 to 14.6 % (previous year: 15.2%) of gross sales. TCHF 13509 cost reductions were achieved in Other costs. In 2016, these costs included TCHF 10000 granted by V-ZUG AG to establish a fund to subsidize affordable housing. Further cost reductions of TCHF 268 were achieved in marketing/sales promotion. On the other hand, maintenance and repair increased by TCHF 3402 and administrative expenses by TCHF 4455. The increase in maintenance and repair as well as in administrative costs results from higher non-capitalizable expenditures in relation to the site development in Zug as well as from various digitization and IT projects initiated within the group.

#### **6 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. Whilst gross sales remained stable compared to the prior year, expenses for research and development increased to 9.0 % of gross sales (previous year: 8.5 %). As in previous years, these expenses of TCHF 85871 (previous year: TCHF 81181) were charged directly to the income statement.

#### 7 Financial Result

in CHF 1000	2017	2016
Interest income	93	98
Income from securities	34182	14965
Income from financial assets	6	3 112
Foreign exchange gains	5369	7945
Total financial income	39650	26120
Interest expenses	<b>–72</b>	-107
Losses on securities	-3243	-5878
Expenses from financial assets	0	-1352
Other financial expenses	-695	-505
Foreign exchange losses	-5532	-8392
Total financial expenses	-9542	-16234
Associated companies	296	407
Net financial result	30404	10293

Income from securities and losses on securities include the gross reported income and capital gains/losses from portfolio management. The net position of foreign exchange gains/losses improved from TCHF –447 in the prior year to TCHF –163. In 2016, the position 'Income and expenses from financial assets' essentially included the changes in the value of the shares of Schlatter Industries AG, Schlieren, in the amount of TCHF 1752.

#### 8 Taxes

Expenditure		
in CHF 1000	2017	2016
Current income taxes	-19334	-19506
Deferred income taxes	2712	-317
Total expenditure	-16622	-19823
Liabilities	2047	0040
in CHF 1000	2017	2016
Current income taxes	14316	11 375
Deferred income taxes	18455	21 167
Total liabilities	32771	32542
	02111	
Income Taxes 2017	Tax rate	Tax amount
		in CHF 1000
Income before taxes		83419
Weighted average applicable tax rate/calculated taxes	10.5 %	8782
Utilization of previously unrecognized tax loss carry forwards		-1114
Additional unrecognized tax losses		4232
Change of unrecognized temporary differences		3139
Tax effects on investments		-721
Non-taxable income/non-tax deductible expenses		846
Income tax from prior periods		487
Other effects		971
Reported tax rate / taxes according to the income statement	19.9%	16622
Income Taxes 2016	Tax rate	Tax amount
		in CHF 1000
Income before taxes		104439
Weighted average applicable tax rate/calculated taxes		17 244
Utilization of previously unrecognized tax loss carry forwards	10.3 %	-6408
Additional unrecognized tax losses		4455
Change of unrecognized temporary differences		809
Tax effects on investments		2742
Non-taxable income/non-tax deductible expenses		324
Income tax from prior periods		-200
Other effects		857
Reported tax rate/taxes according to the income statement	19.0%	19823

Tax expenses amount to 19.9 % of income before taxes (previous year: 19.0 %). The increase in the tax rate compared to the prior year is primarily due to an increase in non-capitalizable net deferred tax assets from temporary differences as well as due to reduced utilization of previously unrecognized temporary differences. The weighted average applicable tax rate of 11 % 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 reduction in this calculated tax rate to 11 % from 16.5 % in the previous year is mainly due to the increased financial income of Metall Zug AG in relation to the net income of the Group. The average tax rate for deferred income taxes amounts to 13.2 % (previous year: 13.0 %).

Potential tax reductions resulting from tax loss carry forwards and temporary differences amount to TCHF 37877 (previous year: TCHF 34996). The potential tax reductions increased in net terms by TCHF 2881 (previous year: decrease of TCHF 1184). 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.

#### 9 Non-controlling Interests

As at year-end 2017, a minority stake of 2.76 % in Belimed AG is held by third parties (2016: 2.76 %). The net loss of Belimed AG attributable to these minorities amounts to TCHF 875 (2016: TCHF 315).

