

**Metall Zug Group**

# Annual Report 2016

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### **Addresses**



# 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 three business units, thereby ensuring an attractive range of high quality, efficient and resource-saving premium products.*



*Consistent premium quality*  
**Household Appliances**



*Professional preparation*  
**Infection Control**

*Maximum precision*  
**Wire Processing**

# The Metall Zug Group

*Metall Zug, an industrial group of companies headquartered in Zug, comprises three Business Units and has a workforce of more than 3 900 employees. 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. The holding company Metall Zug AG is listed in the Swiss Reporting Standard of SIX Swiss Exchange in Zurich (type B registered shares: securities number 3 982 108, ticker symbol METN).*

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## Household Appliances



### V-ZUG AG

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



### SIBIRGroup AG

SIBIRGroup AG is a full-range supplier of 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.

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## 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).

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## Wire Processing



### Schleuniger Group

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

# Key Figures at a Glance

## Metall Zug Group

| in CHF million                      | 2016         | 2015         | 2014         | 2013       | 2012       |
|-------------------------------------|--------------|--------------|--------------|------------|------------|
| Gross sales                         | 960.6        | 927.8        | 927.0        | 908.6      | 856.4      |
| Revenue from real estate operations | 0.0          | 0.0          | 0.0          | 0.0        | 25.8       |
| Operating income (EBIT)             | 94.1         | 80.5         | 75.0         | 69.8       | 66.6       |
| Net income                          | 84.9         | 56.9         | 86.0         | 124.1      | 61.5       |
| Cashflow from operating activities  | 95.4         | 104.6        | 135.8        | 162.3      | 113.0      |
| in % of sales                       | 9.9          | 11.3         | 14.6         | 17.9       | 13.2       |
| <b>Total assets</b>                 | <b>1 153</b> | <b>1 084</b> | <b>1 055</b> | <b>994</b> | <b>955</b> |
| Current assets                      | 828          | 788          | 763          | 702        | 654        |
| in % of total assets                | 72           | 73           | 72           | 71         | 69         |
| <b>Fixed assets</b>                 | <b>325</b>   | <b>296</b>   | <b>292</b>   | <b>291</b> | <b>300</b> |
| in % of total assets                | 28           | 27           | 28           | 29         | 31         |
| <b>Total liabilities</b>            | <b>266</b>   | <b>251</b>   | <b>249</b>   | <b>246</b> | <b>263</b> |
| in % of total assets                | 23           | 23           | 24           | 25         | 28         |
| <b>Shareholders' equity</b>         | <b>886</b>   | <b>833</b>   | <b>806</b>   | <b>748</b> | <b>692</b> |
| in % of total assets                | 77           | 77           | 76           | 75         | 72         |
| Investments                         | 60.8         | 42.5         | 37.0         | 32.1       | 84.2       |
| Employees                           | 3919         | 3812         | 3626         | 3507       | 3233       |

## Metall Zug AG

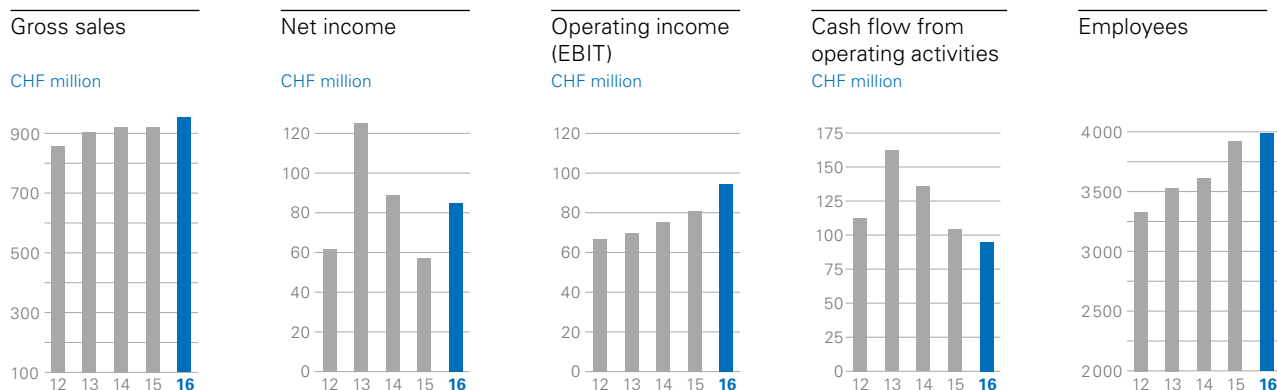
| in CHF million       | 2016              | 2015  | 2014  | 2013  | 2012  |
|----------------------|-------------------|-------|-------|-------|-------|
| Total assets         | 779.3             | 737.9 | 692.2 | 670.9 | 628.2 |
| Total liabilities    | 458.8             | 423.8 | 395.3 | 356.9 | 278.7 |
| Shareholders' equity | 320.5             | 314.1 | 296.9 | 314.0 | 349.5 |
| Net income           | 35.5              | 44.1  | 28.6  | 26.4  | 62.1  |
| Dividend in %        | 280 <sup>1)</sup> | 412   | 244   | 244   | 560   |

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

|  | 2016  | 2015  | %     |
|--|-------|-------|-------|
| <b>Household Appliances</b>              |       |       |       |
| Gross sales in CHF million <sup>1)</sup> | 599.2 | 581.9 | +3.0  |
| Employees                                | 1 989 | 1 951 | +1.9  |
| <b>Infection Control</b>                 |       |       |       |
| Gross sales in CHF million <sup>1)</sup> | 206.1 | 198.3 | +3.9  |
| Employees                                | 1 222 | 1 196 | +2.2  |
| <b>Wire Processing</b>                   |       |       |       |
| Gross sales in CHF million               | 158.2 | 150.1 | +5.4  |
| Employees                                | 677   | 642   | +5.6  |
| <b>Corporate</b>                         |       |       |       |
| Third-party revenue in CHF million       | 1.3   | 1.2   | +7.6  |
| Employees                                | 31    | 23    | +37.9 |

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





The Metall Zug Group posted gross sales of CHF 960.6 million in the reporting year (previous year: CHF 927.8 million). This represents an increase of 3.5 % compared to the prior year. Adjusted for the acquisition and currency effects of 0.2 % and 0.4 % respectively, this is equivalent to organic growth of 2.9 % in local currencies.

Net sales achieved abroad increased from 39.4 % in 2015 to 40.7 % in 2016 to stand at CHF 382.2 million (previous year: CHF 357.4 million).

The Metall Zug Group generated an operating income (EBIT) of CHF 94.1 million (previous year: CHF 80.5 million). This corresponds to an increase of 16.9 %. Adjusted for the profit of CHF 5.1 million from the sale of the property in Ballwil, which is not used by Belimed anymore, operating income (EBIT) increased by CHF 8.5 million or 10.6 %.

Expenditure for research and development stood at CHF 81.2 million (previous year: CHF 80.1 million) and amounted to 8.5 % of gross sales (previous year: 8.6 %).

The companies of the Metall Zug Group spent 2.5 % of gross sales on marketing activities, slightly less than in the previous year (2.7 %).

Detailed figures for the individual Business Units are provided on page 68 of the Financial Report.

The proportion of operating income (EBIT) contributed by the Household Appliances Business Unit decreased to 81.5 % (previous year: 85.9 %) and that of Wire Processing from the previous year's 26.4 % down to 24.3 %. Infection Control contributed -6.7 % (previous year: -16.0 %), including the profit

of CHF 5.1 million from the sale of the property in Ballwil, which is not used anymore. The reporting segment Corporate contributed 0.9 % (previous year: 3.7 %).

The financial result increased from CHF -8.2 million in 2015 to CHF 10.3 million.

Tax expenses increased from CHF 15.6 million in the previous year to CHF 19.8 million. In relation to income before taxes this represents a decrease of the tax rate to 19.0 % compared to the previous year's figure of 21.6 %.

Net income was at CHF 84.9 million (previous year: CHF 56.9 million).

The cash flow from operating activities decreased to CHF 95.4 million (previous year: CHF 104.6 million).

The net cash position at year end 2016 rose to CHF 543.0 million (previous year: CHF 518.1 million).

Headcount increased by 107 employees to 3919 employees (previous year: 3812). A total of 2524 employees (previous year: 2546) are employed in Switzerland and 1396 (previous year: 1266) abroad.

The ratio of equity to total assets at the end of the reporting year rose to 76.9 % compared to 76.8 % in the previous year.

# Letter to Shareholders

*The Metall Zug Group posted a gratifying result despite substantial investments in its sustainable growth. Various product innovations and a comprehensive range of services continued to impress. Services were guaranteed at all times despite various production operations being relocated and optimized. Gross sales rose by 3.5 % to CHF 960.6 million. Operating income recorded a disproportionately high rise of 16.9 % to CHF 94.1 million. The financial result of CHF 10.3 million was an improvement on the previous year (CHF – 8.2 million). Net income came to CHF 84.9 million in the reporting period. The equity ratio amounted to 76.9 % of total assets.*

Dear Shareholders

The strong Swiss franc remained a challenge for the Swiss companies of the Metall Zug Group in 2016. Nevertheless, gross sales rose by 3.5 % to CHF 960.6 million (previous year: CHF 927.8 million). Organic growth in local currencies amounted to 2.9 %. Operating income (EBIT) of the Metall Zug Group recorded a disproportionately high rise of 16.9 % to CHF 94.1 million (previous year: CHF 80.5 million). The gain on disposal of Belimed's Ballwil site amounting to CHF 5.1 million is included under operating income. All of the Business Units contributed to this growth in sales and earnings. The positive performance of securities contributed to an improved financial result of CHF 10.3 million (previous year: CHF – 8.2 million). Net income climbed to CHF 84.9 million (previous year: CHF 56.9 million).

The investments made and the dividend distribution were financed by cash flow from operating activities of CHF 95.4 million (previous year: CHF 104.6 million). Significant investments in structures and processes, product development and quality assurance were also made in 2016. At 76.9 % of total assets, the equity ratio remains solid (previous year: 76.8 %). The net cash position reached CHF 543.0 million at the end of the reporting year (previous year: CHF 518.1 million).

## **Household Appliances: Growth in the Home Market and Abroad**

The Household Appliances Business Unit can look back on another successful year. V-ZUG, whose production facilities are mostly based in Switzerland, was able to improve its position yet again in a slightly declining domestic market. The selective expansion of its international presence led to substantial growth abroad in the reporting period. The product range ex-

pansion proved to be a success factor. The modernized ZUGORAMA showrooms in Zurich and St. Gallen, the opening of a showroom in Hong Kong and the new campaigns in Germany helped increase the brand's visibility.

SIBIRGroup consolidated its market position thanks to the launch of new laundry room hot-air dryers at the end of 2015 and the acquisition of new customers in western Switzerland and Ticino.

The Gehrig Group recorded pleasing growth in the key segments of Dishwashers, Thermal Appliances, Coffee and Service. The large order placed by Swiss Federal Railways (SBB) to equip its dining cars with dishwashing appliances reflects the confidence placed in the Gehrig Group's solutions for the professional catering sector.

Gross sales of the Household Appliances Business Unit climbed 3.0 % to CHF 599.2 million (previous year: CHF 581.9 million). Operating income (EBIT) recorded a disproportionately high rise of 11.0 % to CHF 76.8 million (previous year: CHF 69.1 million).

## **Infection Control: Further Progress in Restructuring**

The relocation of production in the Infection Control Business Unit was completed in 2016 on time and on budget. This means Belimed now has three focused production sites: one in Switzerland, one in Germany and one in Slovenia. The availability and quality of all products and services were guaranteed at all times throughout this process. Alongside these and many other restructuring measures, Belimed also stepped up the development of new products. The focus now lies on concluding the restructuring measures and strengthening the structures for Belimed's continued long-term growth.



Gross sales rose by 3.9 % to CHF 206.1 million (previous year: CHF 198.3 million). At CHF –6.3 million, operating income (EBIT) improved on the previous year (CHF –12.9 million) as planned. The CHF 5.1 million gain on the sale of the property in Ballwil contributed to this improvement. High investments in R&D and in developing the US market and the duplication of positions during the relocation of production continued to have a negative impact on EBIT.

#### **Wire Processing: Investments in Cooperation and Production Capacities**

In the reporting period, sales of the Schleuniger Group outstripped those of the previous year. However, the subdued development of the Chinese market curbed sales growth. In the past financial year, Schleuniger entered into a strategic cooperation with Laser Wire Solutions (L W Solutions Ltd., UK) in the area of laser-based wire stripping and acquired a non-controlling interest in this partner. In addition, the previous shareholding of 35 % in German cooperation partner DiT AG – a leading software solution provider of Manufacturing Execution Systems – was increased to 100 % on January 1, 2017. Investments were made at the Thun site in new machine tools for the manufacture of precision components from aluminum and steel. Due to the high demand for flexible linear systems, the Solutions segment was given additional assembly space in Cham to complement the Unterägeri site.

Schleuniger increased its gross sales by 5.4 % to CHF 158.2 million (previous year: CHF 150.1 million) and operating income (EBIT) by 7.5 % to CHF 22.8 million (previous year: CHF 21.2 million).

#### **Investments in Further Sustainable Growth**

V-ZUG's 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. The move into the new "Mistral" production, assembly and development building marks a milestone in the transformation of V-ZUG's main site into an urban center for technology and innovation. Further steps are set to follow shortly. Moreover, Metall Zug will continue to invest at the same level in innovation, flexibility and agility. Overall, investments in production systems and buildings in the next few years are likely to increase further. Thanks to its forward-looking action in terms of financial policy over the last few years, the Metall Zug Group has a very sound balance sheet. We thus retain full strategic flexibility with regard to the intended internal or external growth and our dividend policy.

#### **Dividend: Higher Cash Distribution**

The Board of Directors will propose to the General Meeting of Shareholders of May 5, 2017, 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. In the previous year the cash dividend (including the claim to a refund of withholding tax on the stock dividend) amounted to CHF 6.41 per type A registered share and CHF 64.10 per type B registered share. The additional stock dividend of the previous year involved the allocation of type B registered shares from the company's own holdings, which equated to a value of CHF 4.66 per type A registered share or CHF 46.61 per type B registered share.

#### **Outlook**

The political and economic uncertainties of last year will continue in 2017. The world of global politics has become even more unpredictable, and its future impact is difficult to estimate. Therefore, we expect the environment to remain challenging. However, our Business Units are ideally equipped – thanks to further structural optimizations, their great innovative strength and proximity to the customer – both to seize the opportunities and take on the challenges that lie ahead.

#### **Acknowledgments**

Last year, which was marked by the relocation of various production bases, our employees once again demonstrated their flexibility and commitment to the job. By doing so, they played a significant role in enabling the Business Units of the Metall Zug Group to strengthen their market positions and further boost their competitiveness. We would like to thank all our employees most sincerely for their contribution. Our gratitude also goes to our customers and business partners for their loyalty and cooperation, and naturally to you, dear shareholders, for your trust and allegiance. You give our company the support we need and which spurs us on to give our best in the future.

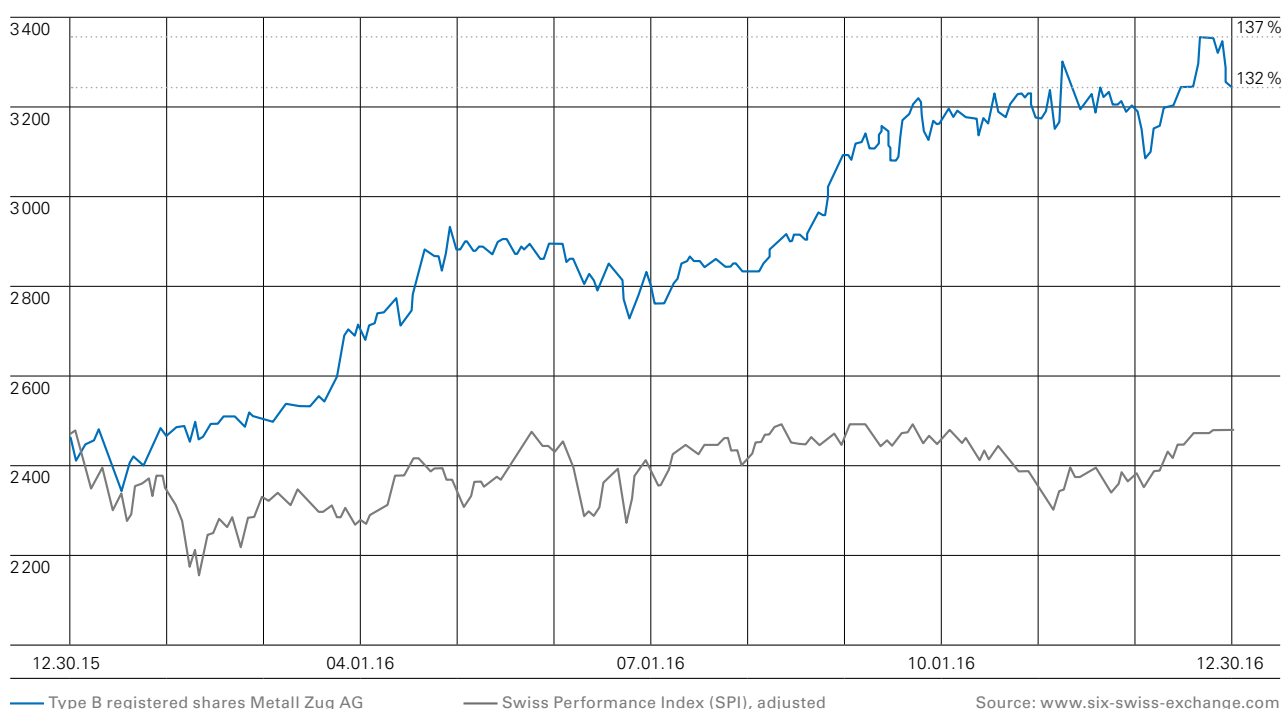


Heinz M. Buhofer  
Chairman of the Board of Directors

# Share Information

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

## Performance of type B registered shares



Thanks to the gratifying annual result 2016, the Board of Directors proposes to the General Meeting of Shareholders of May 5, 2017, 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. In the prior year, in addition to a cash dividend of CHF 3.90 per type A registered share or CHF 39.00 per type B registered share, a stock dividend of CHF 7.17 per type A registered share or CHF 71.71 per type B registered share was distributed. This included the allocation of type B registered shares in the amount of CHF 4.66 per type A registered share or 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 or CHF 25.10 per type B registered share.

Compared to the cash component of the dividend for the financial year 2015 (cash dividend plus withholding tax re-

payment claim), the increase of the proposed dividend for the financial year 2016 amounts to 9.2 %.

