



V-ZUG Group

Annual Report

2020



**Bringing simplicity into
your home
and creativity into
your kitchen.**

V-ZUG

Key Figures 2020

49.2 (+66.2 %)

Operating result (EBIT)
in CHF million

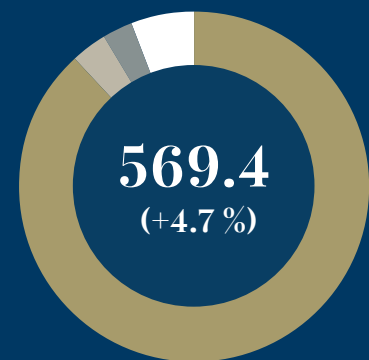
55.8

Capital expenditure
in CHF million

**Net sales total and
by region (2020)**

in CHF million

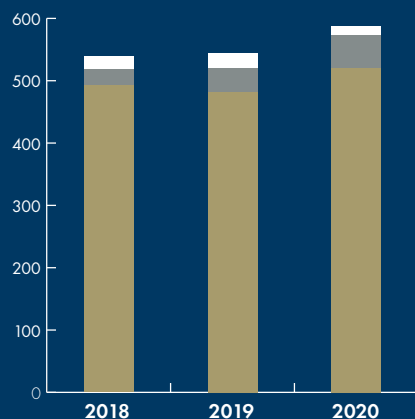
The increase in net sales confirms our market leadership in Switzerland as well as our opportunities in various international markets.



- Switzerland **502.1**
- Europe (w/o Switzerland) **19.3**
- North and South America **14.9**
- Asia/Pacific/Others **33.2**

Net sales 2018 – 2020

in CHF million



- Switzerland
- International own brand
- International OEM business

99.4

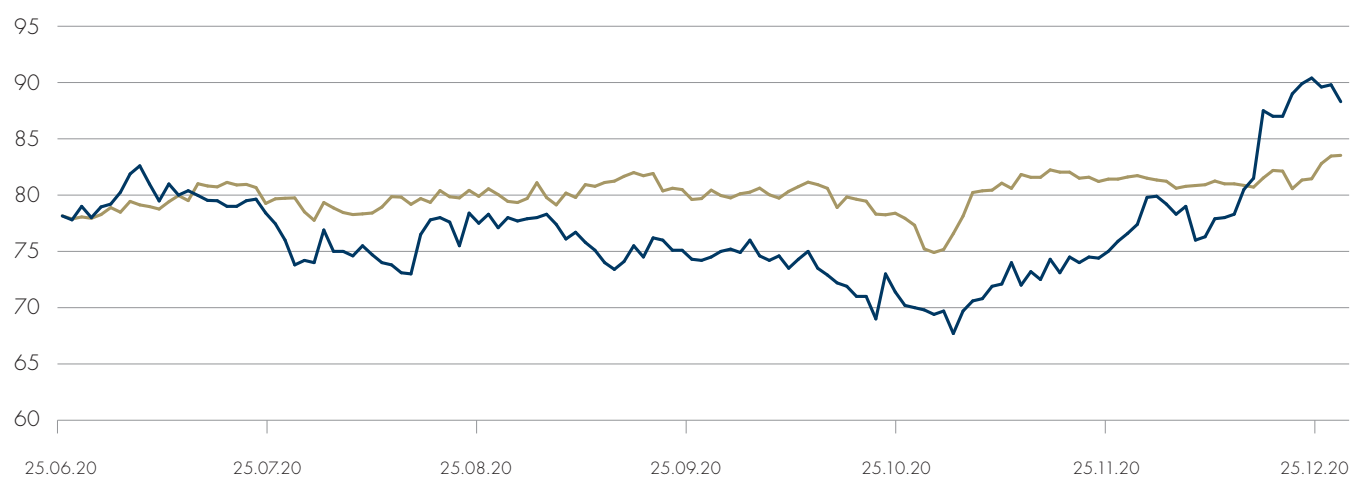
**Cash flow from
operating activities**

in CHF million

Share information

Price development registered share V-ZUG Holding AG

(as of stock market listing on 25 June 2020)



■ **SXGE** - Swiss Performance Index, SPI (adjusted)
■ **V-ZUG N** - Registered share V-ZUG Holding AG

Source: www.six-group.com (each daily closing price)

in CHF		2020	2019 ¹⁾
Number of shares in units	Year end	6,428,571	4,500,000
Stock market capitalization	Year end	567,642,819	n/a
Data per share			
Group net result		7.45	6.07
Cash flow from operating activities		17.15	8.39
Shareholder's equity		67.83	53.69
Dividend		0 ²⁾	n/a
Stock market price	High	91.70	n/a
	Low	65.50	n/a
	Year end	88.30	n/a

¹⁾ Combined historical financial statements.

²⁾ According to proposal of the Board of Directors

Listing

The registered shares of V-ZUG Holding AG, domiciled in Zug, Switzerland (registered in the commercial register of the Canton of Zug under CHE-352.183.990), have been listed in the Swiss Reporting Standard of the SIX Swiss Exchange, Zurich, Switzerland, since June 25, 2020, and are included in the SPI (ticker symbol VZUG; security number 54 248 374, ISIN CH0542483745).

Important dates

29 April 2021 General Meeting of Shareholders
 22 Juli 2021 Publication Half-Year Results

Dividend policy

V-ZUG Holding AG is aiming at a dividend policy that is primarily based on the distributable profit level. Mid- and long-term, the pay-out ratio is expected to be between 20 % and 40 % of the group's net result. In the first three years after the spin-off from the Metall Zug Group, the available financial resources of the V-ZUG Group are to be used primarily for investments in products, markets and the production sites in Zug and Sulgen, as previously communicated in the context of the spin-off. The Board of Directors therefore proposes that no dividend be paid for the financial year 2020.

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Letter to shareholders

Zug, 17 March 2021

Dear Shareholders

We are delighted to present the first Annual Report for V-ZUG Holding AG as an autonomous, publicly listed company.

The spin-off of V-ZUG Holding AG from the Metall Zug Group and its listing on SIX Swiss Exchange towards the end of the first half of 2020 took place in challenging times. Not only is the V-ZUG Group undergoing a far-reaching transformation, but the year was also dominated by the uncertainties caused by the Covid-19 pandemic.

Successful listing

Last summer, after many years as part of the Metall Zug Group, the V-ZUG Group embarked upon a journey towards independence. On 25 June 2020, the shares of V-ZUG Holding AG were traded on SIX Swiss Exchange for the first time. Under the spin-off and listing, Metall Zug AG shareholders were allocated one registered V-ZUG Holding AG share per type A Metall Zug registered share and ten registered V-ZUG Holding AG shares per type B Metall Zug registered share. Metall Zug AG retains around 30% of V-ZUG Holding AG shares as a strategic shareholding. The share price opened at CHF 72.00, and stood at CHF 88.30 at the end of the 2020 financial year, significantly above the issue price. From the Board of Directors' and the Executive Committee's perspective, the listing was a success.

Significantly improved operating result

V-ZUG Group's net sales rose compared with 2019, standing at CHF 569.4 million (previous year: CHF 543.6 million). At CHF 49.2 million, the operating result (EBIT) was significantly higher than the previous year (CHF 29.6 million, respective CHF 32.7 million when adjusted for the provision with regards to soil remediation work). And in terms of operational productivity as measured by the EBITDA margin, there was an increase from 10.5 % in the previous year to 14.0 % in the financial year 2020. One-time savings in connection with the Covid-19 pandemic for e.g. less marketing activities have influenced this result by approx. CHF 5 million. The V-ZUG Group is well on the way to meeting its target of a double-digit EBIT margin in the medium term.

In 2020, the V-ZUG Group's cash flow from operating activities amounted to CHF 99.4 million (previous year: CHF 37.7 million), and free cash flow (after investing activities) totalled CHF 42.0 million (previous year: CHF -31.2 million). The equity ratio stood at 70.9 % on 31 December 2020. The positive business performance in 2020 and the capital increase generated by Metall Zug AG as part of the spin-off led to a further strengthening of the balance sheet and enabled V-ZUG to finance the extensive investments in products, markets, digitalization initiatives and the production sites at Zug and Sulgen from the company's own funds. As already communicated at the time of the spin-off, using available financial resources to invest into the sustainable growth of the value of the V-ZUG Group is set to continue for the next three years. Therefore, the Board of Directors proposes that no dividend be paid for the financial year 2020.

The V-ZUG Group is run in two segments: "Household Appliances" and "Real Estate".

Segment Household Appliances

In 2020, the segment Household Appliances posted net sales of CHF 569.4 million (previous year: CHF 543.6 million). At CHF 46.2 million, the operating result (EBIT) was significantly higher than the previous year (CHF 28.3 million). The key figure EBITDA in % of net sales increased from 9.7 % in the previous year to 12.7 % in the year under review.

Despite the Covid-19 pandemic, sustained demand from a stable real-estate market, in part due to the continuation of construction activity in general, has had a positive impact on business, particularly in Switzerland. From early summer onwards and particularly during the fourth quarter, the market for construction equipment was going strong. The delivery capability was held up during the first and second waves of the pandemic at all time, both in Switzerland and internationally. This was possible not least also due to good supplier relations. V-ZUG was therefore able to defend its leading position in Switzerland despite Covid-19 and profound transformation projects and intends to expand this position in the near future.

In the international business, the V-ZUG Group increased net sales to CHF 67.4 million (previous year: CHF 61.4 million). The own brand business showed positive progress, with net sales increasing by 41.7 % from CHF 37.4 million in the previous year to CHF 53.0 million in the year under review. This encouraging performance was particularly noticeable in the core markets of China, Hong Kong, Australia and Germany, where high growth rates were recorded. Two further ZUGORAMAs (Showrooms) were opened in Beijing and Munich, thereby strengthening V-ZUG's position in the premium household appliances sector in these two metropolitan areas. The brand experience offered to customers in the showrooms in Munich was recognized with the "German Brand Award". The positive trend in the own brand business was partially offset by a decline in OEM business in the North American market. With this growth in the international business, V-ZUG has taken an important step towards the goal set during the spin-off-doubling international sales by 2024.