10 Net Income per Share

Net income per type B registered share (in CHF)	150.77	190.77
Net income per type A registered share (in CHF)	15.08	19.08
Weighted average number of shares	448844	445 195
Net income as per income statement (in CHF 1000)	67672	84931
Average outstanding type is registered shares	254415	231761
Average outstanding type B registered shares	254415	251 781
Issued type B registered shares	255136	255136
Average outstanding type A registered shares	1944294	1934140
Issued type A registered shares	1948640	1948640
	2017	2016

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 1948640 type A registered shares correspond to 194864 type B registered shares.

There is no dilution for 2017 or 2016 with regard to net income per share.

#### 11 Securities

in CHF 1000	12.31.2017	%	12.31.2016	%
Investments up to 12 months	122948	44.8	8924	3.1
Fixed-income investments over 12 months	48114	17.5	98427	34.6
Shares and similar investments	103526	37.7	176861	62.2
Total securities	274588	100.0	284212	100.0

Securities are mainly managed by third parties in asset management mandates. The increase compared to the prior year in the position 'Investments up to 12 months' is due to the provision of funds required for the acquistion of the 70 % stake in Haag-Streit Holding AG, Köniz (see note 28).

#### 12 Trade Receivables

12 Trade Hederables		
in CHF 1000	12.31.2017	12.31.2016
Gross trade receivables	130092	123910
Allowance for doubtful receivables	-4805	-6276
Total trade receivables	125287	117634
13 Inventories		
in CHF 1000	12.31.2017	12.31.2016
Raw materials	19096	16216
Trade goods	49416	45282
Semifinished and finished products	121433	118916
Advance payments to suppliers	1371	1378
Specific value adjustments	-15750	-15488
General value adjustments	-25741	-25583
Total inventories	149825	140721

Advance payments from customers are not offset against inventories; they are reported as other current liabilities and amount to TCHF 21312 (previous year: TCHF 26352).

#### **14 Fixed Assets**

14 Fixed Assets						
Tangible Assets						<b></b>
in CHF 1000	Land	Land &	Plant &	Prepayments	Other	Total
		Buildings	Equipment	& Assets	Tangible	Tangible
				Under	Assets	Assets
	·			Construction		
Acquisition costs						
Balance on 01.01.2016	957	239 079	187588	21839	75 080	524543
Additions		8651	10090	32037	7900	58678
Disposals		-286	-20903		-7943	-29132
Reclassifications		2940	173	-1684	-287	1 142
Currency translation effects	-9	-333	-122		-231	-695
Balance on 12.31.2016	948	250 051	176826	52192	74519	554536
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
Balance on 12.31.2017	999	296254	182348	21718	77408	578727
Accumulated depreciation  Balance on 01.01.2016	0	-89547	-132300		-54805	-276652
Depreciation current year		-7 194	-16446		<del>-7797</del>	-31437
Disposals		86	20139		7624	27849
Reclassifications			12		190	-530
Currency translation effects		68	52		143	263
Balance on 12.31.2016	0	-97319	-128543	0	-54645	-280507
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
Balance on 12.31.2017	0	-105238	-130808	0	-56595	-292641
Net book values on 12.31.2016	948	152732	48283	52 192	19874	274 029
Net book values on 12.31.2017	999	191016	51540	21718	20813	286086
Of which land 12.31.2016		32480				
Of which land 12.31.2017		45851				

In the prior year, assets held for sale, which form part of the other receivables of TCHF 609 were reclassified as land and buildings.

Financial and Intangible Assets						
in CHF 1000	Employer's	Associated	Shares in	Long-term	Total	Intangible
	Contribution	Companies	Companies <sup>1)</sup>	Loans and	Financial	Assets
	Reserves			Receivables	Assets	
Acquisition costs						
Balance on 01.01.2016	15 525	1081	25 643	4393	46642	39705
Additions	10461	320	2777	2543	16101	5358
Disposals	-9760		-1058	-3678	-14496	-1213
Reclassifications						1
Adjustments through equity		-234			-234	
Adjustments through income		407			407	
statement						
Currency translation effects				3	3	-23
Balance on 12.31.2016	16226	1574	27362	3261	48423	43828
Additions	561		4113	249	4923	12390
Disposals	501	-1476	-1755	-198	-3429	-518
Reclassifications		-1476	-1755	- 190	-3429	4
Adjustments through income		296			296	4
statement		230			230	
Currency translation effects				3	3	115
Balance on 12.31.2017	16787	394	29720	3315	50216	55819
Datance on 12.01.2017	10707	004	20720	0010	30210	33013
Accumulated amortization						
Balance on 01.01.2016	0	0	-8626	-72	-8698	-29998
Amortization current year						-5519
Value adjustments (net)			1666		1666	
Disposals						1204
Reclassifications						-4
Currency translation effects						11
Balance on 12.31.2016	0	0	-6960	-72	-7032	-34306
A CONTRACTOR OF THE CONTRACTOR						0700
Amortization current year			005		005	-3728
Value adjustments (net)			305		305	0.151
Impairment						-2151
Disposals						517
Currency translation effects			2.25	70	0.707	
Balance on 12.31.2017	0	0	-6655	<b>-72</b>	-6727	-39765
Net book values on 12.31.2016	16226	1574	20402	3 189	41391	9522
Net book values on 12.31.2017	16787	394	23 0 6 5	3243	43489	16 0542)