Provided that the General Meeting of Shareholders approves this proposal, a total amount of CHF 31.5 million (previous year: CHF 49.8 million, respectively cash component of CHF 28.8 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 5, 2017, General Meeting of Shareholders  
May 11, 2017, Payment of dividend  
August 21, 2017, Publication of half-year results

### Number of shares

|                          |                     | 2016      | 2015      | 2014      | 2013      | 2012      |
|--------------------------|---------------------|-----------|-----------|-----------|-----------|-----------|
| Type A registered shares | par value CHF 2.50  | 1 948 640 | 1 948 640 | 1 948 640 | 1 948 640 | 1 948 640 |
| Type B registered shares | par value CHF 25.00 | 255 136   | 255 136   | 255 136   | 255 136   | 255 136   |

### Figures per type A registered share

#### in CHF

|                                     |                    |                     |        |        |        |
|-------------------------------------|--------------------|---------------------|--------|--------|--------|
| Net income                          | 19.08              | 12.92               | 19.47  | 28.02  | 13.67  |
| Cash flow from operating activities | 21.21              | 23.25               | 30.17  | 36.06  | 25.11  |
| Shareholders' equity                | 196.95             | 185.04              | 179.03 | 166.19 | 153.77 |
| Dividend                            | 7.00 <sup>1)</sup> | 11.07 <sup>2)</sup> | 6.10   | 6.10   | 14.00  |

### Figures per type B registered share

#### in CHF

|                                     |                     |                      |          |          |          |
|-------------------------------------|---------------------|----------------------|----------|----------|----------|
| Net income                          | 190.77              | 129.17               | 194.72   | 280.23   | 136.75   |
| Cash flow from operating activities | 212.08              | 232.45               | 301.71   | 360.60   | 251.12   |
| Shareholders' equity                | 1 969.52            | 1 850.37             | 1 790.32 | 1 661.87 | 1 537.68 |
| Dividend                            | 70.00 <sup>1)</sup> | 110.71 <sup>2)</sup> | 61.00    | 61.00    | 140.00   |
| Stock market price                  |                     |                      |          |          |          |
| High                                | 3365                | 2699                 | 2700     | 2380     | 2444     |
| Low                                 | 2380                | 2233                 | 2218     | 1910     | 1868     |
| At year-end                         | 3239                | 2521                 | 2405     | 2370     | 1941     |

### Total market capitalization<sup>3)</sup>

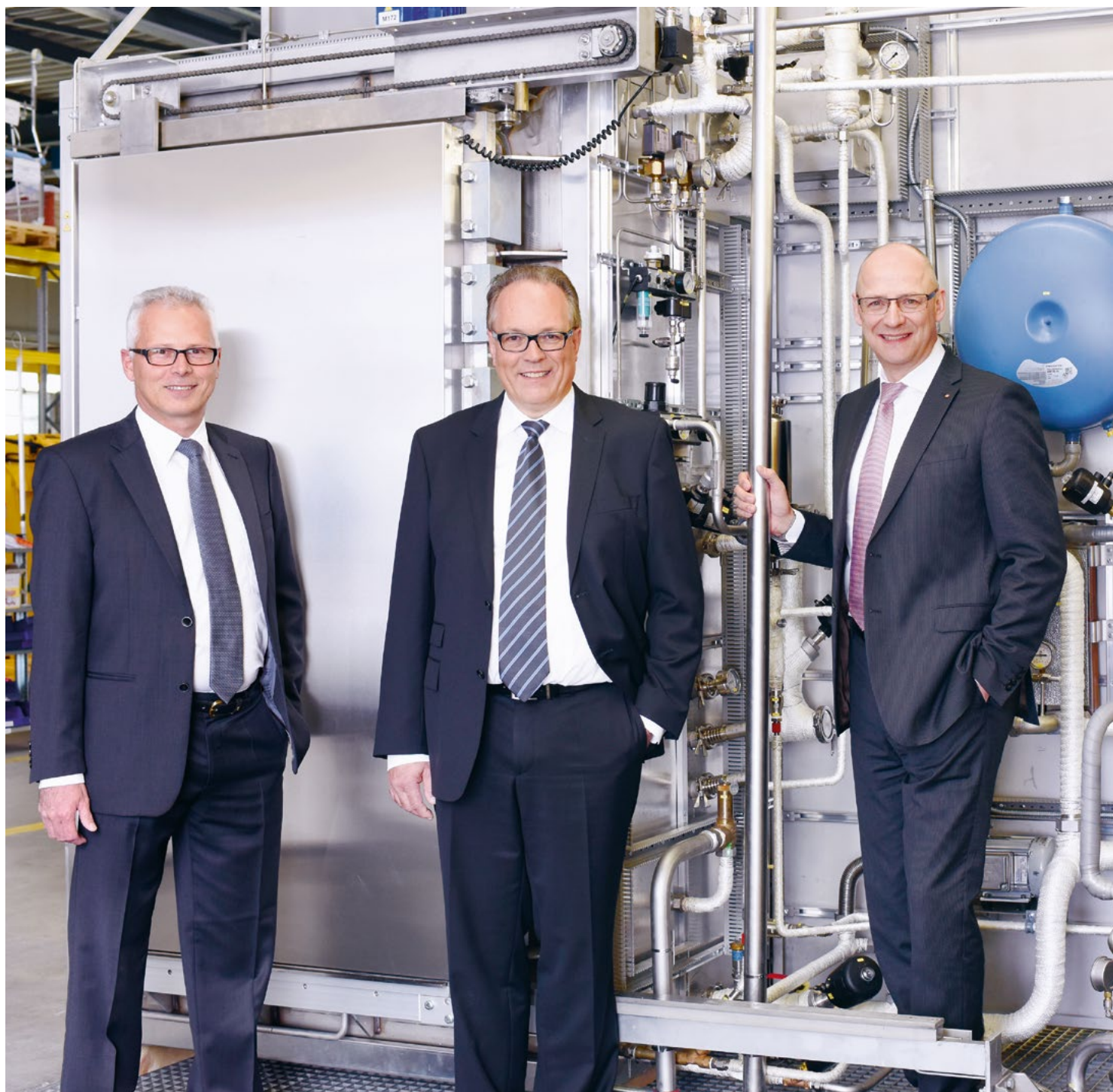
|                |             |       |       |       |       |     |
|----------------|-------------|-------|-------|-------|-------|-----|
| in CHF million | At year-end | 1 458 | 1 134 | 1 082 | 1 067 | 873 |
|----------------|-------------|-------|-------|-------|-------|-----|

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

<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>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

**Jürg Werner** (CH) b. 1956  
Chief Executive Officer

**Christoph Schüpbach** (CH) b. 1966  
Head of Wire Processing Business Unit

**Dirk Hoffmann** (DE) b. 1961  
Head of Household Appliances Business Unit

The steam sterilizer in the background with quality certification is based on the PST series, which Belimed sells to the pharma and biotech manufacturing industry worldwide. This customized solution is produced at the Sulgen plant.

# CEO Interview



*Dr. Jürg Werner*

*Customer benefit  
and customer retention  
as constants in  
a changing world*

...

*The trend toward digitization has given way to the reality of digitization –  
what does this mean for the Metall Zug Group?*

Digitization is increasingly influencing the way our customers behave. New needs are emerging, and it is our job to anticipate those needs as early as possible, whenever we can. The right products and services then have to be developed. At the same time, speed plays a decisive role. We are able to tackle these challenges from a position of strength. The diversity of our Business Units lets us approach this reality from a variety

of perspectives, and our financial strength allows us to make the necessary investments in development and production. Our research and development departments devote every day to coming up with world novelties featuring leading technology – and increasingly also digital services that benefit our customers.

*How can new customer requirements be anticipated?*

Proximity to our customers is the key requirement. Take autonomous driving, for example, which will give rise to a huge flood of data in the near future. Intel's CEO Brian Krzanich commented at the Digital Life Design Conference (DLD) in January 2017 in Munich that having one million self-driving cars on the road will produce as much data as half of the world's population does at present. Processing that information calls for ever more wires and cables in vehicles.

Schleuniger has the knowledge to produce the necessary high-quality, cross-linking solutions. However, for safety reasons, customers in the automotive supply industry are additionally demanding that the cables produced should be traceable. This customer requirement was identified at an early stage and has been factored into the development of our wire processing machines and related software.



### *And how can customers be retained as satisfied partners in the long term?*

As well as the highest quality standards associated with our products and the sparing use of resources, our additional services provide customers with added value. Schleuniger's software solutions can take over the planning and monitoring of all a customer's wire processing machines, thus significantly increasing productivity. In the Infection Control Busi-

ness Unit, Belimed offers not only machines and large-scale systems but also additional services such as planning, simulation, validation plus support in optimizing overall costs and the consumables requirement in the interest of lowering the total cost of ownership.

### *The process efficiency enhancements among Wire Processing and Infection Control B2B customers make sense. But how can consumers be won over by the Household Appliances Business Unit?*

Here too, the needs of the customer come first. In our fast-moving and complicated society, there is an enormous desire for simplification. Delivering quality cooking results is supposed to be easy, despite high expectations, thanks to technical aids, such as ingenious programs and prepared recipes. Making it possible to conjure up the perfect meal in a few simple moves – that's the task facing our design and innovation department. So we are researching the automatic identification of foodstuffs in the oven or steamer. Sensor technologies and complex software make it possible to analyze and

interpret the related data, which in turn leads to improved cooking and baking results. Alongside this trend toward convenience, we have identified a second trend in relation to the kitchen of tomorrow: kitchens and living spaces are growing together even closer. That's why design plays an increasingly important role. Moreover, ease of use and outstanding design are also basic preconditions in our strategy of selective internationalization in the Household Appliances Business Unit, where we deliver unique designs in the upper premium segment and uncompromising "Swiss Made" quality.

### *Where do you see the opportunities and threats for the Metall Zug Group in this era of digitization?*

We are treating the challenges of digitization with respect and adopting a forward-looking approach. At the same time, we see the cross-linking of our top-quality physical precision products with digital content and services as an opportunity.

This creates integrated solutions with unique selling points that are impossible or hard to copy. At the same time, we are naturally seeking to expand the scope of our services even further by adding digital products.

### *What challenges will Metall Zug face in the near to medium future?*

We aim to make further strides in the internationalization of the Household Appliances Business Unit and conclude the turnaround at Infection Control. On top of that, we need to share in the momentum of the Wire Processing end markets. Simultaneously, we are pushing ahead with the transformation of the V-ZUG site into an industrial technology cluster. This last project illustrates our willingness to learn and adapt.

Digitization is causing huge and rapid changes to our technology ecosystem. But crucially, a basic framework has not yet been determined, and critical issues remain unresolved: I'm

thinking here of the lack of standards for communication in the "Internet of Things", the protection of privacy, cybercrime or the vast flood of data that only needs to be processed with the aid of artificial intelligence in order to generate knowledge from it. These issues have to be dealt with in the products, business models and production processes of our Business Units. We are currently working hard on this. Our corporate culture geared toward innovation combined with our financial strength provides us with the perfect jumping-off point for actively shaping our future.

# Strategy

*Metall Zug AG is a successful, publicly 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 and Wire Processing 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 **vision:**  
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, Metall Zug seeks to achieve sustainable and profitable growth that will strengthen the Business Units. If no worthwhile investment opportunities for external growth can be found for the existing Business Units, establishing or acquiring a new business unit to create a further mainstay would be conceivable.

*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.*

• • •

#### 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

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

• • •

development of the major transformational project at the main site in Zug, the "Technology Cluster Zug". A long-term implementation horizon is being assumed for this large-scale project. In 2016, the development plan drawn up in 2015 cleared an important hurdle when it was approved by Zug City Council for preliminary review at cantonal level. At the same time, further information events were held both for the general public and for the site's immediate neighbors. V-ZUG AG is initiating the technology cluster as the site's main user, but with the aim of accommodating additional companies, start-ups, institutions and uses so as to develop a networked and high-quality environment for innovation and production. The

*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*

• • •

gradual transformation minimizes V-ZUG AG's operational risks with respect to the overall project, enabling it to be realized during normal business operations and without interruption to 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 59.3 % of its net sales in Switzerland in 2016. The Business Unit with the highest sales is Household Appliances, with net sales of CHF 584.6 million.*

## **Household Appliances: Internationalization Proceeds**

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.

While the markets in Russia and Turkey continued to lag behind expectations due to the political environment, business in Asia, Australia and the U.S. made considerable headway in many respects. The "Focus Strategy" of selective marketing was pursued further in the international markets. A new ZUGORAMA opened in Hong Kong. The modernization of the existing showrooms in Zurich and St. Gallen also enhanced the customer experience in the home market.

The SIBIRGroup is concentrating 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.

The Gehrig Group operates in Switzerland and the Principality of Liechtenstein, offering solutions to its professional client base both in the hotel, restaurant and catering sector and in the care sector (hospitals, retirement and care homes). Its product range for the catering sector includes premium professional dishwashers, cooking, roasting and baking appliances as well as coffee machines, and for the care sector, complete sluice appliances, nursing baths, patient lifts and safety handle systems. The large order placed by Swiss Federal Railways (SBB) to equip its dining cars with dishwashing appliances shows that the Gehrig Group is capable of delivering convincing solutions that meet complex requirements.

## **Infection Control: Serving Various Customer Groups in more than 80 Countries**

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 91.0 % of its net sales outside Switzerland in the reporting year. Europe, North America and China remain its key markets.

## **Wire Processing: Key Expertise Assured**

Schleuniger is a globally active technology group and a leading supplier in the wire processing industry. Schleuniger products are used whenever secure high-precision wire processing plays a central role. The Schleuniger solutions portfolio includes semiautomatic and fully automatic machines as well as peripheral devices and test equipment, tools, software and service solutions covering the entire spectrum of wire processing. In addition, S.WOP represents software for value chain networking in wire production, thereby significantly boosting productivity.

The strategic cooperation with Laser Wire Solutions (L W Solutions Ltd., UK) and acquisition of a non-controlling interest in this partner should enable solutions for laser-based wire processing to be jointly developed and offered in future.

The key industries for Schleuniger are the automotive 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 99.3 % of its net sales outside Switzerland in 2016. The Schleuniger Group sells its products directly in a total of eight countries on three continents through its own network of sales and service companies. Schleuniger also works with more than 40 distributors in other countries.

# Group Structure

Operational Organization of the Metall Zug Group (as at December 31, 2016)

## Metall Zug Group

Zug

### Household Appliances

#### 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)

SIBIRGroup AG (CH)

Gehrig Group AG (CH)

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

HMZ Beteiligungen AG (CH)

### Infection Control

#### 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)

Beltech Medical Services Ltd. (UK)

Belimed Inc. (US)

Belimed Medical Equipment  
(Shanghai) Co., Ltd. (CN)

### Wire Processing

#### 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)

### Corporate

#### Metall Zug AG

Zug

V-ZUG Immobilien AG (CH)

MZ Infra AG (CH)





# *Culinary revelation*

...

Anton Schmaus, Germany's "Rising Star of 2015",  
Storstad restaurant in Regensburg (Germany)





Anton Schmaus

...

# *thanks to Swiss quality and Bavarian pragmatism.*

*The Venus clams are cooking to perfection using a combination of steam and micro-waves. The Combi-Steam MSLQ from V-ZUG, the only appliance in the world to combine cooking, steaming and microwaving, stands in the kitchen of the Storstad restaurant in Regensburg, Bavaria.*

*Anton Schmaus runs the restaurant with typical Bavarian pragmatism, but also a flair for successfully combining international ingredients. His dishes are intended to be so delicious and enjoyable that you won't want to stop eating them. This philosophy of the likeable Bavarian has earned him one Michelin star, 17 Gault&Millau points and the accolade of "Rising Star of 2015".*

*Anton Schmaus – whose name means "feast" in German – always thinks about the best way of preparing an ingredient. That's why technology plays an important role in his kitchen. And that's why he appreciates the versatility and reliability of the Combi-Steam MSLQ from V-ZUG.*

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. and V-ZUG Hong Kong Co., Ltd. as well as V-ZUG Kühltechnik AG, SIBIRGroup AG and Gehrig Group AG in Switzerland. The Household Appliances Business Unit employs a workforce of around 2000, most of whom are based in Switzerland.

#### The 2016 Financial Year

A persistently tough market environment, affected in part by general economic and political uncertainties, proved challenging for the Household Appliances Business Unit, which nevertheless successfully defended its market position. The significant growth and gains in market share were also attributable to the refrigerators produced by V-ZUG Kühltechnik AG. All appliances manufactured by the Arbon-based subsidiary comply with the new and tougher "Swiss Made" rules that came into force on January 1, 2017. The modernized ZUGORAMA showrooms in Zurich and St. Gallen also helped V-ZUG to further expand its already strong position and win market share in a slightly declining domestic market. The result was slight overall growth in Switzerland. V-ZUG achieved substantial growth at the international level.

The longer working hours introduced between March 2015 and February 2016 were necessary for a number of projects and measures to be realized more quickly. The efficiency enhancements in production and sales and the successful launch of new products thus had a clearly positive impact on the strength of business. As a result, extended working time was discontinued at the end of February.

The Household Appliances Business Unit provides outstanding service and support for all its products and brands. More than 400 service technicians are deployed nationwide 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.

Gross sales of the Household Appliances Business Unit were up 3.0 % to CHF 599.2 million (previous year: CHF 581.9 million). The currency effect of +0.0 % and the acquisition effect of +0.1 % were negligible, allowing the Business Unit to record organic growth of 2.9 %.

At CHF 76.8 million, the Household Appliances Business Unit's operating income (EBIT) exceeded its prior-year level (CHF 69.1 million) by 11.0 %.

#### Internationalization Proceeds

The new ZUGORAMA was opened in Hong Kong in fall 2016, providing a central base from which to establish and successfully market the V-ZUG brand in Hong Kong and Macau. Although the markets in Russia and Turkey continue to lag behind expectations due to the political environment, the in-

*Equally in demand abroad:  
high-class design,  
ease of use and Swiss  
quality.*

...

ternational business increased its sales by around 30 %. The markets in mainland China, Hong Kong and the U.S. in particular performed well. In addition, the launch of the project business in Asia and Australia got off to a successful start. The "Focus Strategy" of selective marketing was continued in the international markets and stepped up in Germany and France especially.

German specialist retailers in large urban areas received support ranging from traditional advertising to sales promotions and even online measures. The advertising campaign

conveys the premium character of the Swiss quality brand in an elegant and original fashion by drawing attention to the typical Swiss values of precision and lasting value as attributes of the V-ZUG brand. And V-ZUG now has a brand ambassador in Germany, in the form of Regensburg's top chef Anton Schmaus.

One element of the German campaign was even transferred to China using the slogan "Swiss luxury is not only on your wrist": a cover branding ad in the renowned "South China Morning Post" brought the V-ZUG flagship products Combi-Steam MSLQ and Refresh-Butler to a wider audience. The Refresh-Butler refreshes textiles by neutralizing odors, reducing folds and creases, and drying rain-soaked clothes, making it especially suitable for the Chinese market, where clothes often cannot be hung outside to air.

#### **Greater Benefits and Less Consumption**

V-ZUG's new vacuum drawer makes it easy to vacuum-seal ingredients – whether fresh, raw or cooked – for storage purposes. Most importantly, vacuum-sealed foods can be cooked in the Combi-Steamer using the sous-vide method, a

*"Swiss Made".*

...

**The V-ZUG appliances produced in Zug and Arbon meet the tougher "Swiss Made" requirements for 2017.**

technique that is popular in the world's best restaurants as it draws out the full taste, texture, freshness and visual appeal of the dishes. The removal of air protects vitamins, aromas, minerals and colorants when cooking.