Service & Support fulfilled its repair and servicing commitments while taking precautionary measures and succeeded in ensuring customers received a high level of service at all times. The same applies to SIBIRGroup, which is increasingly specializing in the provision of comprehensive all-brand services throughout Switzerland and is reinforcing its position in the market as an independent brand and organization.

Nevertheless, the V-ZUG Group is experiencing the consequences of the Covid-19 pandemic in its operations on a daily basis. The strict precautionary measures and employee absences due to quarantining impacted negatively on productivity, particularly in the second half of the year. But the prompt implementation of appropriate precautionary measures enabled V-ZUG to cope well with this challenge. Moreover, the pandemic-related suspension of many sales support measures, such as consultancy in ZUGORAMAs and in customers' homes, led to cost savings throughout the entire year under review. Then again, this may have the effect of diminishing sales in the medium term to a certain extent. Short-time work had to be introduced for 60 to 80 employees in Switzerland for a two-month period during the first wave of the pandemic. Most office staff have been working from home on and off throughout the year, for several months in total.

Segment Real Estate

In 2020, the Real Estate segment posted an operating result (EBIT) of CHF 3.7 million – an increase of CHF 2.4 million compared with the previous year. It should be noted that provisions of CHF 3.1 million had to be set aside in the previous year for soil remediation work and in the year under review a value adjustment of CHF 0.5 million had to be made for a building to be demolished in connection with the construction of the new vertical factory in Zug.

In view of the spin-off of the V-ZUG Group from the Metall Zug Group, the real-estate site was divided up. The cooperation between the two groups of companies was clearly regulated in various agreements relating to matters such as site usage and infrastructure, management, mobility, emissions and site transformation. These agreements are an excellent foundation for productive collaboration within the Tech Cluster Zug (details of this cooperation can be found on page 29 and seq. of this Annual Report).

In August 2020, the completed "Zephyr Hangar" production building was handed over in its entirety. The new press installed on the ground floor had already been commissioned at the beginning of 2020. The new cooking chamber welding system on the second floor is now also operational, and over the next few months the enamelling coating technology system – another important production facility – will be installed and commissioned. Also progressing in line with expectations are the planning and construction of additional buildings for the new vertical factory in Zug and the transformation of production processes from the old production buildings to the new ones. The start of the construction on the "Zephyr Ost" production facility is due in early 2021.

Strategic projects

During the year under review, work accelerated on completing the development of the new "Excellence Line" range of kitchen appliances. This new line of thermal appliances combines smart functionality and state-of-the-art technology with premium design. The Excellence Line was launched on the Swiss market at the beginning of March 2021 (more information on the new Excellence Line can be found on pages 42 and seq. of this Annual Report and at: <https://excellence-line.vzug.com/ch/en>).

Alongside the site transformation in Zug, construction of the new refrigerator factory in Sulgen progressed in 2020 as planned. By the end of the year, the factory building and all the structural installations were completed. The production equipment will be installed and commissioned during 2021.

Further milestones were achieved in the implementation of the digitalization strategy. The transition to the new ERP system has been completed. The usual optimizations will now be incorporated into the new processes on an ongoing basis.

Sustainability

Sustainability is an integral part of the V-ZUG brand and a key pillar of V-ZUG's strategy, and has for years been rooted in the corporate culture of the V-ZUG Group. The Head of Sustainability has been leading an interdisciplinary project team since 2020, and now reports directly to the CEO to ensure that the defined sustainability measures are implemented in all segments of the V-ZUG Group. These measures are aligned with the "UN Sustainable Development Goals (SDG)" and follow the "Triple Bottom Line" approach: People, Planet and Profit.

To help customers save energy, V-ZUG has for a long time committed itself to developing energy-saving appliances. For example, with the new dishwasher line Adora V6000 with heat pump, energy consumption is lower than that required by the new energy efficiency class A, which is being introduced on 1 March 2021. The V-ZUG Group relies on sustainable technologies and production methods in all segments. By reducing and offsetting, the V-ZUG Group became CO₂-neutral at all production sites, including air travel, for the first time in 2020. With retrospective effect, this has already been the case at the Zug site since 2018 and at the Arbon site since 2019. The sub-assembly production in Changzhou, China, has been CO₂-neutral since 2020, meaning that all V-ZUG's Swiss-made appliances were manufactured CO₂-neutrally for the first time.

Governance

For its new phase as an autonomous company, the V-ZUG Group reshaped its Board of Directors as part of the stock listing. Previous Board members Oliver Riemenschneider, President, Prof Dr Annelies Häcki Buhofer and Dr Jürg Werner were joined by Prisca Hafner, Tobias Knechtle and Petra Rumpf. This line-up incorporates a wide range of expertise.

Heinz M. Buhofer

Interim Chief Executive Officer
(until August 2020)

Oliver Riemenschneider

Chairman of the Board of Directors

Peter Spirig

Chief Executive Officer
(from September 2020)

Peter Spirig has been heading up the V-ZUG Group as CEO since 1 September 2020. He took over the position from Heinz M. Buhofer, acting as CEO ad interim from September 2019 to August 2020. The Executive Committee also saw the addition of Sandra Forster-Bernacchia, the new Director of Human Resources, at the end of November 2020. The management structure will be further modified to reflect changing requirements during the year 2021, and the Executive Committee will be strengthened the new role of Chief Marketing Officer with a considerable focus on digitalization. This role will replace the role of Director of Business Development.

Thank you

The circumstances over the last year have called for extraordinary efforts and flexibility in order to tackle the challenges relating to the Covid-19 pandemic and successfully implement the diverse projects of the V-ZUG Group, in particular the successful stock market listing in June. We would like to take this opportunity to thank our employees for this commitment and for the tremendous efforts they have made for our customers.

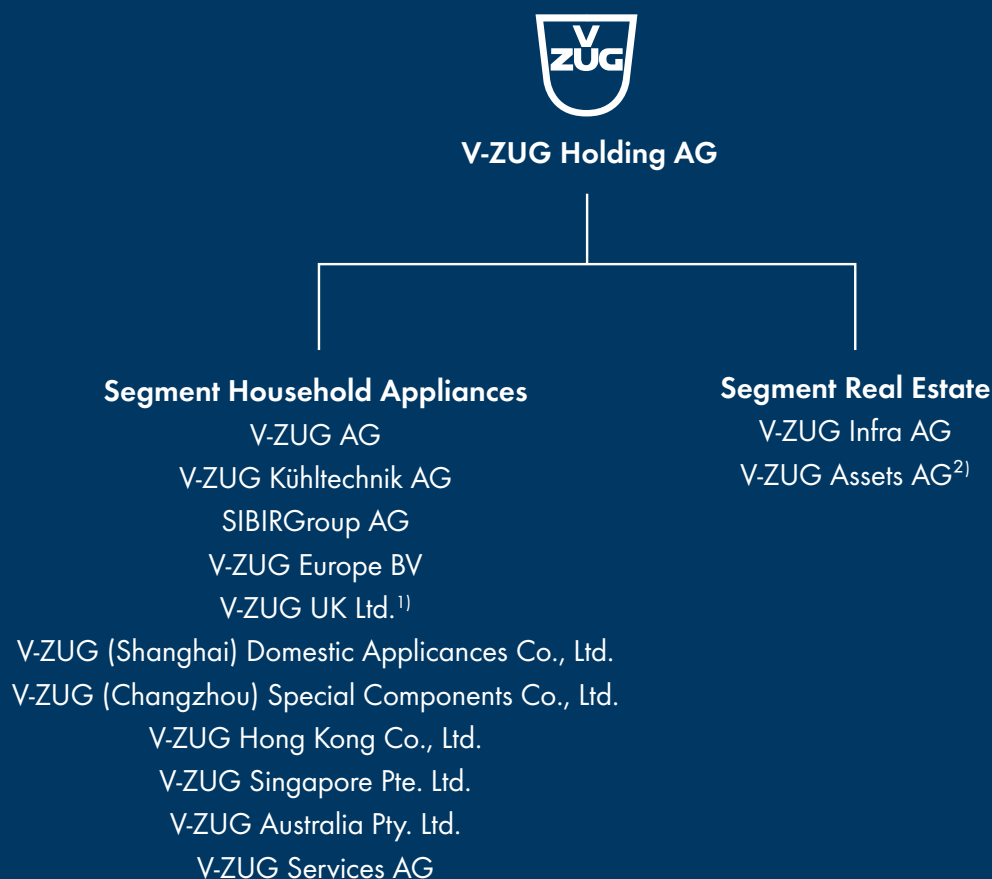
At the same time, we would like to express our gratitude towards Metall Zug for their unwavering commitment to, and prudent execution of, the spin-off process. The courage to stick with the spin-off despite the Covid-19 related uncertainties and the far-reaching transformation projects has proven to be the right decision. We look forward to the joint further development of the Tech Cluster Zug.

And we would like to thank you, our shareholders, for the trust you have placed in V-ZUG. Following its spin-off from the Metall Zug Group, the V-ZUG Group continues to be well positioned, both operationally and financially, and in the second half of 2020 it showed initial signs that, with its capable and committed employees, it can work towards achieving its strategic goals in a focused manner and continue the success story of the V-ZUG Group as an independent listed company.

The V-ZUG Group

V-ZUG is Switzerland's leading brand in household appliances. For over 100 years, it has been developing and manufacturing kitchen and laundry appliances at its main production site in Zug, Switzerland, and since 2013 at its refrigerator production site in Arbon, Switzerland. V-ZUG is the market leader in Switzerland and also markets its premium products in selected affluent international markets. The V-ZUG Group offers a comprehensive high-quality service in all its markets.