 $<sup>^{\</sup>mbox{\tiny 1)}}$  Incl. private-equity investments.

 $<sup>^{\</sup>rm 2)}$  Of which TCHF 16037 (previous year: TCHF 9498) software.

#### **Tangible Assets**

Impairments on fixed assets in the amount of TCHF 5531 recognized in 2017 result from planned restructuring activities of the Life Science Business Area within the Infection Control Business Unit (refer to Note 18). Furthermore, new software was introduced in the Infection Control Business Unit during 2017 which led to an impairment of TCHF 2151 on not yet entirely depreciated intangible assets.

#### **Financial Assets**

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

In 2017, 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 reserves increased by TCHF 561 in 2017.

In the prior year, the Welfare Fund of V-ZUG AG had allocated TCHF 10000 to the employer's contribution reserves. Furthermore, the Welfare Fund of V-ZUG AG paid employer's pension contributions in the amount of TCHF 9760, which reduced the employer's contribution reserves by the respective amount. Together with interest credited of TCHF 461, the employer's contribution reserves increased by TCHF 701 in the prior year.

#### **Associated Companies**

In 2017, the Group aquired 65% of DiIT AG, Krailing (DE), previously held by third parties. This resulted in a disposal in associated companies of TCHF 1476, as the participation of 35% in DiIT AG was previously recognized in associated companies (see note 25). Attributable estimated profits on associated companies for financial year 2017 amount to TCHF 296 (previous year: TCHF 407). In 2016, investments in associated companies also included goodwill related to the then purchased minority stake of 20% of Laser Wire Solutions (L W Solutions Ltd.), Pontypridd (UK).

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

Value adjustments in the net amount of TCHF 305 were released on shares in companies including private-equity investments (previous year: TCHF 1666). In 2016, this comprised the decrease in the value adjustment of TCHF 1752 for 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 9685 (previous year: TCHF 267) results from the acquisitions mentioned in note 25. Additionally, goodwill was reduced by purchase price adjustments of TCHF 104 related to the acquisition of Cirris Solutions GmbH (now: Schleuniger Test Automation GmbH), purchased in 2015. Another purchase price adjustment in the amount of TCHF 76 resulted from the current year's acquisition of STERIFAST, Lda (see note 25). The accumulated acquisition values of goodwill amount to TCHF 16289 (previous year: TCHF 6784). 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 5184 (previous year: TCHF 3020). After deduction of a theoretical amortization, the goodwill that can theoretically be capitalized has a residual value of TCHF 7402 (previous year: TCHF 3081).

#### 15 Current and Long-term Financial Liabilities

The mortgage with fixed interest in the amount of TCHF 500 has been fully repaid as per November 26, 2017. Long-term financial liabilities in 2017 include a loan of TCHF 240 from a provident fund. In the prior year, assets with a book value of TCHF 3040 have been encumbered as collateral for the current financial liabilities of TCHF 500.

#### 16 Pension Liabilities

Pension liabilities amount to TCHF 361 (previous year: TCHF 430). They are recorded as other current liabilities.

#### 17 Other 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 badwill of TCHF 11389 resulting from the acquisition is presented within liabilities and is systematically reversed. Badwill is caused by deferred development costs and necessary adjustments to the operations, both already factored into the purchase price. Badwill 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 have materialized from 2014 to 2017 and respective badwill in the amount of TCHF 6400 has been released, of which TCHF 1600 in 2017 (previous year: TCHF 1600). Adjustments to the operations will be initiated at a later stage. The remaining badwill amounts to TCHF 4989 and is reported as other long-term liabilities. Other current liabilities include TCHF 10000 granted by V-ZUG AG in 2016 to establish a fund to subsidize affordable housing.