A new model was added to the line of range hoods in the form of a downdraft extractor that sinks back into the kitchen island or worktop when not in use. The new rope-mounted convection hood pairs high-end esthetic design with understated elegance. Customers can download new applications

from the internet for existing household appliances that are equipped with V-ZUG Home networking technology.

Gehrig Group joined forces with Belimed and V-ZUG in a collaboration across Business Units to develop a professional dishwasher especially for the Swiss market and aimed specifically at the catering sector. The appliances produced by

*Vacuisine:*

*Cooking like the pros.*

...

**The Vacuisine function and new vacuum drawer from V-ZUG are all you need for sous-vide cooking at home.**

Belimed impress because they are both easy to operate and highly reliable. These models satisfy high requirements in terms of washing results while also using 30 % less energy than their predecessors. The base of the Gehrig Group's dishwashers complies with the Swiss norm for built-in kitchen appliances, making them suitable for fitting in domestic kitchens as well as for semi-professional use by institutions such as homes and nurseries.

#### **Site Transformation Gathers Speed**

Floors one and two of the new "Mistral" production, assembly and development building were fitted out ready for use on schedule in 2016. Dryers are now being produced and steamers assembled on around 2500 square meters of space each. The appliances are automatically transported to the high-bay warehouse following a thorough quality assessment and packaging. The research and development departments of V-ZUG and Belimed moved into the third and fourth floors at the start of 2017. The second floor is being used as a temporary workspace during the transformation of the V-ZUG site.

Further alternative area was created by making more efficient use of the available space. Additional free space was



generated primarily by means of process improvements that make compact use of the site possible while production is ongoing.

The planned replacement of the current machinery in the pressing plant illustrates this challenge: to continue pressing sheet metal parts in Zug without interruption, a new press with state-of-the-art technology is to be brought online before the current facility is closed down and demolished. Administrative and operational preparations for the new provisional production floor and the demolition of the two buildings on the site of the new facility have begun. The buildings have been vacated thanks to the previously mentioned efficiency gains and temporary alternative space that has been created. The intention is to subsequently expand the facility on the basis of the future development plan to include a second press that will boost production capacity and create more flexibility. At the same time, new machines for the surface finishing of pressed parts will be located on the upper floor.

#### **SIBIRGroup: Success with Laundry Room Hot-Air Dryers**

The new generation of Escolino hot-air dryers for laundry rooms was launched at the end of 2015. This line has already generated a satisfying contribution to sales. The side-by-side fridge freezer combination boasts an impressive price/performance ratio and has been well received on the market. SIBIRGroup continues to focus on the repair and exchange of household appliances for property management companies and cooperative residential associations throughout Switzerland. The successful acquisition of several new customers in western Switzerland and Ticino laid the foundations for sustainable growth in these regions. It should also help to further cement the nationwide presence of the SIBIRGroup service organization, which is brand neutral.

#### **Gehrig Group: A One-Stop Shop for the Catering Sector**

Gehrig Group offers solutions to professional hotel, restaurant and catering clients and the care sector (hospitals, retirement and care homes) in Switzerland and the Principality of Liechtenstein. In the catering sector, its product range in-

cludes premium professional dishwashers, cooking, roasting and baking appliances as well as coffee machines. In the care sector, it offers complete sluice appliances, nursing baths, patient lifts and safety handle systems. The market environment remains challenging – especially in the tourism industry, which is important to the Gehrig Group. Nevertheless, thanks to new products, customized solutions and the round-the-clock, Swiss-wide service provided by more than 90 service technicians, Gehrig Group experienced organic growth. The order placed by Swiss Federal Railways (SBB) to equip its dining cars with dishwashers shows that Gehrig Group is capable of delivering convincing solutions that meet complex requirements.

#### **Outlook**

V-ZUG aims to consolidate its market leadership in Switzerland and its position as a premium manufacturer in selective foreign markets by pursuing innovation and high technological standards and delivering “Made in Switzerland” quality. It will continue to expand its international presence in a targeted manner. The economic situation and currency environment

*Service for consistent quality.*

...

**V-ZUG, SIBIRGroup and Gehrig Group  
run a dense, high-performance service network  
to keep appliances running smoothly.**

will remain challenging. All the more reason for the Household Appliances Business Unit to seize the opportunities presented by digitization. Potential is to be found in more effective cooperation with the retail side, but also by supporting the end customers with everything from their choice of product to its actual use, right through to replacing existing household appliances with a new V-ZUG product.



The background image shows a sterile processing area. In the foreground, there is a blue plastic tray with multiple compartments. Above it, several metal instrument trays are stacked. One of the metal trays is open, revealing various surgical instruments like forceps and scissors. The background shows more of the facility, including shelves with supplies and a small monitor on a stand.

# *Workflow optimization*

...

Anna Macko, sterile processing technician in the decontamination area,  
Florida Hospital in Orlando (U.S.)







• • •

# *thanks to professional planning and service in the CSSD.*

*Anna Macko appreciates the exceptional reliability of Belimed systems and the short reaction times of Belimed's local service technicians, which allow her to concentrate fully on her demanding job. The ergonomic transport carts and flexible racks for use in a variety of applications make her day-to-day work easier.*

*The Central Sterile Supply Department (CSSD) at the Florida Hospital in Orlando relies on a large number of Belimed products, including single chamber washers (WD 290), cart washers (CS 750), automation solutions (WA 290), and vertical (MST-V 6012) and horizontal (MST-H 9615) sterilizers. In addition to the layout of equipment, the floor plan, workflows and material flow were also optimized in partnership with Belimed's project team as part of the recently conducted renovation. A Belimed simulation tool was used for this purpose. In line with its philosophy, Belimed accompanies the customer throughout every stage of the CSSD's lifetime, thus enabling the total cost of ownership to be leveraged.*

*The Florida Hospital in Orlando has a history dating back over 100 years and ranks among the leading U.S. hospitals in 15 categories in the U.S. News & World Report (2016/17).*

*Belimed has been partnering the Florida Hospital reliably for more than 15 years, delivering a comprehensive package of products and services. In addition to selling and installing innovative systems, it provides services such as the necessary replacement parts and maintenance activities, thus minimizing downtime and optimizing productivity.*

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 more than 1 200 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. Demand for infection control solutions is growing worldwide.

The Belimed customer base ranges from multinational pharmaceutical manufacturers to large purchasing organizations within hospitals and university hospitals right through to local hospitals and large medical practices. The Belimed product portfolio aims to provide each client with 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. Comprehensive services such as training, maintenance and remote diagnostics round out the company's offering.

### **The 2016 Financial Year**

The relocation of production in the Infection Control Business Unit was completed in 2016 on time and within the budgeted costs. The availability and quality of all products and services were guaranteed at all times throughout this process.

In the Medical Business Area, Belimed experienced healthy demand in the U.S., the globally most important market. Increasingly complex investment decisions on the part of customers resulted in lengthier project times in certain cases. In addition, the customer-side consolidation process continued. Large hospital chains and purchasing associations – commonly known as IDNs (integrated delivery networks) and GPOs (group purchasing organizations) – generate the majority of sales in the U.S. The investments made by Belimed in its sales organization in 2016 will be continued in 2017. Demand in Europe remained stable, although there was no eas-

ing of pressure on prices. In China, the premium market segment continued to grow, although at a slightly weaker rate than in the previous year. The market situation proved tougher in all countries that are heavily reliant on the price of oil (including the Middle East), with investment decisions repeatedly being postponed.

In the service business, resources were expanded significantly in response to market demand. The ever-larger installed base of Belimed systems also supports this growth.

Gross sales rose by 3.9 % to CHF 206.1 million (previous year: CHF 198.3 million). Taking into account the currency effect of 0.7 %, the rise in sales came to 3.2 % in local currencies. At CHF –6.3 million, operating income (EBIT) improved on the previous year (CHF –12.9 million). The CHF 5.1 million gain on the sale of the property in Ballwil contributed to this improvement. High investments in R&D and in developing the U.S. market, the duplication of positions during the relocation of production and the ongoing centralization of the European spare parts warehouse continued to have a negative impact on EBIT.

### **Further Progress in Restructuring**

In 2016, Belimed concluded the process, first announced in 2015, of relocating production to three sites in Sulgen (Switzerland), Mühldorf (Germany) and Grosuplje (Slovenia) as planned. Further restructuring measures proceeded in parallel with this, most of which have already been completed.

Following the successful transfer of production, each of Belimed's three production sites now focuses on its own area of specialization: Grosuplje manufactures all products in the Medical Business Area and many components for the Life Science Business Area. Mühldorf and Sulgen are assembly units for the Life Science Business Area. Sulgen also serves as a center of excellence for sterilizers for both the Life Science and Medical Business Areas. Thanks to wide-ranging changes in construction and production, this site produces sterilizer chambers at competitive costs. The Ballwil site has been closed and the property sold. In addition, the premises in Sulgen were sold to MZ Infra AG, an affiliate of Belimed AG,

without being recognized in profit or loss. However, Belimed remains the tenant of this property.

The new structural set-up of the Finance and IT departments has enabled the company to improve its financial and operational management.

Alongside these changes in production and structural adjustments, Belimed simplified its group organization. In Germany, Belimed Technik GmbH (production), Belimed Deutschland GmbH (sales and service) and their parent company Belimed GmbH were merged to form a single entity. This led to cost savings and the more efficient processing of orders. In Switzerland, the business activities of Belimed Sauter AG were transferred to Belimed AG. Belimed N.V. in Belgium was also merged with Belimed B.V. in the Netherlands.

## *The proximity to sister company V-ZUG AG*

...

**at the Zug site creates the potential for synergies in research and development.**

Lastly, the shift towards a "One Belimed" target culture is an important development, as is shown by the successful transfer of production. Praise is due to the employees of the transferring units in Mühldorf und Sulgen and the closed site in Ballwil: the belief in the success of the "new" Belimed resulted in the whole team pulling together to ensure this major feat could be accomplished.

### **Enhanced Product Portfolio and Development Synergies**

The above-average expenditure on research and development of the last two years is starting to bear fruit. A revamped generation of medical sterilization equipment was launched in the summer, at the same time as a new transport system, new electronic steam generators and a built-in vacuum leak

test. Furthermore, new and innovative racks for cleaning and disinfection equipment were unveiled at MEDICA, the world's leading trade fair for medical products, in Germany in November 2016.

## *The progress in restructuring activities*

...

**paves the way for a future-proof corporate strategy.**

In the U.S., a new range of cleaning solutions enjoyed a successful market launch and should increase the share of repeat consumable business.

The "Futura" generation of dishwashers, developed and produced by Belimed for its sister company Gehrig Group AG, was launched successfully in the professional catering market.

Significant amounts will continue to be invested in research and development as well as new products in future: this is essential in enabling Belimed to generate added value for its customers.

### **Vision 2025**

Alongside the restructuring tasks still to be completed, the focus now lies on Belimed's operational and strategic path forward. The analysis process for the "Vision 2025" is over. This vision is the basis for reviewing the corporate strategy and moving it forward, a process that will begin in 2017.

### **Outlook**

The immediate proximity of the Belimed head office and training center to the main site of V-ZUG AG, and the establishment of a research and development infrastructure in V-ZUG's new Mistral production and assembly building presents abundant potential for synergies. Coupled with the optimized cost and production structure and the "One Belimed" corporate

culture that is being implemented and practiced, Belimed has now put itself in an ideal position to master the challenges of the market environment. These include the continuing price

*The “One Belimed”  
target culture*

...

**was seen and felt throughout the entire  
production relocation process.**

pressure in Europe and the slowdown in growth in China as well as uncertainties regarding the new political environment in the U.S.



# *Lighthearted driving*

...

Marika Schumann, Head of Marketing and sports car enthusiast  
in Stuttgart (Germany)





...  
*thanks to  
customer focus and  
strong ideas.*

*Temperament and control. Freedom and safety. Heart and soul. Marika Schumann was still a teenager when she first fell in love with sports cars. Then along came college, first career steps, family. Today, the top marketing manager enjoys the acceleration, the cornering, the wind in her hair. However, her joy is only complete when the technology is dependable, when everything – from the automatic hood to the safety systems – works reliably. Schleuniger expertise plays an essential part in Marika Schumann's knowing she can rely on properly functioning systems.*

*Schleuniger systems are used to test not only cables and wire harnesses, but also assemblies, function modules and entire consoles that control many of the functions in a vehicle. For instance, Schleuniger Test Automation GmbH in Jettingen, Germany developed a system for the final testing of the center console of this sports car.*

*The Schleuniger Group is a leading supplier of customized solutions for process and test automation for wire processing and wire harness production. This is one of the main reasons why more and more customers in the automotive industry are putting their faith in Schleuniger technology. The winners of this trend are people like Marika Schumann who can live out their dream of untroubled driving without compromise.*

Schleuniger is a globally active technology group and a leading supplier in the wire processing industry. Schleuniger products are used whenever highly precise wire processing and safe contact systems play a central role. The Schleuniger portfolio is wide-ranging and includes semiautomatic and fully automatic machines as well as peripheral devices and test equipment, tools, software and service products covering the entire spectrum of wire processing and cable harness production. In addition, S.WOP represents software for networking machines in the wire production value chain. Schleuniger thereby helps its customers to further boost their productivity. The Schleuniger Group employs a workforce of some 700 worldwide, including more than 30 apprentices.

Schleuniger covers a wide geographical area and generated 99.3 % of its 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 distributors round out the global market coverage. The Group's key growth markets lie in Eastern Europe, North Africa, Mexico and China. The key industries for Schleuniger are the automotive industry, entertainment electronics, IT, telecommunications, medicine, aviation, and apparatus and systems engineering. Schleuniger's research and production activities are based in Switzerland, Germany and China.

### **The 2016 Financial Year**

The Schleuniger Group increased gross sales in the reporting year, surpassing the previous year's figure by 5.4 %. The growth in sales slowed down in 2016 after years of strong organic growth. The subdued development of the Chinese market in particular curbed the rise in sales. There was no change in market momentum in the NAFTA zone.

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

As in previous years, marketing in Europe was supported by product roadshows featuring a mobile showroom that came to the customers. In this way, product innovations such as the new EcoStrip 9380, the MultiStrip 9480 or the ShieldCut 8100 could be presented to the management as well as to head of production shifts and other key personnel of customers. Both the EcoStrip 9380 and the MultiStrip 9480 are fully automatic machines for cut and strip applications. The former is a high-performing entry level machine and the latter the most versatile platform in this product segment. The ShieldCut 8100, on the other hand, is an innovative semi-automatic machine and the first in the world to precisely cut the braided shields of round and out-of-round cables. All three machines make a significant contribution to consolidating Schleuniger's leading position in the Cut & Strip product segment.

The peripheral devices developed and manufactured in China, which include prefeeders and semi-automatic twisting machines, are all CE certified and were sold in a number of different export markets around the globe in the reporting year. Exports of the wire harness assembly lines performed well.

Schleuniger increased its gross sales by 5.4 % to CHF 158.2 million (previous year: CHF 150.1 million). Adjusted for the acquisition and currency effects of 1.0 % and 1.8 % respectively, this is equivalent to organic growth of 2.6 % in local currencies. Investments in setting up structures to implement the growth strategy, the expansion of production capacity at various locations and the integration of Cirris Solutions GmbH in Jettingen (Germany), which had been acquired in the previous year and was renamed Schleuniger Test Automation GmbH in September 2016, had a negative impact on operating income. Nevertheless, the Schleuniger Group lifted EBIT by 7.5 % to CHF 22.8 million (previous year: CHF 21.2 million).

### **Stronger Presence in South-East Asia**

Unlike China and Japan, where Schleuniger runs its own sales operations, the company does not have sales representatives of its own in South-East Asia. Schleuniger therefore strengthened its presence in these markets last year by entering into an exclusive cooperation with the DKSH Group in Thailand, Singapore, Malaysia, Vietnam, the Philippines

and Indonesia. DKSH is a leading market expansion services provider with a focus on Asia. The partnership with Schleuniger got off to a successful start. Schleuniger aims to achieve above-average growth and win market share in South-East Asia in the future.

#### **Cooperations Create Access to New Technologies**

In the first half of 2016, Schleuniger entered into a cooperation agreement with Laser Wire Solutions (L W Solutions Ltd.), a UK company in which it has acquired a 20 % non-controlling interest. The aim of this cooperation is to jointly create laser-based solutions for wire processing, in particular for the wire and jacket stripping processes. The stripping of wires using laser technology was first developed by NASA and for a long time was used exclusively for processing high-tech wires for the aerospace industry. Thanks to a continued decline in the costs of laser components, this technology now represents an interesting alternative to conventional wire pro-

## *Firm customer focus*

...

**illustrated by the tekomp Dokupreis 2016 for outstanding user and operating manuals awarded to the reference manual for the new EcoStrip 9380.**

cessing for certain applications, even outside of its original area of application. Schleuniger intends to make the benefits of this technology – high quality production results, especially for shielded cables – accessible to a wider group of customers. In doing so, Schleuniger will expand its already wide-ranging portfolio of semi-automatic wire stripping solutions. The non-controlling interest of 35 % in cooperation partner DiIT AG (Krailing, Germany), acquired in 2012, was expanded, effective January 1, 2017, to full ownership. Through DiIT, Schleuniger has secured direct access to a leading manufacturing execution system for wire processing and wire harness production. Leading suppliers of wiring systems already use

DiIT solutions today. DiIT software is compatible with the machines of all well-known manufacturers, and DiIT will continue to operate as an independent company within the Schleuniger Group.

#### **Increased Customer Benefit thanks to Digitization**

S.RPM (Schleuniger Real Production Meter) allows customers to track and optimize their machine utilization in a simple and cost-effective manner. The S.WOP (Software for Wire Optimized Production) software solution can take over the planning and monitoring of all a customer's wire processing machines, thus significantly increasing productivity. This so-

## *Expansion of know-how in key technologies*

...

**assured by a network of cooperation partners and in some cases supported by an ownership interest.**

lution was developed in collaboration with DiIT, a leading software provider of manufacturing execution systems (MES) for wire processing and wire harness production. The innovative solutions control complex development, production and logistics processes for leading multinationals in the automotive industry, thus rounding out Schleuniger's portfolio of services for the "Industry 4.0", the 4th Industrial Revolution.

#### **New Production Capacities in Thun and Cham**

In November 2016, the Schleuniger Group opened its new production and training center in Thun. After just under nine months of construction work, an additional 1 100 square meters of production area and 150 square meters of office space are now available. More than CHF 5 million was invested in the building and especially in production equipment. The new, highly productive machine tools enable precision components to be manufactured efficiently from aluminum and steel. This allows throughput times and the capital commitment to be reduced while inventory turnover is increased. At the same time, the quality and know-how required to produce



highly complex, mechanical functional parts is assured. The high level of automation involved in mechanical production and the high degree of flexibility on the part of the workforce provide Schleuniger with a sound basis for remaining competitive as a manufacturer in Switzerland.