As well as the production sites mentioned above (plus a facility for manufacturing special components in China) and its headquarters in Zug, Switzerland, the V-ZUG Group is also represented by its own sales companies in the EU (and, since January 2021 in the United Kingdom), China, Hong Kong, Singapore and Australia. V-ZUG currently employs around 2,000 people worldwide. In terms of organization, the V-ZUG Group is run in two segments: "Household Appliances" and "Real Estate".



The segment "Household Appliances" comprises the V-ZUG Group's operational business. This consists principally of V-ZUG AG with its domestic subsidiaries V-ZUG Kühltechnik AG (which manufactures refrigerating appliances) and SIBIRGroup AG (primarily providing all-brand services), plus foreign subsidiaries in the EU, the United Kingdom, China, Hong Kong, Singapore and Australia. V-ZUG Services AG (primarily offering leasing solutions for household appliances) also forms part of this segment.

The segment "Real Estate" comprises the V-ZUG Group's real estate business and consists of V-ZUG Infra AG, covering the northern part of Tech Cluster Zug's site in Zug, and V-ZUG Assets AG with its premises in Sulgen the new refrigerator factory and existing production as well as office buildings for Belimed AG and Belimed Life Science AG.

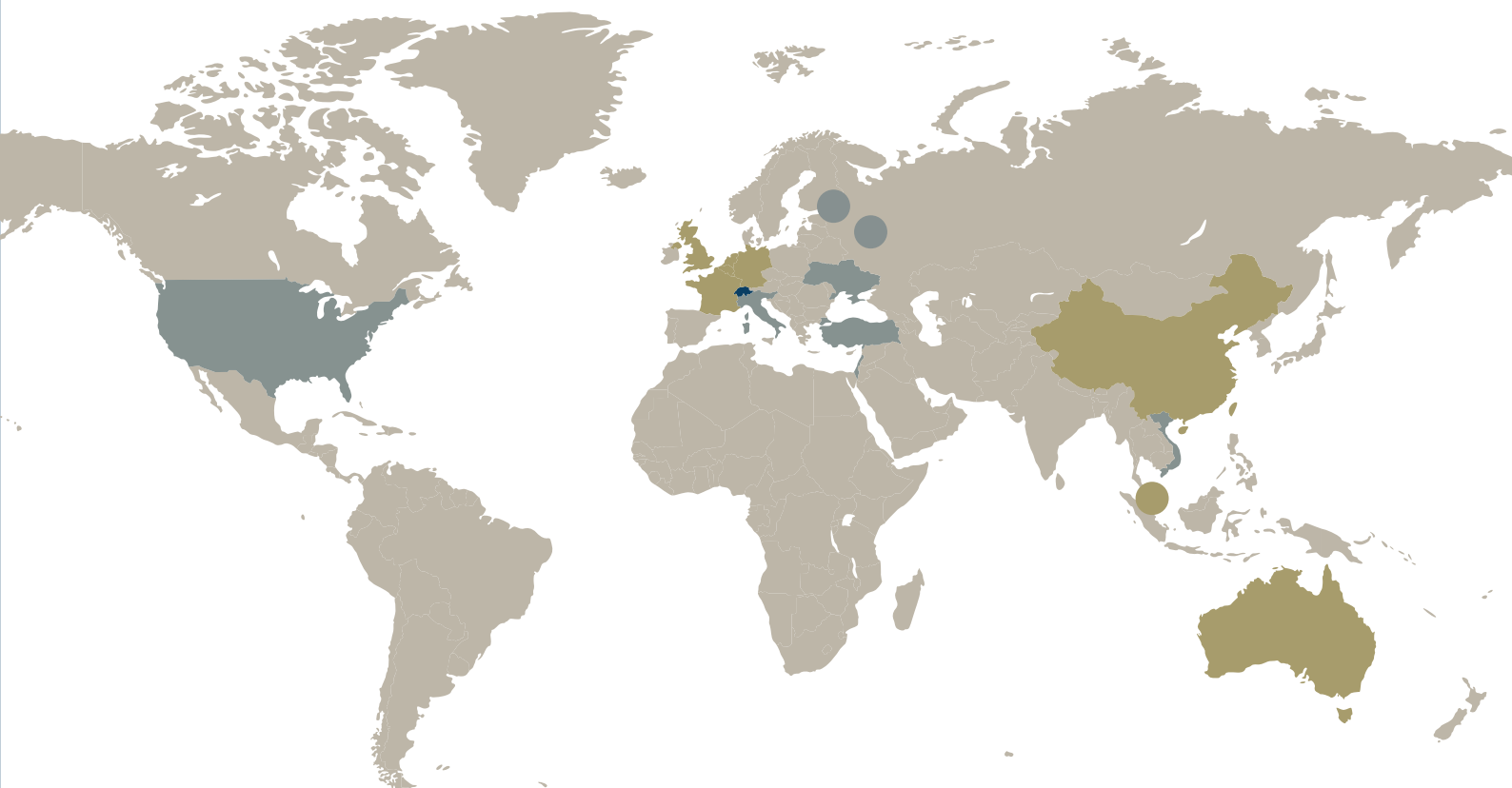
¹⁾ Incorporated on 11 January 2021.

²⁾ Change of company name in December 2020.

The legal group structure is detailed on page 92 of the financial report, in the appendix containing the consolidated financial statements.

Global presence

● V-ZUG Head Office ● V-ZUG subsidiaries ● V-ZUG partners/distributors¹⁾



Switzerland

V-ZUG AG
Zug

V-ZUG Services AG
Zug

V-ZUG Kühltechnik AG
Arbon

SIBIRGroup AG
Spreitenbach

V-ZUG Assets AG
Zug

V-ZUG Infra AG
Zug

Europe

V-ZUG Europe BV
Harelbeke-Kortrijk, Belgium

V-ZUG UK Ltd.²⁾
London, United Kingdom

Asia/Pacific

V-ZUG (Shanghai) Domestic Appliances Co., Ltd.
Shanghai, China

V-ZUG (Changzhou) Special Components Co., Ltd.
Changzhou, China

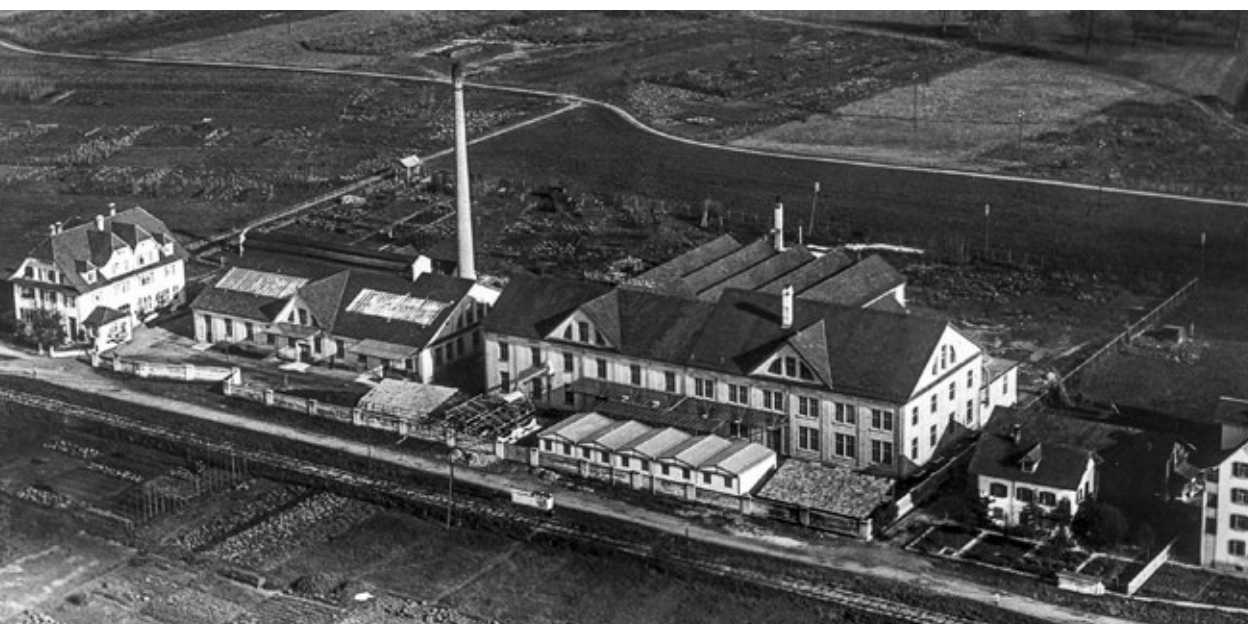
V-ZUG Hong Kong Co., Ltd.
Hong Kong

V-ZUG Singapore Pte. Ltd.
Singapore

V-ZUG Australia Pty. Ltd.
Melbourne, Victoria, Australia

¹⁾In Russia primarily in the metropolitan areas of Moskau and St. Petersburg.

²⁾Incorporated on 11 January 2021.



History of the V-ZUG Group

The history of V-ZUG runs hand in hand with the history of simplifying and automating Swiss households. Again and again, V-ZUG set standards with its pioneering work in terms of convenience, design and environmental protection.

Verzinkerei Zug AG

Verzinkerei Zug AG was established in 1913 and initially produced galvanized sheet metal goods for domestic, agricultural and construction use. The first wash coppers were developed and manufactured in Zug just two years later. In the following years, the laundry product range was gradually expanded. In the 1920s, Verzinkerei Zug AG produced hand-operated drum washing machines, washing troughs and the "Rigi" spin dryer, which made housework considerably easier. The 1930s saw the introduction of the "Unica", the first electric washing machine, onto the Swiss market. During the post-war years, the range was further expanded to include the "Tempo", the first small Swiss washing machine for home use, the "Unimatic", the first Swiss automatic washing machine, the "Adora Diva" washing machine and the "Adora Tropic", the first tumble dryer. The next diversification came in the 1960s with the launch to the Swiss market of the "Adora Calandra", the first rotary ironer, and the first Adora dishwasher.