#### 18 Provisions

Deferred	Guarantees	Pension	Restruc-	Other	Total
Taxes			turing		
20850	38482	3 114	2499	6927	71872
909	26660	363		1 115	29047
-592	-24652	-199	-1165	-2785	-29393
	-2383		-295	-629	-3307
	-85	-52		-32	-169
21 167	38022	3226	1039	4596	68050
	28575	150	1039	3338	33102
21167	38022	3226	1039	4596	68050
37	23 171	97	13 122	750	37177
-2749	-22592	-164	-890	-1540	-27935
	-952	-32		-1375	-2359
	56			97	153
	254	289	3	129	675
18455	37959	3416	13274	2657	75 761
	28595	165	3793	1 218	33771
	20850 909 -592 21167 21167 37 -2749	Taxes       20850     38482       909     26660       -592     -24652       -2383     -85       21167     38022       28575     28575       21167     38022       37     23171       -2749     -22592       -952     56       254     18455       37959	Taxes         20850         38482         3114           909         26660         363           -592         -24652         -199           -2383         -85         -52           21167         38022         3226           28575         150           21167         38022         3226           37         23171         97           -2749         -22592         -164           -952         -32           56         254         289           18455         37959         3416	Taxes         turing           20850         38482         3114         2499           909         26660         363           -592         -24652         -199         -1165           -2383         -295           -85         -52           21167         38022         3226         1039           28575         150         1039           37         23171         97         13122           -2749         -22592         -164         -890           -952         -32         56           254         289         3           18455         37959         3416         13274	Taxes         turing           20850         38482         3114         2499         6927           909         26660         363         1115           -592         -24652         -199         -1165         -2785           -2383         -295         -629           -85         -52         -32           21167         38022         3226         1039         4596           28575         150         1039         3338           21167         38022         3226         1039         4596           37         23171         97         13122         750           -2749         -22592         -164         -890         -1540           -952         -32         -1375         56         97           254         289         3         129           18455         37959         3416         13274         2657

Provisions for guarantees are calculated on the basis of historical data (average of actual costs in recent years). Restructuring provisions derive from the Infection Control Business Unit for the current and the previous year. In 2017, restructuring provisions of TCHF 13 122 have been recognized (previous year: TCHF 0). Most of these restructuring provisions are related to the planned restructuring of the Life Science Business Area. The provisions are based on a restructuring plan which contains various possible options. A provision has been recognized for the most likely option. In addition, impairments on tangible assets are recognized related to these measures (see note 14). Other provisions are set aside amongst others for the expected cash outflows related to various legal cases.

#### 19 Significant Shareholders

As at December 31, 2017, the following shareholders own more than 3 % of the total number of votes:

	Type A Registered Shares	Type B Registered Shares	Votes	Votes Previous year
Elisabeth Buhofer and Heinz M. Buhofer <sup>1)</sup>	1480650	4074	67.4 %	67.4 %
Shareholder group Stöckli <sup>2)</sup>	340800	18338	16.3 %	16.3 %
Werner O. Weber, indirectly through Wemaco Invest AG	82000	42429	5.6 %	5.6 %

<sup>&</sup>lt;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>&</sup>lt;sup>21</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.

#### 20 Shares

Shares Issued		
1948640 Type A registered shares at par value CHF 2.50	Swiss security no. 209262	CHF 4871600
255136 Type B registered shares at par value CHF 25.00	Swiss security no. 3982108	CHF 6378400
2203776 Votes	Share capital	CHF 11250000

No equity instruments were issued in the year under review or in the previous year. Undistributable, statutory or legal reserves amount to TCHF 12 156 (previous year: TCHF 13 178).

In 2017, 11300 (2016: 6000) type A registered shares were sold to a related party and in return 1130 (2016: 600) type B registered shares were purchased from the same related party at the same price (nominal value adjusted). The profit of TCHF 1757 (2016: TCHF 172) resulting from the sale of the type A registered shares was taken directly to capital reserves.

Furthermore, 1346 (2016: TCHF 0) type B registered shares were sold to third parties in the year under review. The profit of TCHF 1025 (2016: TCHF 0) resulting from the sale was also taken directly to capital reserves.

In 2016, with regards to the distribution of the stock dividend approved by the General Meeting of Shareholders, 6953 type B registered shares were distributed to the shareholders. The difference of TCHF 6046 between the market value of the shares at the date of the distribution and the purchase price was taken directly to capital reserves.