Schleuniger in turn benefited from the high demand for flexible linear systems for the fully automatic processing of sensor cables and high-speed data cables. Thanks to Schleuniger's leading position in this area, it became necessary to create additional production capacities. A new production site was occupied in Cham, just a 20-minute drive from the existing production site in Unterägeri, which will ensure capacity for further growth in this area.

production of these antenna cables, an area in which it leads. Schleuniger is therefore well-positioned to achieve further profitable growth in the future.

## *Brand new trends and offerings*

...

**such as self-driving cars and the electrification and communication between vehicles result in continuing high demand for efficient, high-precision wire processing in the automotive industry.**

### **Outlook**

Alternative drive concepts, self-driving cars and higher demands in respect of safety, communication and comfort are unbroken trends in the automotive industry, which is key for Schleuniger. Investments in structures, production capacities and in research and development must be made in order to meet customer needs with optimal solutions, especially in the field of digitization. The information and communications technology market segment, Schleuniger's second largest, is also experiencing dynamic growth. The rise in the number of mobile end devices continues unabated while ever larger volumes of data are also being transmitted. Therefore, the requirements for antenna components are steadily increasing. Schleuniger delivers innovative and efficient solutions for the

# 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 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: Numerous 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 CO<sub>2</sub> by 2020. Since then, a large number of measures have helped V-ZUG attain its targets, including installing a large photovoltaic system, replacing a variety of production and building technology systems, deploying a waste heat recovery system in the data center, completely substituting heating oil with gas and purchasing biogas and Swiss hydropower. CO<sub>2</sub>-neutral production is the stated medium-term goal.

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 [www.vzug.com/ch/en/nachhaltigkeit\\_ziele](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 Demonstrates Benefits for Water Usage and Hospital Staff**

Belimed's systems for cleaning, disinfection and sterilization are among the most efficient in the world in terms of sustainability. Each year, more than half a billion liters of water are saved through the use of Belimed systems already installed in U.S. hospitals. Or to put it another way: if 1000 standard sterilizers were replaced with Belimed units connected to the Water Chiller System, the water saved would be enough to provide for 11 000 families.

According to a documented case study ([www.belimed.com/en-us/about/sustainability](http://www.belimed.com/en-us/about/sustainability)), Belimed demonstrated during the renovation of the Central Sterile Supply Department (CSSD) of a hospital in southern California how the use of its products enabled daily water usage to be reduced by 87 %. That is equivalent to 27 million liters of water a year. At the same time the throughput rate of loading racks increased by 40 %. In addition, labor-intensive activities were reduced, leading to less overtime. The hospital's employees testified to this having a positive impact in terms of fatigue, the frequency of mistakes and staff turnover.

## **Wire Processing: Energy Efficiency and Sustainability in New Premises**

The Schleuniger Group built a new production and training center at its Thun site in the financial year 2016. The building is made entirely of wood sourced from Switzerland and neighboring countries. Just 17 minutes are required for the amount of wood used in the factory's construction to grow back in Switzerland. The walls of the building conform to Minergie standards, which means comparatively little energy is required for heating during the colder months of the year. The approximately 200 000 kilowatt hours of electricity per year generated by Schleuniger's own photovoltaic system at the company's headquarters in Thun cover around 25 % of its electricity needs. Measures were also taken at the Radevormwald site to improve the quality of the work environment even further. A new light concept was introduced on the production floor, yielding higher lighting efficiency while halving power usage, and a new acoustic concept in the reception and production areas has reduced the noise level by around one-quarter.

# Employees

*Openness, honesty and mutual respect, both within the Group and externally, form the values of the Metall Zug Group. Combined with the guiding principles of innovation, quality standards, customer focus and service orientation, the individual Business Units plan their human resource strategy, recruitment activities and employee development accordingly. Metall Zug places great importance on comprehensive health promotion and accident prevention for its employees and supports employees' 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: Supporting the Change Process**

Providing employees and managers with basic and advanced training is key to business success. At V-ZUG, the relevant opportunities are presented under the title "V-ZUGacademy" and tailored to the needs of the individual learners. In parallel with this, V-ZUG has joined forces with Siemens Building Technologies to set up its own vocational training center: the "Kompetenzzentrum industrielle Berufsbildung" (KiB). The KiB also offers its services to companies in the region that take on apprentices but do not have their own fully-formed vocational training program.

Professional change management assists employees during the change processes they are now confronted with as a result of digitization and new work processes.

Health and wellbeing is another important aspect: V-ZUG's own staff canteen provides the workforce with healthy, balanced meals at reduced prices. Various leisure-time offers cover the social and sporting areas.

## **Infection Control: Managing the Talent Pool**

Motivated employees and managers were the key factors in the successful progress made in the restructuring of Belimed in 2016. The Human Resources function, which has been expanded in recent years, supported managers in the objective-setting process that was rolled out globally and provided them with assistance in using a recruitment tool that professionalized the management of the talent pool and job applications. Moreover, corporate values and management principles were defined and introduced. This process was accompanied by active and transparent communication between Senior Management, other managers and employees.

## **Wire Processing: Training and Sport**

The Schleuniger Group has combined its training workshop and mechanical production facilities in the new production and training center at its Thun headquarters. Staff being trained in technical occupations can thus become more heavily involved in actual orders, providing them with ideal preparation for their future working life. This further enhances the quality and attractiveness of vocational training at Schleuniger. The company also offers vocational training tailored to an elite sporting career. Promising young athletes are thus given enough time to develop their sporting talent thanks to a reduced workload and flexitime. But Schleuniger's health promotion incentives are not confined to trainees: it generally provides them at all its sites. At its Thun headquarters, for example, it regularly holds sports events under the label "Schleuni-Aktiv," and supports fitness programs in the U.S.

# Corporate Governance

All information in this Corporate Governance Report refers to the situation as at December 31, 2016, or to the 2016 reporting year, unless stated otherwise. The new Code of Conduct of the Metall Zug Group came into force on 1 June of the 2016 reporting year. Adopting the motto "A success is only a success if it is achieved by fair and honest means," the Code of Conduct further enhances the Metall Zug Group's own understanding of corporate governance by laying out its basic values: sustainable and long-term value creation, excellence and integrity in its business practice. The Metall Zug Group complies with all the legal and regulatory requirements for corporate governance in Switzerland the Group is subject to, including the principles of the "Swiss Code of Best Practice for Corporate Governance" (Swiss Code), in the version issued by *economiesuisse* on September 29, 2014.

This Corporate Governance Report refers to the Metall Zug AG's Articles of Association of May 2, 2014, and the Organizational Regulations of September 1, 2015. In accordance with the invitation to the General Meeting of Shareholders on May 5, 2017, the Board of Directors will propose various minor amendments to the Articles of Association. This Corporate Governance Report refers to the Articles of Association of the Metall Zug AG as at December 31, 2016, and only covers the proposed amendments marginally. No material changes occurred between December 31, 2016, and the publication date of the Annual Report, other than the facts disclosed under the respective headings. 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 January 1, 2016.

## 1 Group Structure and Shareholders

### 1.1 Group Structure

The operational group structure is illustrated on page 17 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 66 et seq. 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, 2016, are listed on page 78 of the Financial Report under note 19 ("Significant shareholders"). Heinz and Elisabeth Buhofer as well as 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 Heinz and Elisabeth Buhofer as well as Heinz M. Buhofer, Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer and Julia Häcki also indirectly have a participating interest in Metall Zug AG.

In the financial year 2016, no notifications were made pursuant to Art. 120 of the Federal Act of June 19, 2015, on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act) and the corresponding regulations. Further details of these notifications can be found on the website of SIX Exchange Regulation ([www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html)).

### 1.3 Cross-shareholdings

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



## 2 Capital Structure

### 2.1 Capital

The structure of the share capital and the ordinary capital is described on page 79 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 2014 can be found on page 63 of the Annual Report 2015 (see "Changes in shareholders' equity").

### 2.4 Shares and Participation Certificates

Detailed information on the shares of Metall Zug AG (number of shares, type and par value) is available on page 79 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: 3982 108, ISIN CH0039821084). Dividend entitlement is in proportion to the share capital held. Each share entitles the holder to one vote.

Metall Zug AG has not issued any participation certificates.

### 2.5 Profit Sharing Certificates

Metall Zug AG has not issued any profit sharing certificates.

### 2.6 Limitations on Transferability and Nominee Registrations

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

Acquirers of registered shares (of types A and B) are registered 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 the acquirer does not prove that he is not a foreign non-resident 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 or to hold 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 2016, 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 42 and 43. 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 nor 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.

Honorary Chairman Heinz Buhofer is entitled to participate in the meetings of the Board of Directors without the right to vote. In the reporting year, he did not make use of this entitlement.

### 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:

|  | Mandates in listed companies | Mandates in other, non-listed legal entities with compensation | Pro-bono mandates and mandates at professional or industry associations, which are basically held in the interests of the company |
|--|------------------------------|--|---|
| Members of the Board of Directors and of Senior Management | 5                            | 15   | 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 re-elected 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 representatives are elected directly by the General Meeting of Shareholders for a term of one year (Art. 16a and 18 of the Articles of Association).

### **3.5 Internal Organizational Structure**

According to the law, the Board of Directors holds the highest decision-making power and specifies, among other things, the organizational, financial-planning and accounting directives with which Metall Zug AG and the Metall Zug Group undertake to comply. Decisions are made by the entire Board of Directors with the assistance of the following two committees: the Audit Committee and the Human Resources and Compensation Committee. The latter is assigned all the duties and responsibilities imposed on compensation committees by the Ordinance of November 20, 2013, against Excessive Remuneration in Listed Companies Limited by Shares (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 met six times. These meetings typically lasted half a day or a full day. In addition, the Board of Directors met for a workshop lasting one-and-a-half days 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.

# 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 2017

***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); Vice Chairman of the Board of Directors of Wasserwerke Zug 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 2017

***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  
 2017

**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 2017

**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.

### Human Resources and Compensation Committee

The Human Resources and Compensation Committee met three times in the reporting year and held three 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 of the CEO. Finally, it reviews the basic structures in the area of the pension fund with regard to the scope and content of benefits, reviews the annual appraisal of the members of Senior Management conducted by the CEO, and keeps itself informed about employee development and HR succession planning. The Human Resources and Compensation Committee comprises Heinz M. Buhofer, Chairman, and Peter Terwiesch. The CEO and the CFO attend the Human Resources and Compensation Committee meetings as regular guests, except for topics related to themselves.

### 3.6 Definition of Areas of Responsibility

The Metall Zug Group is run as an industrial group of companies, in which operational responsibility for the management of the business and achievement of objectives of the Metall Zug Group rests with the CEO and Senior Management of Metall Zug AG. In principle, the Senior Management's mandate is comprehensive. Even if an area of responsibility lies with the Board of Directors, the Senior Management is expected to take intellectual initiatives and to deal with emerging business opportunities until they are ready for a decision. Certain topics which are of relevance to an individual Business Unit only are delegated to the Board of Directors

and Senior Management of the main company of the respective Business Unit (V-ZUG AG, Belimed AG and Schleuniger Holding AG). 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/rules](http://www.metallzug.ch/rules). 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-à-vis Senior Management

Detailed governance and management information is produced semi-annually in the Metall Zug Group in the form of separate financial statements (income statement, balance sheet and statement of cash flows) of the individual subsidiaries and consolidated financial statements of the Business Units of the Metall Zug Group. These are submitted to both the Audit Committee and the Board of Directors and commented on in detail by Senior Management. Depending on the size and the risks of the business, separate financial statements may also be produced either monthly or quarterly. The results are prepared for each Business Unit and are consolidated for the Metall Zug Group. In each case, results are

compared to the prior-year period and to the budget. The achievability of budgets, which are integrated into rolling medium-term plans, is reviewed several times a year on the basis of forecasts. The managing directors or heads of each Business Unit submit regular reports on results and on the progress of budget achievement to the Senior Management of Metall Zug AG. The Board of Directors of Metall Zug AG receives, on a monthly basis, the key figures and written comments on other aspects of the operations of the Business Units and on the relevant market environment. In addition, key figures and brief commentaries on the course of business at the level of the Metall Zug Group are provided to the Board of Directors on a monthly basis. At meetings of the Board of Directors, Senior Management provides comprehensive information about the course of business in the Business Units and the Group.

The internal auditors conducted three 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, who is also Chairman of the Board of Directors of Belimed 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 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 he 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:

Mechanical Engineering FH, Master of Business Administration (MBA) from the Graduate School of Business at the University of Chicago.

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.

### **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 50 et seq. of this Annual Report.

## **6 Shareholders' Participation**

### **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 conversion of registered shares into bearer shares (and vice versa);
  - 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. A motion to delete the statutory quorum for the conversion of bearer shares into registered shares will be put to the General Meeting of Shareholders in 2017, thus amending the Articles of Association in line with the changes in the law within the transitional period.

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 40 days prior to the general meeting unless the group 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 cut-off date is usually about 10 to 20 days prior to the date of the General Meeting of Shareholders. There are no exceptions to the cut-off date rule. The cut-off date is published along with the invitation to the General Meeting of Shareholders in the Swiss Official Gazette of Commerce (SOGC).

## **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 – until December 31, 2015, in accordance with Articles 32 and 52 of the Swiss Stock Exchange Act (in the version dated March 24, 1995) – 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 778 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 187, of which TCHF 11 was for audit-related additional services and TCHF 176 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 2016, he took part in three of four committee meetings. The Audit Committee assesses

the performance of the external auditors on the basis of the documents, reports and presentations issued by the external auditors. In doing so, the Audit Committee evaluates the quality, relevance and contribution toward improving transparency on the basis of the statements and documentation made available by the external auditors. In addition, the committee seeks the opinion of the CFO. The amount of fees charged by the external auditors is reviewed and compared with the auditing fees of other comparable Swiss industrial companies on a regular basis. Further information on the external auditors, in particular the amount of auditing fees, and fees charged by the external auditors for additional services outside the agreed audit scope can be found in sections 8.2 and 8.3 of this Corporate Governance Report. The Audit Committee takes care to ensure that the fees for services that fall outside the agreed audit scope do not exceed a reasonable amount, in order to safeguard the independence of the external auditors.

## **9 Information Policy**

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

Shareholders receive a print report on the financial year and a print version of the half-year report on request. Full versions of the annual report and half-year report are available online at [www.metallzug.ch/report](http://www.metallzug.ch/report). 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/media/press-releases/](http://www.metallzug.ch/en/media/press-releases/). The financial calendar is available at [www.metallzug.ch/en/investors/financial-calendar/](http://www.metallzug.ch/en/investors/financial-calendar/) and general information about Metall Zug AG and the Metall Zug Group can be found at [www.metallzug.ch](http://www.metallzug.ch).

At [www.metallzug.ch/news\\_service/](http://www.metallzug.ch/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/investors/investor-relations-contact/](http://www.metallzug.ch/en/investors/investor-relations-contact/).

# 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 2016. It has been prepared in accordance with the Ordinance of November 20, 2013, against Excessive Remuneration in Listed Companies Limited by Shares (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 explains the principles of the compensation system and provide details of the compensation paid to the Board of Directors and Senior Management for financial year 2016 on the basis of the Compensation Regulations of January 1, 2014.

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 aim of the compensation system is to ensure that the interests of the key employees coincide with the interests of the Group and its Business Units. 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 expressly decided against such a long-term incentive as it does not consider a system of this kind to be sustainable and aims to achieve the long-term success of the company, the Board of Directors and Senior Management 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.

## Benchmark

The total compensation to the Board of Directors and Senior Management is based on the customary market rates of comparable industrial companies in Switzerland (including branch, structure, size and complexity of business). Benchmarking is carried out periodically on the basis of the annual compensation reports of comparable companies, other publicly available information, or based on relevant experience of the members of the Board of Directors from functions in similar companies. As a rule, no external consultants are called upon for this purpose.

## 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, which has been based on uniform methods and systems that apply group-wide. In addition, the members of Senior Management receive a lump-sum expenses allowance.

In determining the fixed compensation, as a rule key figures such as sales, revenue, and number of employees are taken into account alongside relative criteria such as complexity of the business, area of responsibility, performance of additional tasks and special projects. 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 first quarter of each year for the period from January 1 to December 31 of the current year with reference to the total amount approved by the General Meeting of Shareholders the year before. 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 the 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.

The variable component depends on the success of the business and/or the achievement of individually set objectives, and should guarantee the greatest possible congruence of interests between Senior Management, Board of Directors, shareholders and other stakeholders. The intention is to achieve a balance between short-term operating goals and the long-term, sustainable interests of the Metall Zug Group and to strive for a performance geared to the duties of a diligent managing director. Variable compensation may not exceed 100 % of the fixed component. In accordance with Art. 25b of the Articles of Association, the variable compensation is linked to qualitative and quantitative objectives (normally at a ratio of approx. 40:60), 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 group targets and/or Business Unit targets and include sales, EBIT, net current assets, return on invested capital (ROIC) and net income or growth rates, for example. The qualitative objectives are geared toward the long-term, sustainable development of the company, for example entry into new markets or establishment of new activities, reaching of milestones on key projects, implementation of reorganizations/restructurings, reaction to unforeseen circumstances, corporate governance/compliance.

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.

## COMPENSATION REPORT

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 first quarter of the calendar year for the current year, taking into consideration the target bonus agreed with Senior Management in their employment contracts. The variable compensation for Senior Management for the past 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 assigned 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. Prior to the disclosure or announcement of market-relevant information or projects, the Board of Directors, Senior Management and any employees involved are prohibited from effecting transactions with equity securities (or other financial instruments) of Metall Zug AG or potential target companies.

### 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 92 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 2016. In the interests of a consistent compensation practice, the Board of Directors will propose to the General Meeting of Shareholders on May 5, 2017, 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 2018.

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 May 1, 2015, 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 April 29, 2016. CHF 1 030 311 of this total amount was utilized for compensation to the Board of Directors in the corresponding period.

|  | 2016                             |                                    |                  | 2015                             |                                    |                  |
|--|----------------------------------|------------------------------------|------------------|----------------------------------|------------------------------------|------------------|
| Compensation for the business year, in CHF   | Fixed compensation / fee (gross) | Social contributions <sup>1)</sup> | Total            | Fixed compensation / fee (gross) | Social contributions <sup>1)</sup> | Total            |
| Heinz M. Buhofer<br>Chairman of the Board of Directors,<br>Chairman of the Human Resources<br>and Compensation Committee | 520 000                          | 77 306                             | 597 306          | 527 456                          | 80 457                             | 607 913          |
| Marga Gyger <sup>2)</sup><br>Member of the Audit Committee   | 156 288                          | 6 288                              | 162 576          | 156 320                          | 6 320                              | 162 640          |
| Peter Terwiesch<br>Member of the Human Resources<br>and Compensation Committee   | 106 638                          | 6 638                              | 113 276          | 106 667                          | 6 667                              | 113 334          |
| Martin Wipfli <sup>3)</sup><br>Chairman of the Audit Committee   | 150 000                          | 0                                  | 150 000          | 150 000                          | 0                                  | 150 000          |
| <b>Total Board of Directors</b>  | <b>932 926</b>                   | <b>90 232</b>                      | <b>1 023 158</b> | <b>940 443</b>                   | <b>93 444</b>                      | <b>1 033 887</b> |

<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 consists of the contribution to pension schemes provided for by the Articles of Association.