Merger with Metallwarenfabrik Zug and national growth

The merger between Verzinkerei Zug AG and Metallwarenfabrik Zug AG in 1976 rounded off the range of kitchen and laundry appliances. The business operations of Metallwarenfabrik Zug AG were gradually transferred to Verzinkerei Zug AG, whose existing range of household appliances for washing, drying and dishwashing was expanded to include Metallwarenfabrik Zug's cooking and oven products. In 1981, Verzinkerei Zug AG shortened its name to V-ZUG AG and, as part of an expansion in its commercial operations, took over Sibir Haushaltstechnik AG, Schlieren, Zurich. During this time, the first ZUGORAMA home economics centre opened in Zug and, a few years later, the first sales office outside Zug opened in Bern. A move into the refrigerator sector in 2013 saw the newly founded subsidiary V-ZUG Kühltechnik AG take over the refrigerator production of the Arbonia Group in Arbon, and V-ZUG has been selling Swiss-made refrigerators since that date.





Entry into the international market and innovations

Due to rising demand from abroad for innovative, high quality and stylishly designed Swiss-made domestic appliances, and in order to ensure sustainable growth and a corresponding diversification of risk, V-ZUG gradually entered various international markets from 2008 onwards.

Thanks to extensive investment in state-of-the-art technology, functionality and timeless, noble design, V-ZUG was able to enhance numerous products and also introduce some world firsts. The Combi-Steam MSLQ, the first washing machine with heat-pump technology, the "RefreshButler", the "Fusion" and "FullFlex" hobs and the "Dual-Dry" ambient air dryer are just a few examples from a whole range of innovations that V-ZUG has developed and launched onto the market over recent years. The new Adora dishwasher line with its modern panel design and OptiLift feature was launched in 2020, and the "Excellence Line"

thermal appliances are being rolled out onto the market in 2021. The "Excellence Line" with its stunning new design and intuitive controls, is based on the same platform as the "Advanced Line", which was launched in 2019. These two product lines represent the biggest range overhaul in V-ZUG's history.

Listing at stock exchange and spin-off from the Metall Zug Group

After more than a century as part of the Metall Zug Group, the former household appliances division of Metall Zug AG was spun off on 25 June 2020. The simultaneous listing of the newly founded V-ZUG Holding AG on SIX Swiss Exchange paved the way towards an autonomous and independent future for the V-ZUG Group



1913

Verzinkerei Zug AG is founded

1920s

Production of the complete laundry room assortment (washing drum, washing trough, spin dryer)

1950s

Unimatic, the first Swiss automatic washing machine, makes home laundry easier

1960s

The first Adora dishwashers are manufactured

1976

Metallwarenfabrik Zug merges with Verzinkerei Zug AG

1981

Verzinkerei Zug AG changes its name to V-ZUG AG (and discontinues its galvanizing business)

2001

The first Combi-Steamer revolutionizes the market

2008

First steps are taken into international markets

2013

Acquisition of refrigerator production facilities in Arbon

2016

Inauguration of Mistral production building in Zug (start of the area transformation)

2020

Listing of V-ZUG Group on the stock exchange and legal independence

2019 resp. 2021

Introduction of the "Advanced" and "Excellence" product lines based on a common technology platform

Market environment and strategy

Market environment

In Switzerland, V-ZUG has benefited in recent years from a very lively residential building construction environment. This boom, however, appears to be slowly but surely coming to an end. For new builds, which make up a third of V-ZUG's appliance sales, the forecast projects a constant to slightly declining building volume. The prospects for renovations and renewals of existing buildings, which make up another third of V-ZUG's appliance sales, are more sanguine – activities in this area will remain stable or grow slightly. Finally, the replacement business, which represents the remaining third of V-ZUG's appliance sales, operates more or less independently of the economic cycle. With its very large installed base of appliances in Switzerland, V-ZUG is well positioned to soften the impact of any negative fluctuation in the new-build market.

Competition has intensified over the past decade in the Swiss domestic market, particularly due to foreign suppliers of household appliances, who benefit from having production sites with a much larger manufacturing capacity in low-wage countries, and also because of the strength of the Swiss franc. Against this background and also due to difficulties linked to the introduction of the new ERP system and a new product line, the V-ZUG Group lost some of its market share in Switzerland, while defending still the position as market leader. Following the stabilization of the ERP system in 2019, as well as the optimization and enhancement of the new product line during the reporting year, the V-ZUG Group is ready to take on these challenges.

The premium segment, which is of interest and accessible to V-ZUG, accounts for around 15–20 percent of the entire global market volume for white goods household appliances. In the international markets, the V-ZUG Group concentrates as a consequence on a few markets with a specific focus on large affluent urban areas – thus following a so-called “metropolitan strategy”. The V-ZUG Group goes to market via its own subsidiaries and also via distributors. Due to its current small international market share, V-ZUG's potential for significant future sales growth is considerable. The core markets of China, Hong Kong, Australia and Germany in particular performed very well over the past year. With ongoing openings of ZUGORAMAs (showrooms) in key metropolitan areas, V-ZUG intends to further expand and consolidate its position as a premium brand. V-ZUG is thereby honouring its promise of offering first-class customer service and an unforgettable brand experience.

Service and support are core competencies of V-ZUG and, despite increased competition, there is potential for further growth in this area too, particularly through new digital offerings and service contracts. In Switzerland, the V-ZUG Group covers the increasing expectations of major real estate management companies in terms of providing all-brand services via its subsidiary SIBIRGroup AG. In international metropolitan markets, the V-ZUG Group's service promise is a key element in its service offering as well, and a unique selling point alongside its innovative and technologically advanced products.

All markets are seeing increasing demands by professional customers (B2B) and private customers (B2C) for digital, automated interaction processes with V-ZUG, in terms of appliance order processing as well as service provision (like troubleshooting, cooking class bookings, etc.).

Strategy

To achieve its medium-term plan objectives and to overcome the challenges posed by the market environment, the V-ZUG Group is managing its corporate development by means of a selected number of strategic initiatives relating to market opportunities and activities and in governance areas relating to enabling elements. In addition, branding, market communication and corporate communication are also being enhanced.

Strategic initiatives

The strategic initiatives that focus on market opportunities are as follows:

Market leadership in Switzerland

The aim is to retain the role of market leader in the Swiss domestic market and to continually and sustainably expand market share. It is important to further strengthen V-ZUG's positioning vis-à-vis end customers who use their appliances on a daily basis, and to expand the ability to serve all stakeholders – wholesalers and specialist traders, kitchen builders, sanitary fitters, investors and real estate management companies as well as architects and planners – in line with their needs. In order to achieve these goals, the V-ZUG Group is investing in new and innovative products and services, market-leading technology and a well-known brand.

International growth

With regards to international markets, the intention is to achieve further growth, with a target of doubling sales by the end of 2024 compared with 2019. The focus is on premium markets that have already been activated (in line with the "metropolitan strategy") and on extending the "Swiss model" in terms of customer proximity, quality "Made in Switzerland", durability of household appliances and reliability of service offerings to the international markets. With a view to continued positive performance, attention will be paid to achieving a careful balance between market selection, penetration speed and investments.

Service & Support

The role of Service & Support as a key pillar of V-ZUG's value proposition for all markets is to be further consolidated. Market share in terms of service coverage is to be increased. Various initiatives have been launched to this end. The following new, customer-centred service offerings, which are currently in the pilot phase, serve as examples:

- At the end of 2020, V-ZUG introduced an innovative remote diagnostics solution that enables caretakers to carry out remote diagnosis and support via readouts and the transmission of appliance status messages ("V-Connect"), thereby preventing unnecessary on-site visits. This solution also supports appliances that were delivered several years ago, and even some that are up to 20 years old. To supplement this, remote video support is also available to make diagnostics and servicing even more efficient. The progressive digitalization and networking of V-ZUG household appliances offers further potential in the field of preventative and predictive maintenance.
- In the textile care product group, V-ZUG offers customers a rental solution for V-ZUG washing machines and tumble dryers, including an associated "carefree package" that includes installation, commissioning and regular direct service by the V-ZUG service technicians throughout the entire rental period.
- An online booking and payment system for shared laundry rooms in apartment buildings is about to be launched. This takes the use of V-ZUG laundry appliances by different users into the digital world, thereby significantly simplifying it.

Digitalization

In addition to the end-customer-oriented digital service applications mentioned above, V-ZUG is promoting and further optimizing the integration of the V-ZUG world of recipes between app and appliance (with a seamless transfer directly into the appliances), making cooking ever simpler and more intuitive, even for exquisite menus.

In addition, digitalization also focuses on developing solutions for sales channels (particularly B2B, but also B2C), majoring on efficiency and convenience. Automated order processing and self-service functionality will make it easier for customers to place orders with the V-ZUG Group in future.

Finally, simpler digital solutions are being created for communicating the merits of V-ZUG appliances and their individual specifications.

Governance areas

The aforementioned initiatives are supported by the following strategic governance areas:

Product portfolio management

Market and technology trends together with market requirements and needs are considered in a holistic manner and are used in the process of defining the required product range (in particular also digital) and deciding whether to develop in-house or buy in OEM products. The entire existing product portfolio of the V-ZUG Group is continuously reviewed so that changing customer requirements can be rapidly incorporated into the innovation and development process and then accordingly realized. This process takes into account the actual market demand, development and production expertise within the V-ZUG Group and the efficient allocation of the relevant resources. The result is a succession of world firsts, such as the recently developed

DualDry function for tumble dryers, which enables them to be used for air drying delicate fabrics and optimizing indoor humidity. Over the last few years, a technology platform has also been developed for kitchen appliances, which makes it possible to use parts and components across multiple product lines. Based on this platform, the new Excellence Line product range was brought to market readiness during the financial year 2020. The Excellence Line has been launched in March 2021 (more information on the new Excellence Line can be found on pages 42 et seq. of this Annual Report as well as at: <https://excellence-line.vzug.com/ch/en>).