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

As at December 31, 2017, Metall Zug AG holds 741 type B treasury shares at an average purchase price of CHF 4103 (as at December 31, 2016: 11300 type A treasury shares and 957 type B treasury shares).

#### **21 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 100 (previous year: TCHF 129) were issued. On the other hand, expenses of TCHF 144 (previous year: TCHF 173) were incurred by gastronomy and real estate management services rendered to Metall Zug AG Group companies. As at December 31, 2017, accounts receivable of TCHF 3 (previous year: TCHF 2) and accounts payable of TCHF 1 (previous year: TCHF 7) are on the balance sheet from companies belonging to Zug Estates Holding AG. At the end of 2017, Metall Zug AG granted a short-term loan in the amount of TCHF 10000 to Zug Estates Holding AG at market conditions.

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 2017 amounts to TCHF 36 (previous year: TCHF 35).

In 2017, 11 300 type A registered shares of Metall Zug AG (previous year: 6000) from Metall Zug AG's treasury shares were sold to a shareholder listed in note 19 "Significant shareholders" and in return 1 130 type B registered shares of Metall Zug AG (previous year: 600) 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 53 and 54.

#### 22 Leasing Liabilities

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

Total	6238	6984
over 3 years	580	913
up to 3 years	2674	3251
up to 1 year	2984	2820
in CHF 1000	12.31.2017	12.31.2016

#### **23 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		12.31.2017		12.31.2016			
Base Value	Contract	Contract Market Values Values		Contract	Market V	alues	
	Values			Values			
		Positive	Negative		Positive	Negative	
Foreign exchange	3703	8	-19	3121	7	-27	
Equity instruments/indices	2640	55					
Total market values	6343	63	-19	3121	7	-27	

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		12.31.2017		12.31.2016				
Base Value	Contract Values	Market Values		Market Values		Contract Values	Market V	alues
	values	Positive	Negative	values	Positive	Negative		
Foreign exchange	226043	674	-1383	235087	1 005	-2190		
Interest rates	409			375				
Total market values	226452	674	-1383	235 462	1005	-2190		

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

As at December 31, 2017, trade receivables from foreign subsidiaries worth TCHF 10799 (previous year: TCHF 9889) served as collateral for credit lines. The carrying amount of fixed-term deposits, securities and properties that are pledged as collateral amount to TCHF 15877 (previous year: TCHF 21587).

In addition to purchase commitments of TCHF 6204 (previous year: TCHF 1024) there are also a number of long-term rental contracts with a volume of TCHF 17923 (previous year: TCHF 16033).

Metall Zug AG made investment commitments to two private equity funds (previous year: one private equity fund) totaling TCHF 10000 (previous year: TCHF 5000), of which TCHF 5395 was paid in at the end of 2017 (previous year: TCHF 3561).

#### 25 Acquisition and Sale of Consolidated Subsidiaries

Effective January 1, 2017, Schleuniger Holding AG, Thun, purchased 65% of DilT AG, Krailling, (DE), previously held by third parties. Schleuniger Holding AG thus holds 100% of DilT 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:

Non-current liabilities	-174	-413
Current liabilities	-592	-354
Fixed assets	97	68
Current assets	3410	464
in CHF 1000	DilT AG	STERIFAST, Lda.

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 63).

In prior year, HMZ Beteiligungen AG, Zug, was acquired on January 20, 2016. The following assets and liabilities were taken over as part of the acquisition:

Non-current liabilities  Net assets	
Current liabilities	
Fixed assets	0
Current assets	22
in CHF 1000	HMZ Beteiligungen AG

The goodwill paid in connection with the above-mentioned transaction was TCHF 34 and was offset against retained earnings at the time of acquisition (see Changes in Shareholders' Equity, page 63).