<sup>2)</sup> The remuneration of Marga Gyger as chairwoman of Gehrig Group AG is included in the above figures.

<sup>3)</sup> The remuneration of Martin Wipfli as chairman of HMZ Beteiligungen AG in 2015 is not included in the above figures, since this company was not controlled by Metall Zug AG in the respective period.

### 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 financial year 2016, the Board of Directors will propose to the General Meeting of Shareholders on May 5, 2017 an amount of CHF 1 500 000 for variable compensation to the members of Senior Management – a lower figure than in the previous year (CHF 1 900 000). The actual distribution will be slightly lower than the year before, as shown below. The difference between the budgeted amount approved by the General Meeting of Shareholders and the variable compensation amounts that will actually be paid out has diminished. The variable compensation reflects the business success of the Metall Zug Group in the difficult environment that prevailed during the reporting year 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 May 1, 2015 approved the total amount of CHF 3 970 000 available for fixed compensation to the members of Senior Management for financial year 2016. CHF 2 712 990 of this total amount was utilized for fixed compensation to Senior Management in the reporting period. Of the total amount of CHF 1 900 000 approved by the General Meeting of Shareholders on April 29, 2016 for variable compensation to the members of Senior Management for the financial year 2015, CHF 1 445 134 was actually paid out.

|   | 2016             |                           | 2015             |                           |
|---|------------------|---------------------------|------------------|---------------------------|
| Compensation for the financial year, in CHF <sup>1)</sup> | CEO              | Senior Management (total) | CEO              | Senior Management (total) |
| Fixed compensation (gross)                                | 760 000          | 2 070 000                 | 760 000          | 2 070 000                 |
| Other payments/benefits <sup>2)</sup>                     | 3 353            | 24 821                    | 2 845            | 23 787                    |
| Social contributions <sup>3)</sup>                        | 190 028          | 618 169                   | 195 519          | 600 177                   |
| <b>Total fixed compensation</b>                           | <b>953 381</b>   | <b>2 712 990</b>          | <b>958 364</b>   | <b>2 693 964</b>          |
| Variable compensation (gross)                             | 684 121          | 1 253 535                 | 716 715          | 1 368 174                 |
| Social contributions <sup>3)</sup>                        | 38 482           | 70 511                    | 40 315           | 76 960                    |
| <b>Total variable compensation<sup>4)</sup></b>           | <b>722 603</b>   | <b>1 324 046</b>          | <b>757 030</b>   | <b>1 445 134</b>          |
| <b>Total compensation</b>                                 | <b>1 675 984</b> | <b>4 037 036</b>          | <b>1 715 394</b> | <b>4 139 098</b>          |

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

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

<sup>4)</sup> The variable compensation to the members of Senior Management is paid out in May of the following year subject to approval by the Annual General Meeting of Shareholders (on May 5, 2017 for the variable compensation for 2016). The amounts in the table are disclosed on an accrual basis.



# Report of the Statutory Auditor



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To the General Meeting of  
METALL ZUG AG, Zug

Zug, 17 March 2017

## 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 2016. 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 labeled "audited" on pages 50 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 2016 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 increased gross sales in 2016 by 3.5 % to CHF 960.6 million (previous year: CHF 927.8 million). The operating income (EBIT) amounts to CHF 94.1 million (previous year: CHF 80.5 million). This corresponds to an increase of 16.9 %. Adjusted for the exceptional profit of CHF 5.1 million from the sale of the property in Ballwil, which is no longer used by Belimed, operating income (EBIT) increased on a comparable basis by CHF 8.5 million or 10.6 %. The financial result in the reporting year was CHF 10.3 million (previous year: CHF – 8.2 million). Net income came to CHF 84.9 million (previous year: CHF 56.9 million). The ratio of equity to total assets at the end of the reporting year increased to 76.9 % compared to 76.8 % in the previous year and the net cash position at year end rose to CHF 543.0 million (previous year: CHF 518.1 million).*



## Household Appliances

## Infection Control

## Wire Processing

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## **Financial Report**

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## **Annual Financial Statements Metall Zug AG**

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# Consolidated Income Statement

| in CHF 1000                                     | Notes    | 2016           | 2015           |
|---|----------|----------------|----------------|
| Gross sales                                     |          | 960634         | 927791         |
| Sales deductions                                |          | -21181         | -20276         |
| <b>Net sales</b>                                | <b>1</b> | <b>939453</b>  | <b>907515</b>  |
| Changes in inventories                          |          | 9380           | 2143           |
| Other operating revenue                         | 2        | 13379          | 6537           |
| <b>Operating revenue</b>                        |          | <b>962212</b>  | <b>916195</b>  |
| Cost of materials                               | 3        | -326894        | -314166        |
| Personnel expenses                              | 4        | -358589        | -354053        |
| Depreciation on tangible assets                 | 14       | -31437         | -32003         |
| Amortization on intangible assets               | 14       | -5519          | -5426          |
| Other operating expenses                        | 5        | -145627        | -130035        |
| <b>Operating expenses</b>                       |          | <b>-868066</b> | <b>-835683</b> |
| <b>Operating income (EBIT)</b>                  | <b>1</b> | <b>94146</b>   | <b>80512</b>   |
| Financial income                                | 7        | 26120          | 17412          |
| Financial expenses                              | 7        | -16234         | -20246         |
| Associated companies                            | 7, 14    | 407            | -5398          |
| <b>Financial result</b>                         |          | <b>10293</b>   | <b>-8232</b>   |
| <b>Income before taxes</b>                      |          | <b>104439</b>  | <b>72280</b>   |
| Taxes   | 8        | -19823         | -15616         |
| Non-controlling interest                        | 9        | 315            | 281            |
| <b>Net income</b>                               |          | <b>84931</b>   | <b>56945</b>   |
| Net income per type A registered share (in CHF) | 10       | 19.08          | 12.92          |
| Net income per type B registered share (in CHF) | 10       | 190.77         | 129.17         |

There is no dilution for 2016 or 2015 with regard to net income per share. Details of the individual items are available in the notes to the consolidated financial statements on page 68.

# Consolidated Balance Sheet

## Assets

| in CHF 1000   | Notes  | 12.31.2016       | 12.31.2015       |
|---|--------|------------------|------------------|
| Cash and cash equivalents                                 |        | 259294           | 244386           |
| Securities  | 11     | 284212           | 274803           |
| Trade receivables   | 12     | 117634           | 107831           |
| Other receivables   |        | 18714            | 21215            |
| Inventories   | 13     | 140721           | 133629           |
| Prepaid expenses  |        | 7133             | 6382             |
| <b>Current assets</b>                                     |        | <b>827708</b>    | <b>788246</b>    |
| Land  | 14     | 948              | 957              |
| Land and buildings  | 14     | 201240           | 170757           |
| Plant and equipment                                       | 14     | 48283            | 55288            |
| Prepayments and assets under construction non-real estate | 14     | 3684             | 614              |
| Other tangible assets                                     | 14     | 19874            | 20275            |
| <b>Tangible assets</b>                                    |        | <b>274029</b>    | <b>247891</b>    |
| Employer's contribution reserves                          | 14, 26 | 16226            | 15525            |
| Associated companies                                      | 14     | 1574             | 1081             |
| Other financial assets                                    | 14     | 23591            | 21338            |
| <b>Financial assets</b>                                   |        | <b>41391</b>     | <b>37944</b>     |
| Software  | 14     | 9498             | 9670             |
| Other intangible assets                                   | 14     | 24               | 37               |
| <b>Intangible assets</b>                                  |        | <b>9522</b>      | <b>9707</b>      |
| <b>Fixed assets</b>                                       |        | <b>324942</b>    | <b>295542</b>    |
| <b>Total assets</b>                                       |        | <b>1 152 650</b> | <b>1 083 788</b> |

Details of the individual items are available in the notes to the consolidated financial statements on page 68.

## Liabilities and Shareholders' Equity

| in CHF 1000                                       | Notes      | 12.31.2016       | 12.31.2015       |
|---|------------|------------------|------------------|
| Current financial liabilities                     | 15         | 500              | 625              |
| Trade payables                                    |            | 42 326           | 37 050           |
| Other current liabilities                         | 13, 16, 17 | 89 283           | 82 204           |
| Accrued liabilities                               |            | 61 006           | 51 827           |
| Current provisions                                | 18         | 33 102           | 38 893           |
| <b>Current liabilities</b>                        |            | <b>226 217</b>   | <b>210 599</b>   |
| Long-term financial liabilities                   | 15         | 0                | 500              |
| Other long-term liabilities                       | 17         | 5 199            | 7 042            |
| Long-term provisions                              | 18         | 34 948           | 32 979           |
| <b>Non-current liabilities</b>                    |            | <b>40 147</b>    | <b>40 521</b>    |
| <b>Total liabilities</b>                          |            | <b>266 364</b>   | <b>251 120</b>   |
| Share capital                                     | 20         | 11 250           | 11 250           |
| Capital reserves                                  | 20         | 348 582          | 342 335          |
| Treasury shares                                   | 20         | -5 273           | -18 779          |
| Retained earnings                                 |            | 532 688          | 498 478          |
| Non-controlling interest                          |            | -961             | -616             |
| <b>Shareholders' equity</b>                       |            | <b>886 286</b>   | <b>832 668</b>   |
| <b>Total liabilities and shareholders' equity</b> |            | <b>1 152 650</b> | <b>1 083 788</b> |

Details of the individual items are available in the notes to the consolidated financial statements on page 68.

# Consolidated Statement of Cash Flows

| in CHF 1000   | 2016           | 2015           |
|---|----------------|----------------|
| Net income before non-controlling interests                         | 84 616         | 56 664         |
| Financial result, net (excluding result of associated companies)    | –9 886         | 2 834          |
| Depreciation and amortization                                       | 36 956         | 37 429         |
| Result of associated companies                                      | –407           | 5 398          |
| Net changes in provisions   | –3 970         | –709           |
| Taxes   | 19 823         | 15 616         |
| Other non-cash items  | –14 059        | 1 324          |
| <b>Cash flow</b>  | <b>113 073</b> | <b>118 556</b> |
| Change in securities  | –1 189         | 279            |
| Change in trade receivables   | –12 210        | 3 612          |
| Change in other receivables and prepaid expenses                    | 2 499          | –2 076         |
| Change in inventories   | –4 089         | –7 017         |
| Change in trade payables  | 5 382          | –891           |
| Change in other current liabilities and accrued expenses            | 19 576         | 7 054          |
| Interests paid  | –26            | –182           |
| Taxes paid  | –27 582        | –14 731        |
| <b>Cash flow from operating activities</b>                          | <b>95 434</b>  | <b>104 604</b> |
| Investments in tangible assets                                      | –55 395        | –39 045        |
| Investments in financial assets                                     | –5 640         | –4 637         |
| Investments in intangible assets                                    | –5 358         | –3 453         |
| Investments in/Divestments of Group companies, net of cash acquired | –41            | –6 200         |
| Disposals of tangible assets  | 1 283          | 747            |
| Disposals of financial assets                                       | 14 496         | 1 910          |
| Disposals of intangible assets                                      | 8              | 7              |
| Interests received  | 73             | 165            |
| <b>Cash flow from investing activities</b>                          | <b>–50 574</b> | <b>–50 506</b> |
| Change in long-term financial liabilities                           | –743           | –2 232         |
| Purchase/sale of treasury shares                                    | 307            | 0              |
| Dividend  | –29 359        | –26 892        |
| <b>Cash flow from financing activities</b>                          | <b>–29 795</b> | <b>–29 124</b> |
| Currency translation effects  | –32            | –285           |
| <b>Change in “Net cash and cash equivalents”</b>                    | <b>15 033</b>  | <b>24 689</b>  |

Information on the composition of “Net cash and cash equivalents” is available on note 27 (page 83).

In 2016, there were non-cash additions of TCHF 3 283 (previous year: TCHF 0) to Tangible Assets caused by accruals for expected outstanding invoices. The position ‘Investments in/Divestments of Group companies, net of cash acquired’ of TCHF 41 in 2016 reflects the purchase of HMZ Beteiligungen AG, Zug. The position ‘Investments in/Divestments of Group companies, net of cash acquired’ of TCHF 6 200 in 2015 related to the purchase of Schybig Gastro-Service AG, Horeka AG and Schleuniger Test Automation GmbH, formerly Cirris Solutions GmbH (TCHF 4 440) as well as the purchase of a 30 % non-controlling interest in Schleuniger Machinery (Tianjin) Co., Ltd. (TCHF 2 621) less the sale of a further non-controlling interest in Belimed AG to the CEO of Belimed (TCHF –861).

In 2016, a non-cash allocation of TCHF 10 000 (previous year: TCHF 0) to the employer’s contribution reserves as well as a non-cash interest posting of TCHF 461 (previous year: TCHF 448) was credited to the employer’s contribution reserves (see note 14, page 76).



# Changes in Shareholders' Equity

| in CHF 1000                          | Share<br>Capital | Capital<br>Reserves | Treasury<br>Shares | Retained<br>Earnings | Accu-<br>mulated<br>Currency<br>Transla-<br>tion Dif-<br>ferences | Total<br>Retained<br>Earnings | Non-con-<br>trolling<br>Interests | Total          |
|--------------------------------------|------------------|---------------------|--------------------|----------------------|---|-------------------------------|-----------------------------------|----------------|
| <b>Balance on 01.01.2015</b>         | <b>11 250</b>    | <b>342 335</b>      | <b>- 18 779</b>    | <b>481 815</b>       | <b>- 12 008</b>   | <b>469 807</b>                | <b>1 033</b>                      | <b>805 646</b> |
| Dividend                             |                  |                     |                    | -26 892              |   | -26 892                       |                                   | -26 892        |
| Purchase of treasury shares          |                  |                     |                    |                      |   | -                             |                                   | -              |
| Acquisitions                         |                  |                     |                    | -4 875               |   | -4 875                        |                                   | -4 875         |
| Associated companies                 |                  |                     |                    | 8 358                |   | 8 358                         |                                   | 8 358          |
| Purchase of non-controlling interest |                  |                     |                    | -1 618               | -24   | -1 642                        | -979                              | -2 621         |
| Sale of non-controlling interest     |                  |                     |                    | 173                  | 180   | 353                           | -282                              | 71             |
| Currency translation effects         |                  |                     |                    |                      | -3 576  | -3 576                        | -107                              | -3 683         |
| Net income                           |                  |                     |                    | 56 945               |   | 56 945                        | -281                              | 56 664         |
| <b>Balance on 12.31.2015</b>         | <b>11 250</b>    | <b>342 335</b>      | <b>- 18 779</b>    | <b>513 906</b>       | <b>- 15 428</b>   | <b>498 478</b>                | <b>- 616</b>                      | <b>832 668</b> |
| <b>Balance on 01.01.2016</b>         | <b>11 250</b>    | <b>342 335</b>      | <b>- 18 779</b>    | <b>513 906</b>       | <b>- 15 428</b>   | <b>498 478</b>                | <b>- 616</b>                      | <b>832 668</b> |
| Dividend                             |                  | 6 046               | 13 400             | -48 805              |   | -48 805                       |                                   | -29 359        |
| Purchase of treasury shares          |                  |                     | -1 700             |                      |   | -                             |                                   | -1 700         |
| Sale of treasury shares              |                  | 201                 | 1 806              |                      |   | -                             |                                   | 2 007          |
| Acquisitions                         |                  |                     |                    | -33                  |   | -33                           |                                   | -33            |
| Associated companies                 |                  |                     |                    | -234                 |   | -234                          |                                   | -234           |
| Currency translation effects         |                  |                     |                    | -9 867               | 8 218   | -1 649                        | -30                               | -1 679         |
| Net income                           |                  |                     |                    | 84 931               |   | 84 931                        | -315                              | 84 616         |
| <b>Balance on 12.31.2016</b>         | <b>11 250</b>    | <b>348 582</b>      | <b>- 5 273</b>     | <b>539 898</b>       | <b>- 7 210</b>  | <b>532 688</b>                | <b>- 961</b>                      | <b>886 286</b> |

See note 20 (page 79) for more detailed information on the purchase/disposal of treasury shares and notes 14 (page 76) and 25 (page 81) 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 current Swiss GAAP FER financial reporting standard as a whole and are prepared on the basis of historical cost. The new rules regarding revenue recognition (Swiss GAAP FER Framework, FER 3 and FER 6) were released on June 24, 2014, and have become effective as of January 1, 2016. The initial adoption of the new standards regarding revenue recognition led to additional disclosures. 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 17, 2017.

## 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, the 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 76). 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 show 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 the 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, and the resulting currency effects are offset against retained earnings without affecting net income.

## Exchange Rates into CHF

| Income Statement<br>(Average Rate) | 2016    | 2015    |
|------------------------------------|---------|---------|
| 1 EUR                              | 1.0900  | 1.0685  |
| 1 USD                              | 0.9852  | 0.9629  |
| 1 GBP                              | 1.3347  | 1.4716  |
| 1 AUD                              | 0.7329  | 0.7239  |
| 100 CNY                            | 14.8390 | 15.4587 |
| 100 JPY                            | 0.9076  | 0.7956  |
| 100 HKD                            | 12.6915 | 12.4201 |

| Balance Sheet<br>(Exchange Rate on 12.31.) | 2016    | 2015    |
|--|---------|---------|
| 1 EUR                                      | 1.0717  | 1.0891  |
| 1 USD                                      | 1.0172  | 1.0014  |
| 1 GBP                                      | 1.2547  | 1.4770  |
| 1 AUD                                      | 0.7340  | 0.7296  |
| 100 CNY                                    | 14.6459 | 15.4248 |
| 100 JPY                                    | 0.8712  | 0.8332  |
| 100 HKD                                    | 13.1201 | 12.9208 |

### Sales and Revenue Recognition

Net sales include the inflow of economic benefits from the sale 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. In the event of business transactions involving identifiable multiple elements, these are to be 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

With regard to 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 cost 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 recognized in the balance sheet.

### 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 on the basis of 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 on the basis of 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 and other deferred net tax assets are neither capitalized nor offset against the provisions for deferred taxes.

**Provisions**

Provisions are set up for recognizable risks and also include 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 on the basis of 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.