IT

IT operations are being further optimized, in particular by standardizing tools and applications. Following the challenging ERP implementation, the line organization is now supported with investment in digital solutions to improve productivity and interaction with customers and partners. V-ZUG is also addressing various cyber-security topics as a top priority, tailoring risk-reduction measures to changing circumstances and providing employees with comprehensive ongoing training.

Production

The V-ZUG Group continues to invest in Switzerland as an industrial and research hub. The site transformation at Zug (project "V-ZUG 33"), which aims at creating space for the Tech Cluster Zug and at increasing operational efficiency in order to ensure sustainable and competitive production in Switzerland, is in the process of being implemented and should be substantially completed until 2026. At the same time, V-ZUG Kühltechnik AG will relocate during the financial year 2021 from Arbon to its new manufacturing and administration buildings in Sulgen. (Further information on the new manufacturing buildings and facilities can be found on pages 30 and seq. of this Annual Report).

Developing people, organization and culture

The defined strategy can only be successfully implemented once the company's purpose and culture have been deliberately analyzed. In late 2020 and early 2021, the Board of Directors, the Executive Committee and the senior management level had intensive discussions about V-ZUG's vision and mission, and also its core values. These "guiding stars of corporate culture" will be rolled out into all areas of the V-ZUG Group during the financial year 2021.

The increased use of HR tools and processes will ensure people and organizational development as well as collaboration and a mutual exchange of information between the group companies worldwide and within individual areas of expertise.

Employer branding will be further accelerated to continue to enthruse key talented people for existing tasks and future challenges.

Sustainability

Sustainability is an integral part of V-ZUG's brand promise. As a responsible corporate citizen, the V-ZUG Group advocates sustainability along the triple bottom line: People, Planet and Profits. The development of resource-efficient products is of key importance here. Recyclability, durability and energy efficiency represent a fundamental distinguishing feature in the market and enhance the value of the "Swiss Made" label that many of V-ZUG's products bear. Sustainability topics ultimately also shape the strategy of the V-ZUG Group in terms of investment in modern and sustainable production facilities, procurement and the configuration of our corporate organization (further information on sustainability can be found on page 36 and seq. of this Annual Report).

Segment Household Appliances



Household Appliances Segment Report

The segment "Household Appliances" comprises the operational business of the V-ZUG Group relating to the development, manufacture and sales of high-quality kitchen and laundry appliances for private households. This segment is managed by the Executive Committee of the V-ZUG Group, and consists of V-ZUG AG and its subsidiaries in Switzerland and abroad, plus V-ZUG Services AG (see overview on page 10 of this Annual Report).

Comprehensive service and support are provided for all products. In the Swiss domestic market, more than 300 service technicians from over 20 service locations work for V-ZUG AG and SIBIRGroup AG. In the international markets, V-ZUG has continued to build up the services and support in the markets it serves, in order to actively support the brand. Overall, more than 90% of service jobs worldwide are successfully completed at the first customer visit.

The segment Household Appliances currently employs around 2,000 people, including 79 trainees.

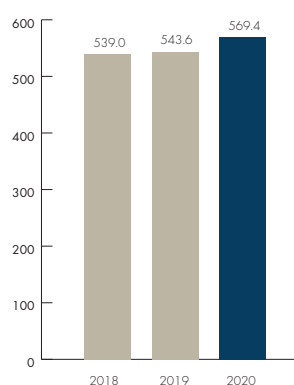
Overview of the financial year 2020

The segment Household Appliances generated net sales of CHF 596.4 million (previous year: CHF 543.6 million), which was 4.7% higher than the previous year. In local currencies, net sales increased by 5.2%. In the 2020 financial year, the growth in net sales was purely organic. At CHF 46.2 million, the operating result (EBIT) was significantly higher than the previous year (CHF 28.3 million).

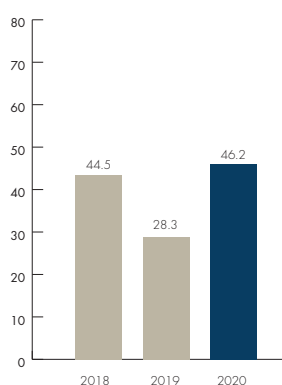
The sustained strong demand for household appliances during the Covid-19 pandemic had a positive effect on V-ZUG's business performance. Another factor contributing to this was the high delivery capability, which was maintained at all times despite the restrictions in the first and second waves of the Covid-19 pandemic.

The leading market position in the Swiss domestic market has been maintained, and net sales increased. Growth accelerated further in the international business.

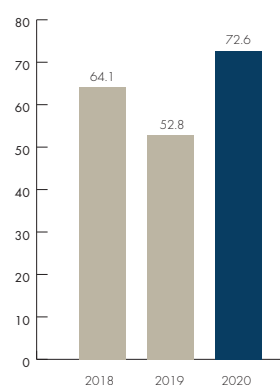
Net sales (in CHF million)



EBIT (in CHF million)



EBITDA (in CHF million)



Impact of the Covid-19 pandemic

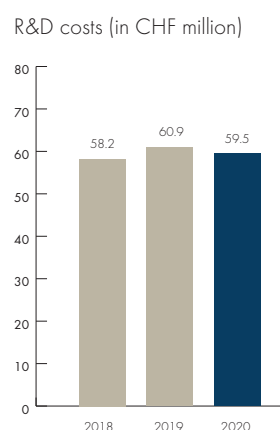
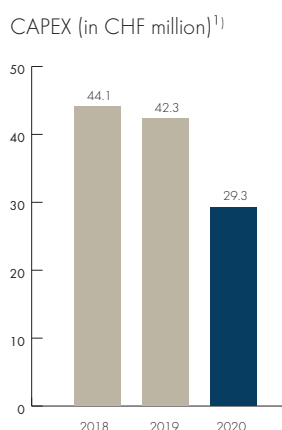
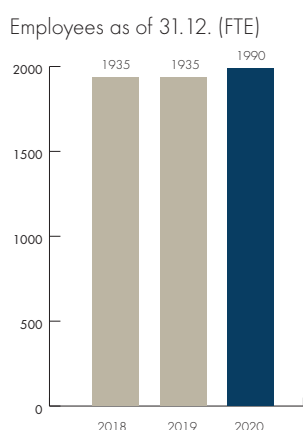
Looking back, the Covid-19 pandemic had several positive effects on the business activities of the V-ZUG Group in the reporting year. Due to restricted mobility, cancelled events and closed restaurants, people spent more time at home and therefore in the world of kitchen and laundry products that V-ZUG has to offer. It may well be the case that customer demand for high-quality, attractively designed household appliances grew during the pandemic, along with a desire for appliances that are easy to use and produce good results.

Home cooking in particular – from preparing multi-course gourmet menus to simply heating up leftovers or take-away dishes – has become more important. Together with financial resources freed up due to cancelled holidays and out-of-home activities, this probably led people investing more within their own four walls and therefore also in V-ZUG products.

Nevertheless, the V-ZUG Group was also affected by the negative effects of the Covid-19 pandemic. During the financial year 2020, day-to-day work in various areas was impacted by the pandemic, albeit to a lesser extent than feared at the start of the first wave early in the year.

Various pandemic-related challenges had to be overcome to ensure supply and delivery capacity from the start of the first wave until the end of the financial year. Thanks to a proactive stock-level management, systematically applied precautionary measures and, in particular, the tireless efforts of employees plus good relations and a regular dialogue with suppliers, supply bottlenecks were largely prevented. Delivery capability, both in Switzerland and internationally, was maintained at all times. The precautionary measures that needed to be taken due to Covid-19 and staff absences as a result of sickness and quarantine also affected manufacturing productivity mainly in the second half of the year.

In terms of sales, the pandemic-related lack of trade fairs and the impossibility of carrying out sales support measures, such as consultancy in ZUGORAMAs showrooms and in customers’ homes throughout the entire reporting year, resulted in cost savings that positively affected the operating result as a one-off effect. However, this may have the effect of curbing sales in the medium term to a certain extent since customer proximity, one of the core competencies of the V-ZUG sales organization, could be lost.



¹) see also CAPEX Real Estate Segment Report (page 29)

Short-time work had to be introduced for 60 to 80 employees in Switzerland for a two-month period during the first wave of the pandemic. Most office staff worked from home on and off throughout the year, for several months in total.

Finally, demand remained high in Service & Support during both the first and second waves of the pandemic. It was even possible to expand some of the regional service business during the year. Repair and service activities, which are important for customers, were maintained while adhering to precautionary measures, and a high standard of service and short response times were preserved.

Overall, V-ZUG met the various Covid-19 related challenges extraordinarily well.

Stable Swiss domestic market

The sales figures for Switzerland, which show an increase compared to the previous year, confirm V-ZUG’s position as leading supplier of domestic kitchen and laundry appliances. Net sales in the Swiss market amounted to CHF 502.1 million, 4.1% more than the previous year. Although the results for the first half of the year were somewhat subdued due to the lockdown in March and April, this decline in the Swiss market was made up for from June onwards, and was more than offset in the second half of the year.

Continuing construction operations – particularly in the German-speaking part of Switzerland – supported this trend. Pandemic-related restrictions in construction activities were noticeable primarily in Western Switzerland and Ticino. In the new build segment, strong

demand continued to be apparent, as it was in the exchange and replacement business. With renovations – particularly those involving inhabited properties – project postponements due to the Covid-19 situation were evident, but this had virtually no effect on the overall results.

The good operating result in the financial year 2020 was also supported by the return to a very high level of delivery reliability, which had not met V-ZUG standards the previous year due to delivery problems linked to the introduction of a new ERP-System. This enabled some of the lost customer confidence to be regained, and further strengthened the customer base in Switzerland.