#### 26 Employee Benefits

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)

Employer 3 dont ibation ries	CIVCS (LOIL)						
	Nominal	Renounced	Balance	Additions/	Balance	Result	t from ECR or
	Value	Use	Sheet	Releases	Sheet	Sir	nilar Items in
						Person	nel Expenses
in CHF 1000	12.31.2017	12.31.2017	12.31.2017	2017	12.31.2016	2017	2016
Patronage funds/	16507		16507	400	15948	559	698
pension schemes							
Pension plans	280		280		278	2	3
Total	16787	0	16787	400	16226	561	701

Essessias!	I Damasia	/ E i I	Oblimation	and Danalan	<b>Benefit Expenses</b>	
Economica	i Benefit/	conomical	Obligation	and Pension	benefit Expenses	

C	alua / Dafiait	Faana	unical Dawt of	Channaa	Contribu	Danaian	Evmanaa in
Surplus/Deficit		Economical Part of		Change or	Contribu-	Pension	Expenses in
Į.	According to	the Organization		Impact on	tions	Person	nel Expenses
Pe	ension Plans			Net Income	for the		
				in Business	Period <sup>1)</sup>		
				Year			
in CHF 1000	12.31.2017	12.31.2017	12.31.2016	2017	2017	2017	2016
Patronage funds/	3073						
pension schemes							
Pension plans without					-19278	-19278	-9106
surplus/deficit							
Pension plans with deficit	-3416	-3416	-3226	100	-716	-616	-901
Total	-343	-3416	-3226	100	-19994	-19894	-10007

<sup>&</sup>lt;sup>1)</sup> Includes payments to pension schemes that bear pension risks themselves in the amount of TCHF 19257 (previous year: TCHF 7947) and payments to pension schemes that do not bear risks themselves in the amount of TCHF 737 (previous year: TCHF 1896). The economical part of the organization on pension plans with deficits of TCHF 3416 (previous year: TCHF 3226), originates mainly from closed defined benefit plans abroad and is recognized in full as a pension provision.

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 2017, 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.

In the prior year, the Welfare Fund of V-ZUG AG had allocated TCHF 10000 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. Furthermore, the Welfare Fund of V-ZUG AG had paid employer's pension contributions in the amount of TCHF 9760, which reduced the employer's contribution reserves by the respective amount. Together with interest credited of TCHF 461, the employer's contribution reserves increased by TCHF 701 in the prior year.

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	2017	2016
Pension contributions at the company's expense	-19994	-9843
Contributions to pension plans from employer's contribution reserves	0	-9760
Total contributions <sup>1)</sup>	-19994	-19603
Change in employer's contribution reserves due to allocation, asset development,	561	10461
value adjustment, discounting, interest payments, etc.		
Contributions and changes in employer's contribution reserves	-19433	-9142
Change in economic benefits for the company from surplus	0	0
Change in economic liabilities for the company from deficit	100	-164
Total change in economic impact of surplus / deficit	100	-164
Pension expenses in personnel expenses	-19333	-9306

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

#### 27 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	12.31.2017	12.31.2016
Cash and cash equivalents	250766	259294
Current financial liabilities	0	-500
Total "Net cash and cash equivalents"	250766	258794
Changes from the previous year	-8028	15033

#### 28 Events After the Balance Sheet Date

Effective January 4, 2018, Schleuniger Holding AG, Thun, purchased 60 % of adaptronic Prüftechnik GmbH, Wertheim (DE).

Furthermore, Metall Zug AG has acquired a 70 % stake in Haag-Streit Holding AG, Köniz, as per March 1, 2018. The impact of this acquisition on the balance sheet and income statement will be disclosed in the half-year financial report 2018 as well as the annual financial report 2018. The purchase price and the purchase price allocation had not been conclusively determined on the date of publication of this financial report.

# **Report of the Statutory Auditor**



Ernst & Young Ltd Gotthardstrasse 26 CH-6300 Zug Phone +41 58 286 75 55 Fax +41 58 286 75 50 www.ey.com/ch

To the General Meeting of Metall Zug AG, Zug

Zug, 16 March 2018

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

As statutory auditor, we have audited the consolidated financial statements presented on pages 56 to 85 of Metall Zug AG, which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of cash flows, changes in shareholders' equity and notes to the consolidated financial statements, for the year ended 31 December 2017.



#### **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 2017 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

#### Risk

Inventories and the related value adjustments amount to TCHF 191'316 and TCHF 41'491, 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. 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 65) as well as under "13 Inventories" (page 75).

### Our audit response

Among the inventory valuation (acquisition or standard costs), we assessed the calculation of the value adjustments and compared the underlying management assumptions with past developments. We reviewed the aging analysis to identify excess inventory. Furthermore, we compared acquisition costs with net realizable values and thus analyzed the loss-free valuation of inventories.



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#### **Provisions**

#### Risk

The calculation of provisions for guarantees amounting to TCHF 37'959 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 66) as well as under "18 Provisions" (page 80).

### Our audit response

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.