**List of Investments (as at 12.31.2016)**

| Company  | Domicile                | Currency   | Share Capital  | Share of Capital and Votes |
|--|-------------------------|------------|----------------|----------------------------|
| <b>V-ZUG AG</b>                                | <b>Zug</b>              | <b>CHF</b> | <b>1900000</b> | <b>100%</b>                |
| V-ZUG Kühltechnik AG                           | Arbon                   | CHF        | 100000         | 100 %                      |
| V-ZUG Australia Pty. Ltd.                      | Sydney (AU)             | AUD        | 100            | 100 %                      |
| V-ZUG Europe BVBA                              | Harelbeke-Kortrijk (BE) | EUR        | 2000000        | 100 %                      |
| V-ZUG (Shanghai) Domestic Appliance Co., Ltd.  | Shanghai (CN)           | CNY        | 8363000        | 100 %                      |
| V-ZUG (Changzhou) Special Components Co., Ltd. | Changzhou (CN)          | CNY        | 19370000       | 100 %                      |
| V-ZUG Hong Kong Co., Ltd.                      | Hong Kong (HK)          | HKD        | 500000         | 100 %                      |
| SIBIRGroup AG                                  | Spreitenbach            | CHF        | 500000         | 100 %                      |
| <b>Gehrig Group AG</b>                         | <b>Rümlang</b>          | <b>CHF</b> | <b>2000000</b> | <b>100%</b>                |
| Hildebrand France S.a.r.l.                     | La Boisse (FR)          | EUR        | 426720         | 100 %                      |

### List of Investments (as at 12.31.2016) – Continuation

| Company                                   | Domicile             | Currency   | Share Capital    | Share of Capital and Votes |
|---|----------------------|------------|------------------|----------------------------|
| <b>V-ZUG Immobilien AG</b>                | <b>Zug</b>           | <b>CHF</b> | <b>1 000 000</b> | <b>100 %</b>               |
| <b>HMZ Beteiligungen AG</b>               | <b>Zug</b>           | <b>CHF</b> | <b>3 518 590</b> | <b>100 %</b>               |
| <b>MZ Infra AG</b>                        | <b>Zug</b>           | <b>CHF</b> | <b>1 000 000</b> | <b>100 %</b>               |
| <b>Belimed AG</b>                         | <b>Zug</b>           | <b>CHF</b> | <b>6 500 000</b> | <b>97.24 %</b>             |
| Belimed Sauter AG                         | Sulgen               | CHF        | 350 000          | 100 %                      |
| Belimed GmbH                              | Mühldorf am Inn (DE) | EUR        | 6 135 550        | 100 %                      |
| Belimed d.o.o.                            | Grosuplje (SI)       | EUR        | 28 000           | 100 %                      |
| Belimed GmbH                              | Fehring (AT)         | EUR        | 180 000          | 100 %                      |
| Belimed B.V.                              | J.G. Rotterdam (NL)  | EUR        | 18 151           | 100 %                      |
| Belimed SAS                               | Sausheim (FR)        | EUR        | 1 650 000        | 100 %                      |
| Belimed Ltd.                              | Shipley (UK)         | GBP        | 200 000          | 100 %                      |
| Beltech Medical Services Ltd.             | Shipley (UK)         | GBP        | 200              | 100 %                      |
| Belimed Inc.                              | Charleston (US)      | USD        | 3 000 000        | 100 %                      |
| Belimed Medical Equipment (Shanghai) Co.  | Shanghai (CN)        | CNY        | 4 223 180        | 100 %                      |
| <b>Schleuniger Holding AG</b>             | <b>Thun</b>          | <b>CHF</b> | <b>2 500 000</b> | <b>100 %</b>               |
| Schleuniger AG                            | Thun                 | CHF        | 150 000          | 100 %                      |
| Schleuniger GmbH                          | Radevormwald (DE)    | EUR        | 1 025 000        | 100 %                      |
| Schleuniger Test Automation GmbH          | Jettingen (DE)       | EUR        | 26 000           | 100 %                      |
| Schleuniger Inc.                          | Manchester (US)      | USD        | 200 000          | 100 %                      |
| Schleuniger Japan Co.                     | Tokyo (JP)           | JPY        | 200 000 000      | 100 %                      |
| Schleuniger Trading (Shanghai) Co.        | Shanghai (CN)        | CNY        | 10 863 620       | 100 %                      |
| Schleuniger Machinery (Tianjin) Co., Ltd. | Tianjin (CN)         | CNY        | 20 000 000       | 100 %                      |
| DiIT AG                                   | Krailling (DE)       | EUR        | 103 000          | 35 %                       |
| L W Solutions Ltd.                        | Pontypridd (UK)      | GBP        | 56 878           | 20 %                       |

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

On January 1, 2016, Belimed Technik GmbH, Mühldorf (DE), and Belimed Deutschland GmbH, Mühldorf (DE), were merged with Belimed GmbH, Mühldorf (DE). On January 1, 2016, NV Belimed SA (BE) was merged with Belimed B.V. (NL).

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

On June 13, 2016, Schleuniger Holding AG, Thun, acquired a minority stake of 20 % in Laser Wire Solutions (L W Solutions Ltd.), Pontypridd (UK). On September 14, 2016, Cirris Solutions GmbH, Jettingen (DE), was renamed Schleuniger Test Automation GmbH.

On December 8, 2016, MZ Infra AG was established.



## 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

| in CHF 1000          | Net Sales<br>to Third Parties |                | Operating Income<br>(EBIT) |               | Net Assets<br>Invested <sup>2)</sup> |                |
|----------------------|-------------------------------|----------------|----------------------------|---------------|--------------------------------------|----------------|
|                      | 2016                          | 2015           | 2016                       | 2015          | 2016                                 | 2015           |
| Household Appliances | 584 574                       | 568 323        | 76 767                     | 69 137        | 179 910                              | 179 391        |
| Infection Control    | 201 380                       | 193 999        | –6 341 <sup>3)</sup>       | –12 887       | 84 058                               | 89 744         |
| Wire Processing      | 153 499                       | 145 193        | 22 845                     | 21 248        | 58 500                               | 53 684         |
| Corporate            | 0                             | 0              | 857                        | 3 022         | 390 374                              | 354 806        |
| Consolidation        | 0                             | 0              | 18                         | –8            | –307 818                             | –281 134       |
| <b>Total</b>         | <b>939 453</b>                | <b>907 515</b> | <b>94 146</b>              | <b>80 512</b> | <b>405 024</b>                       | <b>396 491</b> |

| in percent           | EBIT as % of<br>Net Sales |        | Contribution to<br>Operating Income (EBIT) |                | EBIT in % of Net<br>Assets Invested |               |
|----------------------|---------------------------|--------|--|----------------|-------------------------------------|---------------|
|                      | 2016                      | 2015   | 2016                                       | 2015           | 2016                                | 2015          |
| Household Appliances | 13.1 %                    | 12.2 % | 81.5 %                                     | 85.9 %         | 42.7 %                              | 38.5 %        |
| Infection Control    | –3.1 %                    | –6.6 % | –6.7 %                                     | –16.0 %        | –7.5 %                              | –14.4 %       |
| Wire Processing      | 14.9 %                    | 14.6 % | 24.3 %                                     | 26.4 %         | 39.1 %                              | 39.6 %        |
| Corporate            |                           |        | 0.9 %                                      | 3.7 %          | 0.2 %                               | 0.9 %         |
| Consolidation        |                           |        | 0.0 %                                      | –0.0 %         | –0.0 %                              | 0.0 %         |
| <b>Total</b>         |                           |        | <b>100.0 %</b>                             | <b>100.0 %</b> | <b>23.2 %</b>                       | <b>20.3 %</b> |

<sup>1)</sup> Other products comprise containers, surface technology and special products. Both in the reporting year and in the previous year these other products contributed less than 1 % of net sales.

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

<sup>3)</sup> 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<br>in 1000 CHF | Household<br>Appliances | Infection<br>Control | Wire<br>Processing | 2016<br>Total  | 2015<br>Total  |
|---|-------------------------|----------------------|--------------------|----------------|----------------|
| Switzerland   | 537 835                 | 18 372               | 1 079              | 557 286        | 550 156        |
| Other European countries                            | 11 387                  | 80 403               | 52 172             | 143 962        | 155 125        |
| Americas  | 23 481                  | 66 306               | 56 255             | 146 042        | 122 267        |
| Asia/Pacific/Others                                 | 11 871                  | 36 299               | 43 993             | 92 163         | 79 967         |
| <b>Total 2016</b>                                   | <b>584 574</b>          | <b>201 380</b>       | <b>153 499</b>     | <b>939 453</b> |                |
| <b>Total 2015</b>                                   | <b>568 323</b>          | <b>193 999</b>       | <b>145 193</b>     |                | <b>907 515</b> |

## 2 Other Operating Revenue

Other operating revenue in the year under review includes the profit of TCHF 5 100 from the sale of the property in Ballwil, which is no longer used by Belimed.

## 3 Cost of Materials

In the year under review, the cost of materials increased in absolute terms by TCHF 12 728, from TCHF 314 166 to TCHF 326 894. In relation to gross sales it increased slightly from 33.9 % to 34.0 %. Cash discounts on goods purchased are recorded as cost reductions.

## 4 Personnel Expenses

| in CHF 1000                     | 2016            | 2015            |
|---------------------------------|-----------------|-----------------|
| Wages and salaries              | -300 787        | -289 490        |
| Pension contributions           | -9 306          | -19 409         |
| Other personnel expenses        | -48 496         | -45 154         |
| <b>Total personnel expenses</b> | <b>-358 589</b> | <b>-354 053</b> |

Headcount increased in the reporting year by 107 (previous year: increase of 186) to 3 919 (previous year: 3 812). This represents an increase of 2.8 % (previous year: increase of 5.1 %).

In 2016 the Welfare Fund of V-ZUG AG allocated TCHF 10 000 (previous year: TCHF 0) to the 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

| in CHF 1000                           | 2016            | 2015            |
|---------------------------------------|-----------------|-----------------|
| Marketing/sales promotion             | -24 428         | -25 268         |
| Maintenance and repair                | -13 461         | -11 848         |
| Administrative expenses               | -53 204         | -47 219         |
| Other costs                           | -54 534         | -45 700         |
| <b>Total other operating expenses</b> | <b>-145 627</b> | <b>-130 035</b> |

In relation to total gross sales, other operating expenses increased by TCHF 15 592 to 15.2 % (previous year: 14.0 %). Cost reductions were achieved in marketing/sales promotion (TCHF -840). On the other hand, maintenance and repair increased by TCHF 1 613, administrative expenses by TCHF 5 985 and other costs by TCHF 8 834. Administrative expenses increased as a result of higher consulting costs in relation to the development of the site in Zug as well as increased IT expenses. Other costs include TCHF 10 000 granted by V-ZUG AG this year to establish a fund to subsidize affordable housing. The same amount is presented in other current liabilities (see note 17).

## 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. With a 3.5 % increase in gross sales over the previous year, expenses for research and development decreased slightly to 8.5 % of gross sales (previous year: 8.6 %). As in previous years, these expenses of TCHF 81 181 (previous year: TCHF 80 057) were charged directly to the income statement.

## 7 Financial Result

| in CHF 1000                     | 2016            | 2015            |
|---------------------------------|-----------------|-----------------|
| Interest income                 | 98              | 123             |
| Income from securities          | 14 965          | 11 667          |
| Income from financial assets    | 3 112           | 631             |
| Foreign exchange gains          | 7 945           | 4 991           |
| <b>Total financial income</b>   | <b>26 120</b>   | <b>17 412</b>   |
| Interest expenses               | – 107           | – 180           |
| Losses on securities            | – 5 878         | – 7 469         |
| Expenses from financial assets  | – 1 352         | – 2 927         |
| Other financial expenses        | – 505           | – 598           |
| Foreign exchange losses         | – 8 392         | – 9 072         |
| <b>Total financial expenses</b> | <b>– 16 234</b> | <b>– 20 246</b> |
| <b>Associated companies</b>     | <b>407</b>      | <b>– 5 398</b>  |
| <b>Net financial result</b>     | <b>10 293</b>   | <b>– 8 232</b>  |

Income from securities and losses on securities include the gross reported income and capital gains/losses from portfolio management. Income and expenses from financial assets include the changes in the value of financial assets, essentially of the shares of Schlatter Industries AG, Schlieren, in the amount of TCHF 1 752 (previous year: TCHF – 1 752). The net position of foreign exchange gains/losses improved from TCHF – 4 081 to TCHF – 447. The loss from associated companies in 2015 included TCHF – 5 322, reflecting the value adjustment on the participation in Schlatter Industries AG, Schlieren, when the capital increase and the respective change of accounting method took place (until 2014 equity accounting, from 2015 onwards valuation at purchase value deducting any economically necessary valuation allowance).

## 8 Taxes

### Expenditure

| in CHF 1000              | 2016          | 2015          |
|--------------------------|---------------|---------------|
| Current income taxes     | -19506        | -18752        |
| Deferred income taxes    | -317          | 3136          |
| <b>Total expenditure</b> | <b>-19823</b> | <b>-15616</b> |

### Liabilities

| in CHF 1000              | 2016         | 2015         |
|--------------------------|--------------|--------------|
| Current income taxes     | 11375        | 18078        |
| Deferred income taxes    | 21167        | 20850        |
| <b>Total liabilities</b> | <b>32542</b> | <b>38928</b> |

### Income Taxes 2016

|  | Tax rate      | Tax amount in CHF 1000 |
|--|---------------|------------------------|
| Income before taxes  |               | 104439                 |
| Weighted average applicable tax rate/calculated taxes            | 16.5 %        | 17244                  |
| Utilization of previously unrecognized tax loss carry forwards   |               | -6408                  |
| Additional unrecognized tax losses                               |               | 4455                   |
| Change of unrecognized temporary differences                     |               | 809                    |
| Tax effects on investments                                       |               | 2742                   |
| Other effects  |               | 981                    |
| <b>Reported tax rate/taxes according to the income statement</b> | <b>19.0 %</b> | <b>19823</b>           |

### Income Taxes 2015

|  | Tax rate      | Tax amount in CHF 1000 |
|--|---------------|------------------------|
| Income before taxes  |               | 72280                  |
| Weighted average applicable tax rate/calculated taxes            | 14.3 %        | 10348                  |
| Utilization of previously unrecognized tax loss carry forwards   |               | -2169                  |
| Additional unrecognized tax losses                               |               | 7956                   |
| Change of unrecognized temporary differences                     |               | 268                    |
| Tax effects on investments                                       |               | -767                   |
| Other effects  |               | -20                    |
| <b>Reported tax rate/taxes according to the income statement</b> | <b>21.6 %</b> | <b>15616</b>           |

Potential tax reductions resulting from tax loss carry forwards and temporary differences amount to TCHF 34 996 (previous year: TCHF 36 180). The potential tax reductions decreased in net terms by TCHF 1 184 (previous year: increase of TCHF 5 239). Potential tax reductions are not capitalized due to uncertain recoverability. Tax expenses amount to 19.0 % of income before taxes (previous year: 21.6 %). The decrease in the tax rate is primarily due to lower losses at subsidiaries and a higher share of financial income in the profit before tax in the year under review. The financial income of Metall Zug AG is subject to federal income tax, including participation exemption. The average tax rate for deferred income taxes amounts to 13.0 % (previous year: 13.4 %).

**9 Non-controlling Interests**

| in CHF 1000   | 2016       | 2015       |
|---|------------|------------|
| Belimed AG  | 315        | 276        |
| Schleuniger Machinery (Tianjin) Co., Ltd.                     | 0          | 5          |
| <b>Total result attributable to non-controlling interests</b> | <b>315</b> | <b>281</b> |

The corresponding non-controlling interests are disclosed as a result of the minority stake of 2.76 % in Belimed AG held by a third party as at December 31, 2016 (previous year: 2.76 %). Last year also included a further 30 % non-controlling interest held by a third party in relation to the minority stake in Schleuniger Machinery (Tianjin) Co., Ltd. until March 6, 2015.

**10 Net Income per Share**

|  | 2016          | 2015          |
|--|---------------|---------------|
| Issued type A registered shares                        | 1 948 640     | 1 948 640     |
| Average outstanding type A registered shares           | 1 934 140     | 1 930 240     |
| Issued type B registered shares                        | 255 136       | 255 136       |
| Average outstanding type B registered shares           | 251 781       | 247 826       |
| Net income as per income statement (in CHF 1 000)      | 84 931        | 56 945        |
| Weighted average number of shares                      | 445 195       | 440 850       |
| <b>Net income per type A registered share (in CHF)</b> | <b>19.08</b>  | <b>12.92</b>  |
| <b>Net income per type B registered share (in CHF)</b> | <b>190.77</b> | <b>129.17</b> |

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

There is no dilution for 2016 or 2015 with regard to net income per share.



## 11 Securities

| in CHF 1000                              | 12.31.2016    | %            | 12.31.2015    | %            |
|--|---------------|--------------|---------------|--------------|
| Fixed-income investments up to 12 months | 8924          | 3.1          | 10165         | 3.7          |
| Fixed-income investments over 12 months  | 98427         | 34.7         | 94289         | 34.3         |
| Shares and similar investments           | 176861        | 62.2         | 170349        | 62.0         |
| <b>Total securities</b>                  | <b>284212</b> | <b>100.0</b> | <b>274803</b> | <b>100.0</b> |

Securities are mainly managed by third parties in asset management mandates.

## 12 Trade Receivables

| in CHF 1000                        | 12.31.2016    | 12.31.2015    |
|------------------------------------|---------------|---------------|
| Gross trade receivables            | 123910        | 112129        |
| Allowance for doubtful receivables | -6276         | -4298         |
| <b>Total trade receivables</b>     | <b>117634</b> | <b>107831</b> |

## 13 Inventories

| in CHF 1000                        | 12.31.2016    | 12.31.2015    |
|------------------------------------|---------------|---------------|
| Raw materials                      | 16216         | 17316         |
| Trade goods                        | 45282         | 44492         |
| Semifinished and finished products | 118916        | 114327        |
| Advance payments to suppliers      | 1378          | 2408          |
| Specific value adjustments         | -15488        | -34678        |
| General value adjustments          | -25583        | -10236        |
| <b>Total inventories</b>           | <b>140721</b> | <b>133629</b> |

Advance payments from customers are not offset against inventories; they are reported as other current liabilities and amount to TCHF 26352 (previous year: TCHF 22525).

**14 Fixed Assets****Tangible Assets**

in CHF 1000

|                                      | Land | Land & Buildings      | Plant & Equipment | Prepayments & Assets Under Construction non-Real Estate | Other Tangible Assets | Total Tangible Assets |
|--------------------------------------|------|-----------------------|-------------------|---|-----------------------|-----------------------|
| <b>Acquisition costs</b>             |      |                       |                   |   |                       |                       |
| <b>Balance on 01.01.2015</b>         | 385  | 250 635               | 187 415           | 1 287   | 76 819                | 516 541               |
| Changes in scope of consolidation    |      | 103                   | 137               |   | 204                   | 444                   |
| Additions                            | 561  | 19 553                | 8 933             | 1 610   | 8 388                 | 39 045                |
| Disposals                            |      | -8 159                | -10 703           |   | -8 425                | -27 287               |
| Reclassifications                    |      |                       | 2 301             | -2 267  | -828                  | -794                  |
| Currency translation effects         | 11   | -1 828                | -495              | -16   | -1 078                | -3 406                |
| <b>Balance on 12.31.2015</b>         | 957  | 260 304 <sup>1)</sup> | 187 588           | 614   | 75 080                | 524 543               |
| Additions                            |      | 37 458                | 10 090            | 3 230   | 7 900                 | 58 678                |
| Disposals                            |      | -286                  | -20 903           |   | -7 943                | -29 132               |
| Reclassifications                    |      | 1 416                 | 173               | -160  | -287                  | 1 142                 |
| Currency translation effects         | -9   | -333                  | -122              |   | -231                  | -695                  |
| <b>Balance on 12.31.2016</b>         | 948  | 298 559 <sup>1)</sup> | 176 826           | 3 684   | 74 519                | 554 536               |
| <b>Accumulated depreciation</b>      |      |                       |                   |   |                       |                       |
| <b>Balance on 01.01.2015</b>         | 0    | -89 331               | -125 456          | 0   | -56 065               | -270 852              |
| Depreciation current year            |      | -6 029                | -17 736           |   | -8 238                | -32 003               |
| Disposals                            |      | 5 525                 | 10 537            |   | 8 158                 | 24 220                |
| Reclassifications                    |      |                       | -15               |   | 689                   | 674                   |
| Currency translation effects         |      | 288                   | 370               |   | 651                   | 1 309                 |
| <b>Balance on 12.31.2015</b>         | 0    | -89 547               | -132 300          | 0   | -54 805               | -276 652              |
| Depreciation current year            |      | -7 194                | -16 446           |   | -7 797                | -31 437               |
| Disposals                            |      | 86                    | 20 139            |   | 7 624                 | 27 849                |
| Reclassifications                    |      | -732                  | 12                |   | 190                   | -530                  |
| Currency translation effects         |      | 68                    | 52                |   | 143                   | 263                   |
| <b>Balance on 12.31.2016</b>         | 0    | -97 319               | -128 543          | 0   | -54 645               | -280 507              |
| <b>Net book values on 12.31.2015</b> | 957  | 170 757               | 55 288            | 614   | 20 275                | 247 891               |
| <b>Net book values on 12.31.2016</b> | 948  | 201 240               | 48 283            | 3 684   | 19 874                | 274 029               |
| Of which land 12.31.2015             | 957  | 29 461                |                   |   |                       |                       |
| Of which land 12.31.2016             | 948  | 32 480                |                   |   |                       |                       |

1) Of which TCHF 48 508 (previous year: TCHF 21 225) prepayments and buildings under construction.