International growth

The growing sales figures for own-brand products are promising and indicate that the right markets are being addressed. Overall, the V-ZUG Group recorded an increase in its international business of around 10%, to CHF 67.4 million. This is the result of a sharp increase in the sale of own-brand products, which generated sales of CHF 53.0 million in the international markets, corresponding to a year-on-year increase of 41.7%. This excellent result was partly compensated by the OEM business, which focuses on the North American market.

The core markets of China, Hong Kong, Australia and Germany contributed most notably to the encouraging result with V-ZUG appliances. Incoming orders, including those for the OEM business, exceeded the CHF 100 million mark for the first time, paving the way for further long-term growth over the coming years, during which these orders will be fulfilled.

With the opening of two additional ZUGORAMA showrooms in Beijing and Munich, V-ZUG was able to further expand and consolidate its position as a premium brand. The international organization thereby honoured V-ZUG's promise of offering first-class customer service and an unforgettable brand experience.

SIBIRGroup specializing in all-brand services

The SIBIRGroup AG deals with domestic kitchen and laundry as well as heat production appliances, and is increasingly specializing in offering comprehensive all-brand services across Switzerland. Its target groups are property management companies and pension funds, and also private homeowners and freehold apartment owners. The SIBIRGroup employs well over 120 employees at Spreitenbach (its headquarters), Bern-Schönbühl, St. Gallen, Mels, Contone and Pully. The number of service technicians in particular is set to increase significantly over the next few years due to the expansion of the all-brand service mentioned above. The SIBIRGroup had a successful year, with net sales increasing 6.7% year on year.

Challenging transformation process

The Segment Household Appliances continues to undergo a challenging and far-reaching transformation. This is taking place in four dimensions: the transformation of the main site in the city of Zug plus the relocation of the refrigerator factory from Arbon to Sulgen including production optimization; the implementation of the internationalization strategy; the development of platforms for new products; and the digitalization of products and processes. Simultaneously implementing these projects calls for exceptional efforts and generates overlapping costs. However, it should result in the V-ZUG Group retaining its leading technological position, becoming operationally more efficient, and having a more diversified market portfolio with footholds in Switzerland and abroad.

Product enhancement based on a technology platform

Over the past recent years, V-ZUG has developed a new platform for kitchen appliances with the aim to use common parts and components across several product lines. Based on this platform, the Advanced Line range was launched in 2019, and in the financial year 2020, the Excellence Line was developed to market-readiness. The Excellence Line consists of high-quality thermal appliances in the premium segment and is positioned above the Advanced Line. The market launch took place at the beginning of March 2021 (more information on the new Excellence Line can be found on pages 42 and seq. of this Annual Report and at: <https://excellence-line.vzug.com/ch/en>). Produced in Zug, the new Excellence Line range offers attractive and reliable appliances equipped with state-of-the-art technology. The controls on the new range are simple, intuitive and user-friendly, and meet the highest requirements for precise and convenient cooking.

Awards as a payback for high-quality product innovations

In 2020, the V-ZUG Group received three awards at the prestigious Plus X Awards. The award for “Best brand of the year 2020” is presented to brands and companies that focus on developing new, innovative technology, exceptional designs as well as smart and straightforward operating concepts. The deciding factor for receiving the award for “Best brand” was in particular the new Adora dishwasher line, which – in addition to the award for “Best product of the year 2020” – was also honoured by the expert jury with the Plus X Award in the categories for “high quality, design, ease of use, functionality, ergonomics and ecology”. These awards emphasize the Adora dishwasher’s market leadership, and are a huge success for the V-ZUG brand and its endeavours to create high-quality product innovations.

The Architects’ Darling Swiss Edition Awards took place in April 2020. The architects chose their favourite building product manufacturers in 15 product categories and five themed categories and honoured them with highly coveted trophies. V-ZUG received a Gold Award in the “Kitchen and Laundry” product categories and in the “Design”, “Innovation” and “Customer Service/Support” themed categories.

Further progress in digitalization

With regard to digital products and solutions, further milestones were achieved during the reporting year. For example, the IoT Cloud was rolled out. This enables users of networked appliances to access status information via the V-ZUG Home app even from outside their home network, amongst other things. Appliances that can be networked via the app are now available not only in Switzerland but also in Europe, Singapore, Hong Kong and Australia. For country-specific data protection reasons, they will be introduced in China later in 2021. This has laid the key groundwork to place the focus for next year on integrating value-added functionality.

“V-Connect” enables remote access for older appliances with no inbuilt connectivity. In an event of malfunction, the “V-Connect” service interface allows remote diagnostics, which render service calls even more quick and efficient. A pilot project involving selected customers (real estate administrators and caretakers) is under way. The operational data obtained (anonymously) can be evaluated using data analytics to draw conclusions for improving existing products and developing future ones.





With regard to the implementation of the digitalization strategy, a further key milestone was reached with the conclusion of the projects to outsource basic IT services. Together with the ERP implementation, which was completed in 2019 and further optimized during the reporting year, these represent the two essential components of the Group's digital and future-oriented basis.

Industry 4.0 and modernization of production

The long-term redesign of V-ZUG's production facilities at its main site in Zug and the construction of the new refrigerator factory in Sulgen are proceeding according to plan. Refrigerators and freezers are of strategic importance to V-ZUG. The refrigerator factory in Sulgen will also produce products geared to the needs of these markets and so make a key contribution to the envisaged sales growth.

When the vertical factory at the Zug site is complete, V-ZUG will have the potential to double the production capacity but will only use around 40% of the current surface area and around 85% of the current production space. Thanks to leaner processes, operational productivity and productivity per square metre will increase in the medium term. A key milestone achieved during the reporting year was the timely installation and commissioning of the state-of-the-art pressing hall, together with the new transfer press for shaping sheet metal parts. The new press speeds up the tool exchange process considerably, enabling even smaller production batches to be manufactured economically and competitively – something that is important for the V-ZUG Group's business model.

Outlook

Going forward, the V-ZUG Group aims to further consolidate its market leadership in Switzerland and building its position as a premium manufacturer in selected foreign markets, as well as increasing its sales. To this end, it is focusing on innovative products and services, market-leading technology, a brand that is established in Switzerland and is becoming increasingly well-known internationally, customer proximity and "Made in Switzerland" quality. Through greater Internet-based networking, the V-ZUG Group is expanding the ways in which its products can be used, and is enhancing the customer experience.

In the international business, the V-ZUG Group is concentrating on a few markets with a specific focus on large urban areas with high spending power by implementing a "metropolitan strategy". International sales are expected to grow at an above-average rate compared with those in Switzerland. And both, in Switzerland and abroad, the V-ZUG Group's service promise is a key element of its service offering and a unique selling point alongside its innovative and technologically advanced products.

The substantial investment in the "vertical factory" on the site at Zug and the new refrigerator factory in Sulgen plus the resource-intensive development of a new product platform and the continuation of digital integration are clear signs and a long-term affirmation of Switzerland as an industrial and research hub. These investments are optimizing production processes, creating additional capacity and, with the new modern production facilities, they are laying the foundations for the substantial, sustainable and profitable growth of the V-ZUG Group.

V-ZUG in the marketplace

Reliable partner for new living concepts (QUBE project, Köniz, Switzerland)

The elegantly understated architecture of the QUBE new-build project near Bern (Schliern, Köniz) gives no indication that its interior conceals experimental new floor plans and exciting new living concepts. The QUBE element forms the multi-functional centre in each of the 28 owner-occupied apartments (3.5 – 5.5-room apartments). The centrepiece of each home, this comprises a unit made up of a kitchen, bathroom, cloakroom, storage space, technology hub and office. The remaining rooms flow around this central element in a layout that augments their dimensions and delivers the ultimate in home

living. The quality of this housing is based on the “Swiss standard for sustainable construction” (SNBS). From planning through to construction and operation, the needs of society and the environment are carefully balanced against the demands of cost-effectiveness. As a modern, high-quality and sustainable residential project, QUBE makes an important contribution to the objectives of the 2000-watt society, thereby representing the values of V-ZUG, for which the development of resource-efficient products is central and where sustainability, quality and timeless design form an integral part of the brand promise.



“We can wholeheartedly identify with the V-ZUG brand and its brand promise of “Swiss Perfection for your home”. For us, quality, durability and design represent a promise that constitutes our “architecture for life.”

Beat Zaugg

Chairman of the Board, CEO and owner
ramseier + stucki architekten ag, Muri b. Bern





Superb brand experience in major european city (Munich ZUGORAMA, Germany)

In spring 2020, the V-ZUG Group opened its first European ZUGORAMA outside Switzerland in Munich, Germany. It is located in the heart of the Bavarian capital on Munich's well-known Promenadeplatz, in close proximity to the world-famous Marienplatz. The new ZUGORAMA has supported business growth in Germany by giving V-ZUG's trade partners, architects, customers and other interest groups a unique brand and product experience. This is also being reflected in sales and incoming orders, which have increased by half and two-thirds respectively in Germany compared with last year.

“The ZUGORAMA represents a totally successful interplay of interior design, brand presence and transparent contact with end customers in the interaction between trade partner and manufacturer.”

Axel Schaffer

Managing Director of the Dross & Schaffer Group, Munich

**New dimensions in premium segment
(Project “Qunlan”, Qingdao, China)**

The V-ZUG Group was awarded the contract for one of its biggest project deliveries to date, located in Qingdao, China. The “Qunlan” project in Qingdao on the Yellow Sea is divided into two phases. The first phase, which was delivered in 2020, comprises 390 apartments that are fully equipped with over 3,000 V-ZUG kitchen appliances. Selected residential units are also fitted out with the RefreshButler, V-ZUG’s unique textile care system. In 2022/2023, the second phase will see a further 380 apartments equipped with V-ZUG appliances.