#### Revenue recognition

#### Risk

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 64) as well as under "1 Segment Information" (page 70).

## Our audit approach

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.

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#### 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 para. 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	2017	2016
Dividend income	63000000	63000000
Other operating revenue	4192080	3988625
Operating revenue	67 192 080	66988625
Personnel expenses	-4967091	-5609192
Other operating expenses	-1574748	-1614552
Increase of provisions (net)	-60000000	-35000000
Depreciation	-224527	-199259
Operating expenses	-66766366	-42423003
Operating income (EBIT)	425714	24565622
Financial income 1	53516086	27253408
Financial expenses 2	-9793682	-15029239
Financial result	43722404	12 22 4 169
Income before taxes	44148118	36789791
Taxes	-3538197	-1272227
Net income	40609921	35517564

# **Balance Sheet**

- ^	_	_	_	4.
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in CHF Notes	12.31.2017	12.31.2016
Cash and cash equivalents	136399073	116077507
Listed securities 3	252 538 818	248216160
Loans to related parties 4	10000000	0
Other receivables third parties	749 118	446613
Other receivables subsidiaries	270611	1997259
Accrued expenses third parties	1563	65439
Accrued expenses subsidiaries	101400	139000
Current assets	400060583	366941978
Financial assets	23064731	20401660
Loans to subsidiaries	222050000	178625000
Investments 5	210217343	210217343
Tangible assets	42367	61920
Intangible assets 6	2901560	3065335
Fixed assets	458276001	412371258
Total assets	858336584	779313236
Liabilities		
Other payables third parties	4837915	765905
Other payables subsidiaries	2264	7151
Accrued liabilities third parties	2133462	1760146
Accrued liabilities subsidiaries	375000	0
Current liabilities	7348641	2533202
Provisions	516 238 180	456238180
Non-current liabilities	516238180	456238180
Total liabilities	523 586 821	458771382
Share capital	11250000	11 250 000
Statutory capital reserves	11230000	11230000
Capital contribution reserves	1750052	1750052
Statutory profit reserves	5625000	5625000
Voluntary profit reserves 8		271 361 249
Retained earnings	274140201	271301243
Retained earnings  Retained earnings carried forward	4411877	310943
Net income	40609921	35517564
Treasury shares 8	_	
Shareholders' equity	-3040378 <b>334749763</b>	-5272954 <b>320541854</b>
onarenouers equity	334743703	320341654

# 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 contains valuation reserves.

#### **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	2017	2016
Income from securities	48343769	16356095
Income from financial assets	23 0 3 9	3126335
Income from dissolution value adjustment on loans to subsidiaries	0	3500000
Interest income from loans to subsidiaries	5149278	4270978
Total financial income	53516086	27253408

#### 2 Financial Expenses

2 i manciai Expenses		
in CHF	2017	2016
Expenses from securities	-3393682	-13677693
Value adjustment on financial assets	0	-1351546
Expenses waiver loans to subsidiaries	-6400000	0
Total financial expenses	-9793682	-15029239
3 Listed Securities		
in CHF	12.31.2017	12.31.2016
Listed securities, gross	274385353	284008011
Valuation reserves	-21846535	-35791851
Total listed securities, net	252538818	248216160

#### **4 Loans to Related Parties**

This position includes a short-term loan to Zug Estates Holding AG in the amount of TCHF 10000 (previous year: TCHF 0).

#### **5 Investments**

Detailed information on the investments of Metall Zug AG, Zug, as at December 31, 2017, is available on page 69.

#### **6 Intangible Assets**

in CHF	12.31.2017	12.31.2016
Software, gross	262460	221 261
Accumulated amortization	-194500	-156226
Software, net	67960	65 035
Brands, gross	3334000	3334000
Accumulated amortization	-500400	-333700
Brands, net	2833600	3000300
Total intangible assets	2901560	3065335

#### 7 Significant Shareholders

See note 19 to the consolidated financial statements, page 80.

#### **Additional Information Required by Law**

#### 8 Treasury Shares

In 2017, 11 300 (2016: 6000) type A registered shares were sold to a related party and in return 1 130 (2016: 600) type B registered shares were purchased from the same related party at the same price (nominal value adjusted). The profit of TCHF 1757 (2016: TCHF 172) resulting from the sale of the type A registered shares was taken directly to voluntary profit reserves.

Furthermore, 1346 (2016: TCHF 0) type B registered shares were sold to third parties in the year under review. The profit of TCHF 1025 (2016: TCHF 0) resulting from the sale was also taken directly to voluntary profit reserves.