In 2016, assets held for sale, which form part of the other receivables of TCHF 609 were reclassified as land and buildings. In 2015, land and buildings in the amount of TCHF 2 320 were reclassified as assets held for sale. As at December 31, 2016 there are no more assets held for sale (previous year: TCHF 2 820).

# Financial and Intangible Assets

in CHF 1000

|                                      | Financial Assets | Intangible Assets         |
|--------------------------------------|------------------|---------------------------|
| <b>Acquisition costs</b>             |                  |                           |
| <b>Balance on 01.01.2015</b>         | <b>40 633</b>    | <b>37 621</b>             |
| Changes in scope of consolidation    |                  | 6                         |
| Additions                            | 5 085            | 3 453                     |
| Disposals                            | -1 910           | -2 051                    |
| Reclassifications                    |                  | 794                       |
| Associated companies                 | 3 030            |                           |
| Currency translation effects         | -196             | -118                      |
| <b>Balance on 12.31.2015</b>         | <b>46 642</b>    | <b>39 705</b>             |
| Additions                            | 16 101           | 5 358                     |
| Disposals                            | -14 496          | -1 213                    |
| Reclassifications                    |                  | 1                         |
| Associated companies                 | 173              |                           |
| Currency translation effects         | 3                | -23                       |
| <b>Balance on 12.31.2016</b>         | <b>48 423</b>    | <b>43 828</b>             |
| <b>Accumulated amortization</b>      |                  |                           |
| <b>Balance on 01.01.2015</b>         | <b>-6 410</b>    | <b>-26 038</b>            |
| Amortization current year            |                  | -5 426                    |
| Value adjustments (net)              | -2 288           |                           |
| Disposals                            |                  | 2 044                     |
| Reclassifications                    |                  | -674                      |
| Currency translation effects         |                  | 96                        |
| <b>Balance on 12.31.2015</b>         | <b>-8 698</b>    | <b>-29 998</b>            |
| Amortization current year            |                  | -5 519                    |
| Value adjustments (net)              | 1 666            |                           |
| Disposals                            |                  | 1 204                     |
| Reclassifications                    |                  | -4                        |
| Currency translation effects         |                  | 11                        |
| <b>Balance on 12.31.2016</b>         | <b>-7 032</b>    | <b>-34 306</b>            |
| <b>Net book values on 12.31.2015</b> | <b>37 944</b>    | <b>9 707</b>              |
| <b>Net book values on 12.31.2016</b> | <b>41 391</b>    | <b>9 522<sup>1)</sup></b> |

<sup>1)</sup> Of which TCHF 9 498 (previous year: TCHF 9 670) software.

Financial assets include employer's contribution reserves of TCHF 16 226 (previous year: TCHF 15 525), shares in companies including private-equity investments of TCHF 20 402 (previous year: TCHF 17 017), long-term financial assets of TCHF 3 189 (previous year: TCHF 4 321) and investments in associated companies of TCHF 1 574 (previous year: TCHF 1 081).

In 2016, the Welfare Fund of V-ZUG AG allocated TCHF 10 000 (previous year: TCHF 0) to the employer's contribution reserves. This allocation reduced the pension expenses of V-ZUG AG and therefore of Metall Zug Group by the corresponding amount. Furthermore, the Welfare Fund of V-ZUG AG paid employer's pension contributions in the amount of TCHF 9 760 (previous year: TCHF 0), which reduced the employer's contribution reserves by the corresponding amount. Together with interest credited of TCHF 461 (previous year: TCHF 448), the employer's contribution reserves increased by TCHF 701 in 2016 (previous year TCHF 448).

Value adjustments in the net amount of TCHF 1 666 were released on shares in companies including private-equity investments (previous year: increase TCHF 2 288). In the year under review this comprises the decrease in the value adjustment of TCHF 1 752 (previous year: increase of TCHF 1 752) for the financial investment in Schlatter Industries AG.

Long-term financial assets comprise loans to third parties, pledged assets for financing and deposits to secure rents.

Investments in associated companies include the goodwill relating to the minority stake of 20 % in Laser Wire Solutions (L W Solutions Ltd.), Pontypridd (UK), purchased in 2016, as well as the attributable estimated profits on the participations for the financial year 2016 of TCHF 407 (previous year: loss of TCHF –76), which were booked to the income statement.

In May 2015, a capital increase took place at Schlatter Industries AG, Schlieren. The necessary change in the accounting method (from equity accounting to valuation at purchase value deducting any economically necessary valuation allowance) required the recycling of the goodwill of TCHF 8 570 initially offset against equity, with subsequent adjustment of the value of the participation by a total of TCHF 5 203. Both effects were stated under associated companies. Furthermore, this item included retroactive adjustments of the Schlatter Group's shareholders' equity, not affecting net income, amounting to TCHF –212, and an income-relevant subsequent posting of the share in the result for the 2014 financial year of TCHF –49.

The goodwill recorded against retained earnings of TCHF 267 in 2016 (previous year: TCHF 6 517) results from the acquisition mentioned in note 25 as well as the above-mentioned purchase of the minority stake of 20 % in Laser Wire Solutions (L W Solutions Ltd.), Pontypridd (UK). The accumulated acquisition values of goodwill amount to TCHF 6 784 (previous year: TCHF 11 450). Completely written off goodwill in the amount of TCHF 4 933 (previous year: TCHF 3 774) has been derecognized in the shadow accounting schedule. 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 3 020 (previous year: TCHF 3 473). After deduction of a theoretical amortization, the goodwill that can theoretically be capitalized has a residual value of TCHF 3 081 (previous year: TCHF 5 834).

## 15 Current and Long-term Financial Liabilities

In the reporting period, financial liabilities decreased by TCHF 625 to TCHF 500 due to the planned repayments. As collateral for current and long-term financial liabilities of TCHF 500 (previous year: TCHF 1 125), assets with a book value of TCHF 3040 have been encumbered (previous year: TCHF 7035).

| 2016 in 1 000                |          |            |            |               |
|------------------------------|----------|------------|------------|---------------|
| Financial Instrument         | Currency | Term       | Amount     | Interest Rate |
| Mortgage with fixed interest | CHF      | 11.26.2017 | 500        | 4.1 %         |
| <b>Total</b>                 |          |            | <b>500</b> |               |

| 2015 in 1 000                |          |            |              |               |
|------------------------------|----------|------------|--------------|---------------|
| Financial Instrument         | Currency | Term       | Amount       | Interest Rate |
| Bank loan                    | CHF      | 06.30.2016 | 625          | 2.4 %         |
| Mortgage with fixed interest | CHF      | 11.26.2017 | 500          | 4.1 %         |
| <b>Total</b>                 |          |            | <b>1 125</b> |               |

## 16 Pension Liabilities

Pension liabilities amount to TCHF 430 (previous year: TCHF 441). 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 goodwill of TCHF 11 389 resulting from the acquisition is presented within liabilities and is systematically reversed. The goodwill is caused by deferred development costs and necessary adjustments to the operations, both already factored into the purchase price. These two effects add up to CHF 6 million and CHF 5 million respectively. According to current assessment, the development costs will materialize from 2014 to 2017, while the adjustments to the operations should be realized from 2017 onwards. The goodwill will be reversed over time in line with the development activities and the adjustments to the operational processes. The reversal based on this concept will be reviewed and if necessary adjusted on an annual basis.

In 2016, TCHF 1 600 (previous year: TCHF 1 600) of the goodwill was released to the income statement. Of the total remaining goodwill of TCHF 6 589 (previous year: TCHF 8 189), TCHF 1 600 (previous year: TCHF 1 600) is reported as other current liabilities and TCHF 4 989 (previous year: TCHF 6 589) as other long-term liabilities.

Other current liabilities include TCHF 10 000 granted by V-ZUG AG this year to establish a fund to subsidize affordable housing.



**18 Provisions**

| in CHF 1000                      | Deferred Taxes | Guarantees    | Pension      | Restructuring | Other        | Total         |
|----------------------------------|----------------|---------------|--------------|---------------|--------------|---------------|
| <b>Balance on 01.01.2015</b>     | <b>24 011</b>  | <b>36 148</b> | <b>3 462</b> | <b>7 110</b>  | <b>5 981</b> | <b>76 712</b> |
| Additions                        | 390            | 32 466        | 329          | 157           | 5 168        | 38 510        |
| Utilization                      | -3 526         | -27 452       | -187         | -1 295        | -1 749       | -34 209       |
| Release                          |                | -2 471        | -178         | -3 259        | -2 238       | -8 146        |
| Change in scope of consolidation |                | 54            |              |               |              | 54            |
| Currency translation effects     | -25            | -263          | -312         | -214          | -235         | -1 049        |
| <b>Balance on 12.31.2015</b>     | <b>20 850</b>  | <b>38 482</b> | <b>3 114</b> | <b>2 499</b>  | <b>6 927</b> | <b>71 872</b> |
| Of which current provisions      |                | 30 204        | 153          | 2 499         | 6 037        | 38 893        |

|                              |               |               |              |              |              |               |
|------------------------------|---------------|---------------|--------------|--------------|--------------|---------------|
| <b>Balance on 01.01.2016</b> | <b>20 850</b> | <b>38 482</b> | <b>3 114</b> | <b>2 499</b> | <b>6 927</b> | <b>71 872</b> |
| Additions                    | 909           | 26 660        | 363          |              | 1 115        | 29 047        |
| Utilization                  | -592          | -24 652       | -199         | -1 165       | -2 785       | -29 393       |
| Release                      |               | -2 383        |              | -295         | -629         | -3 307        |
| Currency translation effects |               | -85           | -52          |              | -32          | -169          |
| <b>Balance on 12.31.2016</b> | <b>21 167</b> | <b>38 022</b> | <b>3 226</b> | <b>1 039</b> | <b>4 596</b> | <b>68 050</b> |
| Of which current provisions  |               | 28 575        | 150          | 1 039        | 3 338        | 33 102        |

Provisions for guarantees are calculated on the basis of historical data (average of actual costs in recent years). Of the total provisions for restructuring of TCHF 1 039 (previous year: TCHF 2 499), TCHF 1 039 (previous year: TCHF 2 364) is attributable to the Infection Control Business Unit. The other provisions are set aside amongst others for the expected cash outflows related to various lawsuits.

**19 Significant Shareholders**

As at December 31, 2016, 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 |
|--|--------------------------|--------------------------|--------|---------------------|
| Heinz and Elisabeth Buhofer and Heinz M. Buhofer <sup>1)</sup> | 1 480 650                | 4 074                    | 67.4 % | 67.3 %              |
| Shareholder group Stöckli <sup>2)</sup>                        | 340 800                  | 18 338                   | 16.3 % | 16.3 %              |
| Werner O. Weber, indirectly through Wemaco Invest AG           | 82 000                   | 42 429                   | 5.6 %  | 5.6 %               |

<sup>1)</sup> And Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer and Julia Häcki, to the extent that they are acting in mutual agreement. As at December 31, 2016, Zug Estates Holding AG – in which Buhofer Trust II, Vaduz (set up by Heinz and Elisabeth Buhofer-Rubli, Heinz M. Buhofer, Annelies Häcki Buhofer, Philipp Buhofer, Martin Buhofer and Julia Häcki) owns a total of 66.25% of the voting rights according to the public notification of August 13, 2013 – holds no type A or B registered shares of Metall Zug AG, as in the previous year.

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

## 20 Shares

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

No equity instruments were issued in the year under review or in the previous year. Undistributable, statutory or legal reserves amount to TCHF 13 178 (previous year: TCHF 12 250).

In 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 between the market value of the shares at the date of the distribution and the purchase price was TCHF 6046 and taken directly to capital reserves.

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

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

In 2015, Metall Zug AG conducted no transactions with type A and B treasury shares.

As at December 31, 2016, Metall Zug AG holds 11 300 of its type A treasury shares at an average purchase price of CHF 254 and 957 type B treasury shares at an average purchase price of CHF 2505 (as at December 31, 2015: 18 400 type A treasury shares and 7 310 type B treasury shares).

## 21 Transactions with Related Parties

In the reporting year, invoices for services and appliances supplied to companies of the Zug Estates Holding AG in the amount of TCHF 129 (previous year: TCHF 111) were issued. On the other hand, expenses of TCHF 173 (previous year: TCHF 185) were incurred by gastronomy and real estate management services rendered to Metall Zug AG Group companies. As at December 31, 2016, there were accounts receivable of TCHF 2 (previous year: TCHF 5) and accounts payable of TCHF 7 (previous year: TCHF 5) on the balance sheet from companies belonging to Zug Estates Holding AG.

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 2016 amounts to TCHF 35 (previous year: TCHF 35).

In 2016, 6000 type A registered shares of Metall Zug AG from Metall Zug AG's treasury shares were sold to a shareholder listed in note 19 "Significant shareholders" and in return 600 type B registered shares of Metall Zug AG were purchased from the same shareholder at the same price (nominal value adjusted).

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:

| in CHF 1000   | 12.31.2016  | 12.31.2015  |
|---------------|-------------|-------------|
| up to 1 year  | 2820        | 2339        |
| up to 3 years | 3251        | 2272        |
| over 3 years  | 913         | 161         |
| <b>Total</b>  | <b>6984</b> | <b>4772</b> |

## 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                | 12.31.2016      |               |            | 12.31.2015      |               |            |
|----------------------------|-----------------|---------------|------------|-----------------|---------------|------------|
| Base Value                 | Contract Values | Market Values |            | Contract Values | Market Values |            |
|                            |                 | Positive      | Negative   |                 | Positive      | Negative   |
| Foreign exchange           | 3121            | 7             | -27        | 4515            | 8             | -47        |
| Equity instruments/indices |                 |               |            |                 |               |            |
| Interest rates             |                 |               |            |                 |               |            |
| Other base values          |                 |               |            |                 |               |            |
| <b>Total market values</b> | <b>3121</b>     | <b>7</b>      | <b>-27</b> | <b>4515</b>     | <b>8</b>      | <b>-47</b> |

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

| in CHF 1000                | 12.31.2016      |               |              | 12.31.2015      |               |             |
|----------------------------|-----------------|---------------|--------------|-----------------|---------------|-------------|
| Base Value                 | Contract Values | Market Values |              | Contract Values | Market Values |             |
|                            |                 | Positive      | Negative     |                 | Positive      | Negative    |
| Foreign exchange           | 235087          | 1005          | -2190        | 24186           |               | -544        |
| Equity instruments/indices |                 |               |              | 4893            |               |             |
| Interest rates             | 375             |               |              | 381             |               |             |
| Other base values          |                 |               |              |                 |               |             |
| <b>Total market values</b> | <b>235462</b>   | <b>1005</b>   | <b>-2190</b> | <b>29460</b>    | <b>0</b>      | <b>-544</b> |

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

As at December 31, 2016, trade receivables from foreign subsidiaries worth TCHF 9889 (previous year: TCHF 12 465) served as collateral for credit lines. The carrying amount of fixed-term deposits, securities and properties that are pledged as collateral amount to TCHF 21 587 (previous year: TCHF 19 493).

In addition to purchase commitments of TCHF 1 024 (previous year: TCHF 238) there are also a number of long-term rental contracts with a volume of TCHF 16 033 (previous year: TCHF 18 090).

Metall Zug AG made investment commitments to a private equity fund (previous year: two private equity funds) totaling TCHF 5 000 (previous year: TCHF 10 000), of which TCHF 3 561 was paid in as at the end of 2016 (previous year: TCHF 6 391).

## 25 Acquisition and Sale of Consolidated Subsidiaries

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

| in CHF 1000             |  |  | HMZ Beteiligungen AG |
|-------------------------|--|--|----------------------|
| Current assets          |  |  | 22                   |
| Fixed assets            |  |  | 0                    |
| Current liabilities     |  |  | -6                   |
| Non-current liabilities |  |  | 0                    |
| <b>Net assets</b>       |  |  | <b>16</b>            |

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).

Schybig Gastro-Service AG, Küsnacht SZ (later: Risch ZG) and Horeka AG, Küsnacht SZ (later: Risch ZG) were acquired on April 29, 2015, and Cirris Solutions GmbH, Jettingen (DE), was acquired on May 19, 2015. The following assets and liabilities were acquired as at the acquisition date:

| in CHF 1000             | Schybig Gastro-Service AG | Horeka AG  | Cirris Solutions GmbH |
|-------------------------|---------------------------|------------|-----------------------|
| Current assets          | 1 232                     | 250        | 3 196                 |
| Fixed assets            | 106                       | 4          | 340                   |
| Current liabilities     | -196                      | -22        | -2 099                |
| Non-current liabilities | 0                         | 0          | -1 784                |
| <b>Net assets</b>       | <b>1 142</b>              | <b>232</b> | <b>-347</b>           |

As at March 6, 2015, the remaining 30 % non-controlling interest in Schleuniger Machinery (Tianjin) Co., Ltd. held by a third party was repurchased.

The goodwill paid in connection with the above-mentioned transactions totals TCHF 6 517 and was offset against retained earnings at the time of acquisition (see Changes in Shareholders' Equity, page 63).

On June 12, 2015, and November 9, 2015, 0.69 % of non-controlling interest in Belimed AG, Zug, was on each occasion sold by Metall Zug AG to the CEO of the Infection Control Business Unit. Metall Zug AG has the right (or as the case may be the obligation) to buy back this non-controlling interest based on a defined calculation method on the occurrence of certain conditions or after a set period of time.