The “Qunlan” project was developed by the real-estate group of the international electronics and white goods manufacturer Hisense. Although it manufactures its own appliances, this Chinese conglomerate decided to install V-ZUG products in its luxury property development, thereby acknowledging V-ZUG’s ever-expanding profile in China.

“The decision of the Hisense team to purchase V-ZUG appliances was primarily based on the performance of V-ZUG products in cookery demonstrations, the user-friendliness of the user interface, the production facilities in Switzerland and the level of customer service that is promised and delivered on the Chinese market.”

Jennifer Bao,
Managing Director, V-ZUG China Region



You can find more V-ZUG projects on the newly launched website for global references at www.references.vzug.com/en

Segment Real Estate



Real Estate Segment Report

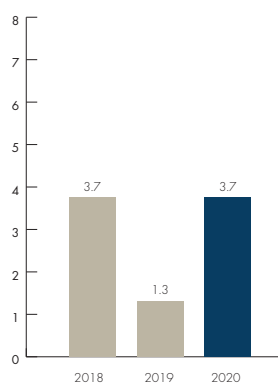
The Real Estate segment unites V-ZUG Infra AG and V-ZUG Assets AG (previously MZ Infra AG)¹ as real estate companies or companies with land ownership within the V-ZUG Group.

Neither of the two companies employs any staff of their own or runs any operational business themselves. The development, construction and renovation, management and operation of real estate and infrastructure is undertaken by Tech Cluster Zug AG, a subsidiary of Metall Zug AG. Statutory control of the two real estate companies is the responsibility of their respective Board of Directors, and strategic management is the responsibility of the V-ZUG Holding AG Board of Directors. Adrian Ineichen, a representative of the V-ZUG Group's Executive Committee, assumes responsibility as Head of the Real Estate segment. Operational management is overseen by managing director Beat Weiss, who is also CEO of Tech Cluster Zug AG.

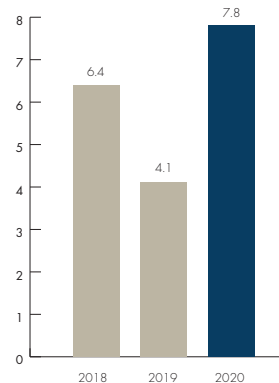
General statements regarding business performance in 2020

V-ZUG Infra AG owns the northerly part of the site at Industriestrasse 66 in Zug, on which V-ZUG AG will conclude its industrial transformation and consolidation over the next few years. An additional new building was completed in the year under review. The upper storeys of the "Zephyr Hangar" building were handed over to V-ZUG AG in the autumn to install the production facilities. V-ZUG Assets AG owns the premises at Zelgstrasse 8 and 10 in Sulgen. In the year under review, the new building for the refrigerator factory for V-ZUG Kühltechnik AG was handed over to the user on schedule ready for the completion of the interior and the installation of production facilities.

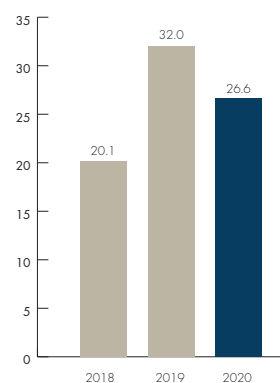
EBIT (in CHF million)



EBITDA (in CHF million)



CAPEX (in CHF million)²



² See also CAPEX Household Appliances Segment Report (page 20)

The revenue of both companies comes predominantly from renting out property and maintaining infrastructure. The operating result (EBIT) amounts to CHF 3.7 million which represents an increase of 180.9% compared with the previous year (CHF 1.3 million). This can largely be attributed to provisions of around CHF 3.1 million for soil remediation work at the Zug site and the modified organizational structures. Total investment for 2020 amounted to CHF 8.1 million for V-ZUG Infra AG, and CHF 18.5 million for V-ZUG Assets AG.

Spin-off from the Metall Zug Group/embedding into the Tech Cluster Zug

With the Tech Cluster Zug (TCZ), the entire historic V-ZUG site around Industriestrasse in Zug will be completely reorganized and initially split into two areas, with the northerly area being allocated to the V-ZUG Group and the remaining southerly and other areas being allocated to the Metall Zug Group. Specifically, this means that production and other activities of the V-ZUG Group at the Zug site will be vertically consolidated onto less than half of the current surface area. The land that is freed up will be used, independently of the V-ZUG Group, to develop a dense, multi-purpose mix of additional industrial usage, service space, commercial premises and housing.

¹ Change of company name in December 2020.

As part of the spin-off from the Metall Zug Group in June 2020, a comprehensive set of agreements was concluded on the subject of the TCZ between companies in the V-ZUG Group and the Metall Zug Group. The aim of these agreements is to optimally organize and safeguard the framework for the overall development of the TCZ and also for the V-ZUG Group as an essential element of the TCZ. As overall developer, Tech Cluster Zug AG is assuming responsibility for managing and controlling the entire TCZ system and compatibility with the development plan specifications for the whole site, in order to ensure the standardized development of related technical areas such as traffic, building structures, infrastructure and usage. The intention is to gradually reduce the existing leases between the Metall Zug Group and the V-ZUG Group at the Zug site during the ongoing development of the TCZ, and to restrict them to just a few buildings after the completion of this major project.

Alongside various service contracts, site and infrastructure usage have specifically been regulated. One important element is the gradual withdrawal of the V-ZUG Group from parts of the site that will in future be used exclusively by the TCZ, together with (financial) compensation mechanisms for various modifications to the new transport and energy developments. Energy will be supplied via Metall Zug Group companies, while the V-ZUG Group will grant the Metall Zug Group the necessary easements for the infrastructure on its property (energy hub, area network, etc.) relating to the site energy supply. Any costs relating to site contamination and building contaminants will be borne by the relevant landowners. It was also agreed that emissions resulting from various uses must not impact negatively on neighbouring construction sites.

In addition to the contractual arrangements, the interests of the V-ZUG Group will be represented and safeguarded during the development of the TCZ in various committees at a strategic and operational level.

Real estate projects

Zephyr: Buildings for the industrial transformation of the V-ZUG Group in the TCZ

The Zephyr project – the V-ZUG Group's new vertical factory – is a key component in renewing the Group's infrastructure and transforming the Zug site into a technology cluster. The Zephyr project is being implemented in three phases:

- The new "Zephyr Hangar" building with its new pressing plant and coating technology system was constructed between 2017 and 2020 (detailed information on this can be found on pages 32 et seq. of this Annual Report).
- The planned second building – "Zephyr Ost" – forms the missing link between the "Zephyr Hangar" and the Mistral production building, which was completed in 2017. "Zephyr Ost" provides space for production and assembly, an automated warehouse plus office space and social areas. Plans for the construction project concluded at the end of 2020 with the submission of the application for planning permission, after the deadline for appeals had passed with no appeals being submitted. Construction work is due to start in early 2021, and is expected to last until the end of 2023.
- For the third phase, the new office and development building "Zephyr West", various urban planning options were investigated last year. The construction of this new building is scheduled for 2024 to 2026.

New energy hub at ZUGgate

At ZUGgate, today's logistic centre of V-ZUG AG, an optimization of warehouse capacity has created space to install the Multi Energy Hub – a heating and cooling facility that will form the centrepiece of the TCZ's future sustainable energy supply. The hub will supply the site and surrounding customers with heating and cooling capacity from groundwater wells and water from Lake Zug ("Circulago"). Construction is due to start in April 2021, and the hub is scheduled to be commissioned for September 2022.

The first stage of a roof refurbishment project was also carried out at ZUGgate in the year under review. Further repair measures are planned for the roof edge and facade in 2021.

Buran: New-build for V-ZUG Kühltechnik in Sulgen

The Buran project includes the construction of a new refrigerator factory by V-ZUG Assets AG for V-ZUG Kühltechnik AG on the site in Sulgen. The new headquarters of V-ZUG Kühltechnik AG incorporates a production and warehouse building and office space. With a surface area of 16,800 m², the roof offers space for a substantial 537 kWp photovoltaic system. Thanks to the possibility of using groundwater, up to 80% of the building's annual heating requirements can be provided by a heat pump. Following a two-year construction period, the new building was completed in October 2020, and V-ZUG Kühltechnik AG has begun to install its operating equipment. After a phased move, V-ZUG Kühltechnik AG will leave its rented premises in Arbon in the first quarter of 2022 and become fully operational in Sulgen.

Conversion of the Belimed building in Sulgen

V-ZUG Assets AG also owns real estate that is being used by Belimed AG and Belimed Life Science AG. The buildings there will undergo a phased renovation and will be adapted to their new use in line with fire and safety regulations. Belimed Life Science AG intends to expand its activities at the site in Sulgen. The office block was renovated in 2019. The planning process for converting the production facilities was started in the year under review. Renovation work will be carried out in various stages while operations continue and is expected to last until at least 2022.



Refrigerator factory V-ZUG Kühltechnik AG, Sulgen

Zephyr Hangar

Construction process and milestones

The new Zephyr Hangar marks the start to V-ZUG's site transformation and new production facilities. It was built in two stages that used different construction methods and materials, but are linked in terms of design by the colour scheme and four stair towers.

Based on the need for a new pressing plant, the development of the first stage was expedited in less than a year from the initial concept through to the submission for planning permission. During the ongoing planning permission process, extensive provisional arrangements were put in place to speed up the installation of cabling and to keep infrastructure such as the warehouse, carpentry and heating plus compressed air hub operational. Existing buildings were also decommissioned to make room for the new hangar. January 2018 saw the groundbreaking ceremony for the building, which has a footprint of around 90 metres by 40 metres.

The layout of the ground floor is split into three parts. In the middle is the automated warehouse for press tools, which extends from the basement to just beneath the ceiling. Adjoining this on either side are the two press areas, one of which is fully fitted out while the other is currently being used as storage space. The ground floor is just short of ten metres high, and articulated trucks can drive through it to deliver raw materials. On the north side is a gallery level with space for offices, recreational rooms and building services.