In 2016, with regards to the distribution of the stock dividend approved by the General Meeting of Shareholders, 6953 type B registered shares were distributed to the shareholders. The difference of TCHF 6047 between the market value of the shares at the date of the distribution and the purchase price was taken directly to voluntary profit reserves.

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

As at December 31, 2017, Metall Zug AG holds 741 type B treasury shares at an average purchase price of CHF 4103 (as at December 31, 2016: 11300 type A treasury shares and 957 type B treasury shares).

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

	as at 12.3	31.2017	as at 12.31.2016	
	Type A Regis-	Type B Regis-	Type A Regis-	Type B Regis-
	tered Shares	tered Shares	tered Shares	tered Shares
Heinz M. Buhofer	563 0401)	938	563 0401)	938
Chairman of the Board of Directors				
Marga Gyger	0	0	0	0
Member of the Board of Directors				
Peter Terwiesch	0	10	0	10
Member of the Board of Directors				
Martin Wipfli	0	270	0	270
Member of the Board of Directors				
Jürg Werner	0	20	0	20
CEO				
Daniel Keist	0	0	0	0
CFO				
Dirk Hoffmann	0	20	0	20
CEO Household Appliances Business Unit				
Christoph Schüpbach	0	0	0	0
CEO Wire Processing Business Unit				

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

#### 10 Pledged Assets

As at the end of the reporting year, no securities are pledged as collateral (previous year: TCHF 2000).

#### 11 Sureties

There are sureties to secure credit lines to Group companies from banks amounting to TCHF 26257 (previous year: TCHF 24897). Furthermore, sureties in the amount of TCHF 213 (previous year: TCHF 139) were granted to suppliers of a subsidiary.

#### **12 Contingent Liabilities**

Metall Zug AG made investment commitments to two (previous year: one) private equity funds totaling TCHF 10000 (previous year: TCHF 5000), of which TCHF 5395 was paid by the end of 2017 (previous year: TCHF 3561).

#### 13 Number of Full-time Equivalents

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

#### 14 Events After the Balance Sheet Date

Metall Zug AG has acquired a 70 % stake in Haag-Streit Holding AG, Köniz, as per March 1, 2018. The purchase price and the purchase price allocation had not been conclusively determined at the time of publication of this Annual Report.

# **Proposal for the Appropriation of Available Earnings**

in CHF				12.31.2017	12.31.2016
				12.01.2017	12.01.2010
				Proposal of the	Resolution of the
				<b>Board of Directors</b>	General Meeting of
					Shareholders
Retained earnings carried forward				4411877	310943
Net income				40609921	35517564
Retained earnings				45 021 798	35828507
Distribution of cash dividend					
for each type A registered share	CHF	7.00	gross	13640480	13640480
for each type B registered share	CHF	70.00	gross	17859520	17859520
Total				31500000	31500000
minus dividend on treasury shares <sup>1)</sup>				-51870	-83370
Retained earnings to be carried forward				13573668	4411877

<sup>&</sup>lt;sup>1)</sup> As at December 31, 2017, 741 type B treasury shares are not entitled to a dividend (previous year: 11300 type A treasury shares and 957 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 Friday, May 11, 2018 (payment date). The last trading date with entitlement to receive the dividend is Monday, May 7, 2018. The shares of Metall Zug AG will be traded ex-dividend as of Tuesday, May 8, 2018.

# **Report of the Statutory Auditor**



Ernst & Young Ltd Gotthardstrasse 26 CH-6300 Zug Phone +41 58 286 75 55 Fax +41 58 286 75 50 www.ey.com/ch

To the General Meeting of Metall Zug AG, Zug

Zug, 16 March 2018

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

As statutory auditor, we have audited the financial statements presented on pages 90 to 95 of Metall Zug AG, which comprise the income statement, balance sheet and notes, for the year ended 31 December 2017.



#### 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 2017 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

#### Risk

The core business of Metall Zug AG is granting loans to subsidiaries (TCHF 220'050) and holding investments (TCHF 210'217). Depending on the operational developments of the individual business units, there is a valuation risk with regard to investments and loans. Investments are disclosed under section 5 in the notes to the financial statements.

## Our audit response

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 used the company 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 value adjustments recorded.



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#### 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 para. 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**

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#### Gehrig Group AG

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## Infection Control Business Unit

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