## 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)

|                                     | Nominal<br>Value | Renounced<br>Use | Balance<br>Sheet | Additions /<br>Releases<br>as at | Balance<br>Sheet | Result from ECR or<br>Similar Items in<br>Personnel Expenses |            |
|-------------------------------------|------------------|------------------|------------------|----------------------------------|------------------|--|------------|
| in CHF thousands                    | 12.31.2016       | 12.31.2016       | 12.31.2016       | 2016                             | 12.31.2015       | 2016   | 2015       |
| Patronage funds/<br>pension schemes | 15948            |                  | 15948            | 240                              | 15250            | 698  | 444        |
| Pension plans                       | 278              |                  | 278              |                                  | 275              | 3  | 4          |
| <b>Total</b>                        | <b>16226</b>     | <b>0</b>         | <b>16226</b>     | <b>240</b>                       | <b>15525</b>     | <b>701</b>   | <b>448</b> |

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

|  | Surplus/Deficit<br>According to<br>Pension Plans | Economical Part of<br>the Organization |              | Change or<br>Impact on<br>Net Income<br>in Business<br>Year | Contribu-<br>tions<br>for the<br>Period <sup>1)</sup> | Pension Expenses in<br>Personnel Expenses |               |
|--|--|--|--------------|---|---|---|---------------|
| in CHF thousands                         | 12.31.2016                                       | 12.31.2016                             | 12.31.2015   | 2016  | 2016  | 2016                                      | 2015          |
| Patronage funds/<br>pension schemes      | 2910   |  |              |   |   |   |               |
| Pension plans without<br>surplus/deficit |  |  |              |   | -9106   | -9106                                     | -18101        |
| Pension plans with surplus               |  |  |              |   |   |   | -769          |
| Pension plans with deficit               | -3226  | -3226                                  | -3114        | -164  | -737  | -901                                      | -987          |
| <b>Total</b>                             | <b>-316</b>                                      | <b>-3226</b>                           | <b>-3114</b> | <b>-164</b>   | <b>-9843</b>  | <b>-10007</b>                             | <b>-19857</b> |

<sup>1)</sup> Includes payments to pension schemes that bear pension risks themselves in the amount of TCHF 7 947 (previous year: TCHF 18 006) and payments to pension schemes that do not bear risks themselves in the amount of TCHF 1 896 (previous year: TCHF 2 199). The economical part of the organization on pension plans with deficits of TCHF 3 226 (previous year: TCHF 3 114), 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 2016, the Welfare Fund of V-ZUG AG allocated TCHF 10 000 (previous year: TCHF 0) 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 paid employer's pension contributions in the amount of TCHF 9 760 (previous year: TCHF 0), which reduced the employer's contribution reserves by the respective amount. Together with interest credited of TCHF 461 (previous year: TCHF 448), the employer's contribution reserves increased by TCHF 701 in 2016 (previous year TCHF 448).

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   | 2016          | 2015          |
|---|---------------|---------------|
| Pension contributions at the company's expense  | -9843         | -20205        |
| Contributions to pension plans from employer's contribution reserves  | -9760         | 0             |
| <b>Total contributions<sup>1)</sup></b>   | <b>-19603</b> | <b>-20205</b> |
| Change in employer's contribution reserves due to allocation, asset development, value adjustment, discounting, interest payments, etc. | 10461         | 448           |
| <b>Contributions and changes in employer's contribution reserves</b>  | <b>-9142</b>  | <b>-19757</b> |
| Change in economic benefits for the company from surplus  | 0             | 0             |
| Change in economic liabilities for the company from deficit   | -164          | 348           |
| <b>Total change in economic impact of surplus / deficit</b>   | <b>-164</b>   | <b>348</b>    |
| <b>Pension expenses in personnel expenses</b>   | <b>-9306</b>  | <b>-19409</b> |

<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                                  | 12.31.2016    | 12.31.2015    |
|--|---------------|---------------|
| Cash and cash equivalents                    | 259294        | 244386        |
| Current financial liabilities                | -500          | -625          |
| <b>Total "Net cash and cash equivalents"</b> | <b>258794</b> | <b>243761</b> |
| Changes from the previous year               | 15033         | 24689         |

### 28 Risk Assessment

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

1. Identification of risks: Every three years, an extensive Group-wide risk survey is conducted. In the scope of the survey, all business risks are compiled and documented on the basis of standard criteria. The identified risks are analyzed on an annual basis until the next extensive survey and updated and amended as necessary.
2. 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 assessing the impact of a risk, the financial impact as well as the effect on reputation is considered.
3. Risk control: The individual Business Units assign risk managers to each 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.

### 29 Events After the Balance Sheet Date

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

# Report of the Statutory Auditor



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To the General Meeting of  
METALL ZUG AG, Zug

Zug, 17 March 2017

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

As statutory auditor, we have audited the consolidated financial statements presented on pages 59 to 83 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 2016.



### 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 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.



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

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

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

### Inventory valuation

|                           |  |
|---------------------------|--|
| <b>Risk</b>               | Inventories and the related value adjustments amount to TCHF 181'792 and TCHF 41'071 (gross), 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).<br>During our audit, we focused on these positions, 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 73). |
| <b>Our audit response</b> | Among other things, 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 sales prices and thus analyzed the loss-free valuation of inventories.   |

### Counterparty risk from receivables

|                           |   |
|---------------------------|---|
| <b>Risk</b>               | Trade receivables amount to TCHF 117'634 (net). Hence, there is a risk of overvaluation of receivables from at-risk counterparties. Value adjustments on trade receivables are determined based on concrete events and past experience. We consider this position as significant to our audit due to its importance for total assets and the judgment involved. This information is disclosed under "Trade Receivables" in the principles of valuation section (page 65) as well as under "12 Trade Receivables" (page 73). |
| <b>Our audit response</b> | We assessed the valuation of trade receivables and the allowance for doubtful receivables that was recorded. In doing so, we considered local factors and specific matters that applied to the individual trade receivables. In addition, we evaluated the calculations performed by  |



local management and reviewed the value adjustments in terms of the applicable valuation principles. We assessed individual allowances for doubtful trade receivables based on discussions with management and the facts observed.

### Provisions

|                           |   |
|---------------------------|---|
| <b>Risk</b>               | The calculation of provisions for guarantees (TCHF 38'022 in total) is dependent on underlying assumptions that are determined on the basis of historical values (average actual costs incurred over the past years) and that should cover the expected costs for guarantees in the future due to new facts. Given the importance of the management assessment in the calculation and the materiality, we consider this as significant to our audit. The provisions are disclosed under "Provisions" in the principles of valuation section (page 66) as well as under "18 Provisions" (page 78). |
| <b>Our audit response</b> | 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 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 assumptions that were made in determining the relevant amounts.   |

### Revenue recognition

|                           |  |
|---------------------------|--|
| <b>Risk</b>               | Sales 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 (several months). Details of revenue recognition are disclosed under "Sales and revenue recognition" (page 65) as well as under "1 Segment Information" (page 68).  |
| <b>Our audit approach</b> | 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 provisions 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. |





#### **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 | 2016               | 2015               |
|--------------------------------|-------|--------------------|--------------------|
| Dividend income                |       | 63 000 000         | 67 000 000         |
| Other operating revenue        |       | 3 988 625          | 5 287 897          |
| <b>Operating revenue</b>       |       | <b>66 988 625</b>  | <b>72 287 897</b>  |
| Personnel expenses             |       | -5 609 192         | -5 442 813         |
| Other operating expenses       |       | -1 614 552         | -1 463 040         |
| Increase of provisions (net)   |       | -35 000 000        | -29 955 000        |
| Depreciation                   |       | -199 259           | -183 294           |
| <b>Operating expenses</b>      |       | <b>-42 423 003</b> | <b>-37 044 147</b> |
| <b>Operating income (EBIT)</b> |       | <b>24 565 622</b>  | <b>35 243 750</b>  |
| Financial income               | 1     | 27 253 408         | 22 630 246         |
| Financial expenses             | 2     | -15 029 239        | -13 088 874        |
| <b>Financial result</b>        |       | <b>12 224 169</b>  | <b>9 541 372</b>   |
| <b>Income before taxes</b>     |       | <b>36 789 791</b>  | <b>44 785 122</b>  |
| Taxes                          |       | -1 272 227         | -675 334           |
| <b>Net income</b>              |       | <b>35 517 564</b>  | <b>44 109 788</b>  |

# Balance Sheet

## Assets

| in CHF                          | Notes | 12.31.2016       | 12.31.2015       |
|---------------------------------|-------|------------------|------------------|
| Cash and cash equivalents       |       | 116077507        | 136844227        |
| Listed securities               | 3     | 248216160        | 244875017        |
| Other receivables third parties |       | 446613           | 568155           |
| Other receivables subsidiaries  |       | 1997259          | 2274406          |
| Accrued expenses third parties  |       | 65439            | 111517           |
| Accrued expenses subsidiaries   |       | 139000           | 200000           |
| <b>Current assets</b>           |       | <b>366941978</b> | <b>384873322</b> |
| Financial assets                |       | 20401660         | 17017295         |
| Loans to subsidiaries           | 4     | 178625000        | 127075000        |
| Investments                     | 5     | 210217343        | 205667343        |
| Tangible assets                 |       | 61920            | 81473            |
| Intangible assets               | 6     | 3065335          | 3167000          |
| <b>Fixed assets</b>             |       | <b>412371258</b> | <b>353008111</b> |
| <b>Total assets</b>             |       | <b>779313236</b> | <b>737881433</b> |

## Liabilities

|   |   |                  |                  |
|---|---|------------------|------------------|
| Other payables third parties                      |   | 765905           | 1066122          |
| Other payables subsidiaries                       |   | 7151             | 9386             |
| Accrued liabilities                               |   | 1760146          | 1491753          |
| <b>Current liabilities</b>                        |   | <b>2533202</b>   | <b>2567261</b>   |
| Provisions  |   | 456238180        | 421238180        |
| <b>Non-current liabilities</b>                    |   | <b>456238180</b> | <b>421238180</b> |
| <b>Total liabilities</b>                          |   | <b>458771382</b> | <b>423805441</b> |
| Share capital                                     |   | 11250000         | 11250000         |
| Statutory capital reserves                        |   |                  |                  |
| Capital contribution reserves                     |   | 1750052          | 1750052          |
| Statutory profit reserves                         |   | 5625000          | 5625000          |
| Voluntary profit reserves                         | 8 | 271361249        | 265113471        |
| Retained earnings                                 |   |                  |                  |
| Retained earnings carried forward                 |   | 310943           | 5006620          |
| Net income  |   | 35517564         | 44109788         |
| Treasury shares                                   | 8 | -5272954         | -18778939        |
| <b>Shareholders' equity</b>                       |   | <b>320541854</b> | <b>314075992</b> |
| <b>Total liabilities and shareholders' equity</b> |   | <b>779313236</b> | <b>737881433</b> |

# Notes to the Annual Financial Statements

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

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

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

### Listed Securities

Listed securities and portfolios managed by third parties are recorded at stock market prices at the balance sheet date. The position contains valuation reserves.

### Financial Assets

Financial assets are recorded at acquisition cost 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 position tangible assets 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  | 2016            | 2015            |
|---|-----------------|-----------------|
| Income from securities  | 16356095        | 15156527        |
| Income from financial assets                                      | 3126335         | 3075541         |
| Income from dissolution value adjustment on loans to subsidiaries | 3500000         | 0               |
| Interest income from loans to subsidiaries                        | 4270978         | 4398178         |
| <b>Total financial income</b>                                     | <b>27253408</b> | <b>22630246</b> |

### 2 Financial Expenses

| in CHF                               | 2016             | 2015             |
|--------------------------------------|------------------|------------------|
| Expenses from securities             | -13677693        | -10792294        |
| Value adjustment on financial assets | -1351546         | -2296580         |
| <b>Total financial expenses</b>      | <b>-15029239</b> | <b>-13088874</b> |

### 3 Listed Securities

| in CHF                              | 12.31.2016         | 12.31.2015         |
|-------------------------------------|--------------------|--------------------|
| Listed securities, gross            | 284 008 011        | 274 529 445        |
| Valuation reserves                  | -35 791 851        | -29 654 428        |
| <b>Total listed securities, net</b> | <b>248 216 160</b> | <b>244 875 017</b> |

### 4 Loans to subsidiaries

| in CHF                                  | 12.31.2016         | 12.31.2015         |
|---|--------------------|--------------------|
| Loans to subsidiaries, gross            | 178 625 000        | 130 575 000        |
| Accumulated value adjustments           | 0                  | -3 500 000         |
| <b>Total loans to subsidiaries, net</b> | <b>178 625 000</b> | <b>127 075 000</b> |

The value adjustment in the prior year related to a subordination agreement on an intercompany loan. This value adjustment was released through the income statement in 2016.

### 5 Investments

Detailed information on the Investments of Metall Zug AG, Zug, as at December 31, 2016, is available on page 66.

### 6 Intangible Assets

| in CHF                         | 12.31.2016       | 12.31.2015       |
|--------------------------------|------------------|------------------|
| Software, gross                | 221 261          | 143 220          |
| Accumulated amortization       | -156 226         | -143 220         |
| <b>Software, net</b>           | <b>65 035</b>    | <b>0</b>         |
| Brands, gross                  | 3 334 000        | 3 334 000        |
| Accumulated amortization       | -333 700         | -167 000         |
| <b>Brands, net</b>             | <b>3 000 300</b> | <b>3 167 000</b> |
| <b>Total intangible assets</b> | <b>3 065 335</b> | <b>3 167 000</b> |

### 7 Significant Shareholders

See note 19 to the consolidated financial statements, page 78.

### Additional Information Required by Law

#### 8 Treasury Shares

In 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 between the market value of the shares at the date of the distribution and the purchase price of TCHF 6047 was taken directly to voluntary profit reserves.

Furthermore, 1 100 type A registered shares were sold to third parties in the year under review. The profit of TCHF 29 resulting from the sale was also taken directly to voluntary profit reserves.

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

In 2015, Metall Zug AG conducted no transactions with type A and B treasury shares.

As at December 31, 2016, Metall Zug AG holds 11 300 of its type A treasury shares at an average purchase price of CHF 254 and 957 type B treasury shares at an average purchase price of CHF 2 505 (as at December 31, 2015: 18 400 type A treasury shares and 7 310 type B treasury shares).

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

|  | as at 12.31.2016         |                          | as at 12.31.2015         |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | Type A Registered Shares | Type B Registered Shares | Type A Registered Shares | Type B Registered Shares |
| Heinz M. Buhofer<br>Chairman of the Board of Directors   | 563 040 <sup>1)</sup>    | 938                      | 563 040 <sup>1)</sup>    | 1                        |
| Marga Gyger<br>Member of the Board of Directors          | 0                        | 0                        | 0                        | 0                        |
| Peter Terwiesch<br>Member of the Board of Directors      | 0                        | 10                       | 0                        | 10                       |
| Martin Wipfli<br>Member of the Board of Directors        | 0                        | 270                      | 0                        | 266                      |
| Jürg Werner<br>CEO                                       | 0                        | 20                       | 0                        | 0                        |
| Daniel Keist<br>CFO                                      | 0                        | 0                        | 0                        | 0                        |
| Dirk Hoffmann<br>CEO Household Business Unit             | 0                        | 20                       | 0                        | 20                       |
| Christoph Schüpbach<br>CEO Wire Processing Business Unit | 0                        | 0                        | 0                        | 0                        |

<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, securities worth TCHF 2 000 are pledged as collateral (previous year: TCHF 2 000).

### 11 Sureties

There are sureties to secure credit lines to Group companies from banks amounting to TCHF 24 897 (previous year: TCHF 16 098). Furthermore, another surety in the amount of TCHF 139 (previous year: TCHF 523) was granted to a supplier of a subsidiary.

### 12 Contingent Liabilities

Metall Zug AG made investment commitments to one (previous year: two) private equity funds totaling TCHF 5 000 (previous year: TCHF 10 000), of which TCHF 3 561 was paid by the end of 2016 (previous year: TCHF 6 391).

### 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

No events requiring disclosure took place after the balance sheet date.



# Proposal for the Appropriation of Available Earnings

| in CHF  |                               | 12.31.2016                                | 12.31.2015   |
|---|-------------------------------|---|--|
|   |                               | <b>Proposal of the Board of Directors</b> | <b>Resolution of the General Meeting of Shareholders</b> |
| Retained earnings carried forward               |                               | 310 943                                   | 5 006 620  |
| Net income                                      |                               | 35 517 564                                | 44 109 788   |
| <b>Retained earnings</b>                        |                               | <b>35 828 507</b>                         | <b>49 116 408</b>  |
| Distribution of cash dividend                   |                               |   |  |
| for each type A registered share                | CHF 7.00 gross                | 13 640 480                                | 7 599 696  |
| for each type B registered share                | CHF 70.00 gross               | 17 859 520                                | 9 950 304  |
| Distribution of stock dividend <sup>1)</sup>    |                               |   |  |
| per 600 type A registered shares                | 1 type B registered share net | 0   | 9 082 611  |
| per 60 type B registered shares                 | 1 type B registered share net | 0   | 11 891 889   |
| withholding tax on stock dividend               |                               | 0   | 11 293 962   |
| <b>Total</b>                                    |                               | <b>31 500 000</b>                         | <b>49 818 462</b>  |
| minus dividend on treasury shares <sup>2)</sup> |                               | -146 090                                  | -1 012 997   |
| <b>Retained earnings to be carried forward</b>  |                               | <b>4 474 597</b>                          | <b>310 943</b>   |

<sup>1)</sup> The equivalent value of fractions with regard to the above-mentioned distribution ratios were paid out in cash. The value of the stock dividend was based on the volume-weighted average price of the type B registered share (Swiss security number 3982108) at April 28, 2016, in the amount of CHF 2 907.5085, respectively CHF 2 796.7985 ex-dividend.

<sup>2)</sup> As at December 31, 2016, 11 300 (previous year: 18 400) treasury shares type A and 957 (previous year: 7 310) treasury shares type B were not entitled to a dividend. The share capital entitled to a distribution, and thus the distributed dividend, may vary due to possible disposals of treasury shares until the record date of the dividend payment.

Subject to the General Meeting of Shareholders' approval of the Board of Directors' proposal, the dividend will be paid on Thursday, May 11, 2017 (payment date). The last trading date with entitlement to receive the dividend is Monday, May 8, 2017. The shares of Metall Zug AG will be traded ex-dividend as of Tuesday, May 9, 2017.

# Report of the Statutory Auditor



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To the General Meeting of  
METALL ZUG AG, Zug

Zug, 17 March 2017

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements presented on pages 88 to 93 of METALL ZUG AG, which comprise the income statement, balance sheet and notes, for the year ended 31 December 2016.



### 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 2016 comply with Swiss law and the company's articles of incorporation.



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

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

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

#### **Valuation of investments and loans**

|                           |  |
|---------------------------|--|
| <b>Risk</b>               | The core business of METALL ZUG AG is granting loans to subsidiaries (TCHF 178'625) 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. Loans to subsidiaries are disclosed under section 4 and investments under section 5 in the notes to the financial statements.  |
| <b>Our audit response</b> | We assessed the impairment considerations of management and reviewed the impairments recorded on investments and loans. We compared the carrying amounts of the investments with the company's proportional share in equity. Where this net asset value consideration was insufficient, we 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. |

**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



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