The first stage was built of solid concrete clad in metallic sandwich panels and was handed over completely in November 2019.

At the same time as production started on the ground floor, construction work commenced on the second stage. This was built on the roof of the first stage in the form of a column-free hall in timber construction. The saw-tooth roof – a well-known feature of traditional industrial architecture – together with the timber facade and four access towers make the building immediately recognizable. The second floor, which is primarily intended for the coating technology system and tool shop, was completed in August 2020 and has an internal height of up to 15 metres at the highest points of the roof.

Most of the timber used for the supporting structure, facades and roof comes from a local forest. Using this local and sustainable raw material has led to savings of two-thirds, or 800 tonnes CO₂ equivalent, compared with a steel supporting structure. The electricity generated on the roof by the photovoltaic system (400 kWp) will be fed into the site network.





V
ZUG

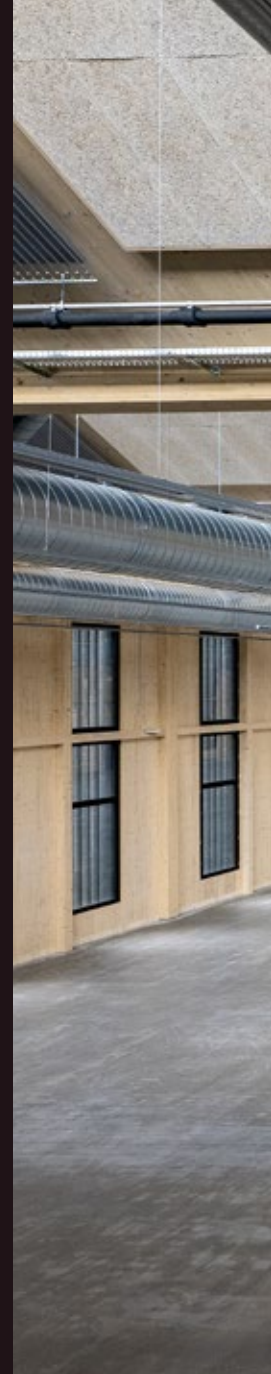
New pressing plant

The new servo transfer press on the ground floor of the Zephyr Hangar was brought into regular use in November 2019. Each week, tools are modified and implemented for use on the new press. At the end of 2020, 33 tools were already in operation. The servicing, alteration and fine tuning of tools and the addition of transfer grippers are carried out by the in-house tool shop. The fully automated tool store with stacker crane is a one-off build, and enables short tool change times.

These rapid retooling times mean that it is economical to manufacture even small batches, thereby reducing warehouse stocks of sheet metal parts. The complete manufacturing concept consists of a highly automated tool store and fully automated waste disposal system. The necessary preparations for an additional press were made while the building was still under construction and the system interfaces were being set up. The operating concept is unique in terms of performance, flexibility, ability to handle small batches, space requirements and sustainability, and represents a first major milestone in the transformation process for V-ZUG AG's parts manufacturing operation.



Servo transfer press





Interior view of the surface technology and toolmaking hall

New coating technology system, cooking chamber welding system, mechanical production and tool construction

The second floor houses the new enamelling coating technology system, the new cooking chamber welding cell, mechanical production with tool shop and tool construction. The employees working in the tool construction department moved to their new workstations in December 2020. The new cooking chamber welding cell was transferred from the old production facility to the second floor of the hangar in December 2020, and resumed operations in January 2021. The new enamelling coating technology system is currently under construction and will be commissioned in summer 2021.

It includes all the process steps needed for enamelling cooking chambers and flat goods, and is highly automated. The new technology is energy-saving, efficient and achieves a high coating quality thanks to the stable nature of the process.

In the southerly part of the hangar, the intention is to gradually transfer in the mechanical workshop with a heat pump laboratory and tool construction during autumn 2021. This move will successfully conclude the relocation of processes into the new "Zephyr Hangar" building.

Sustainability



Sustainability – a long established part of our DNA

At V-ZUG we don't just think sustainability, we live it. So for many years now we have been committed to a healthy future – for the environment, our employees, society and our business.

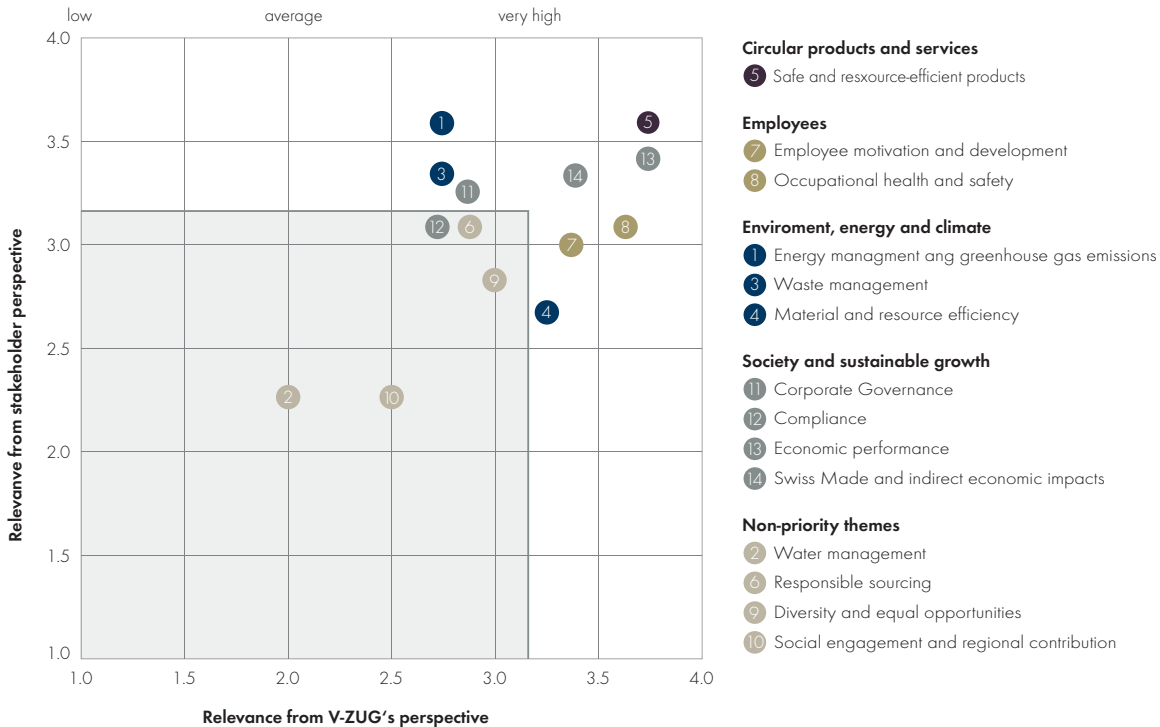
With around 4.5 million appliances in active use, on average one V-ZUG appliance can be found in every Swiss home. We are conscious that we have a considerable impact on the environmental footprint of households. For a long time now, we have therefore been manufacturing environmentally friendly and durable appliances that are as low in emissions and resource-efficient as possible. Since 2020, they have even been CO₂-neutral! But sustainability means more to us than just our environmental footprint: we want to contribute to a society that is fit for the future, and see sustainability as a holistic concept that includes our entire value chain – social, environmental and entrepreneurial. In specific terms, we are investing in the well-being of everyone, primarily our employees, but also everyone with whom we work. We subscribe clearly and consistently to an investment strategy that enables innovation and efficiency gains. For example, with the site transformation that forms part of the major development at Zug (under the leadership of Tech Cluster Zug [TCZ]) and V-ZUG Kühltechnik AG's new-build project in Sulgen, we are not only pressing ahead with the sustainable expansion of its production facilities, but also boosting the competitiveness of the two locations. In our sustainability report, which we have published annually since 2012, we provide information on our commitment and the progress we have achieved.

Effective action with the V-ZUG sustainability task force

Sustainability doesn't just happen. To use it as the driving force for our future viability, we appointed Marcel Niederberger as dedicated Head of Sustainability in June 2020. He reports directly to the CEO and heads up an interdisciplinary task force, the "V-ZUG sustainability workforce", a motivated team of representatives from various departments. The task force is pushing ahead with the strategic groundwork, defining focal points and identifying possible projects that will have a particularly strong impact on society and the environment. Since 2020, the team has continued to forge ahead with sustainability activities at V-ZUG and examined areas for action in greater detail.

Strategically embedded – effectively implemented

In 2018 and 2019, we revised our materiality matrix. We discussed the issues and assessed their relevance during in-depth interviews with external and internal stakeholders. This forms the basis for our activities. In 2021, we will again be revising our materiality matrix and then refining our strategic goals.



Materiality matrix: We assess the relevance of a theme to V-ZUG as very high (white zone) if the internal or external rating is at least 3.25 (> 80 % of the maximum rating) on a scale of 1 to 4.

We have consolidated the themes in the materiality matrix into four thematic target areas: "Recyclable products and services", "Employees", "Environment, energy and climate" and "Society and sustainable growth". These target areas, which have been agreed upon by the Executive Committee, describe V-ZUG's long-term sustainability vision. Assessing the relevance of themes from V-ZUG's point of view factors in how well they are already being addressed internally and the fact that good progress has already been made. For example, this explains why the theme of greenhouse gases is rated lower from V-ZUG's point of view (meaning that a lot has already been done in this area) than from an external point of view.

We also take account of non-prioritized themes in our activities, and these are already considered highly important within V-ZUG. For instance, the Adora dishwasher is one of the most economical in terms of water consumption, and the V-ZUG Women's Network tackles issues relating to diversity.

As a company, we want to make a contribution to the United Nations Sustainable Development Goals (UN SDGs). For this reason, we have identified the sustainability goals that are relevant to us as part of the Swiss Triple Impact program. In 2021, in connection with the defined target areas of the materiality matrix, we will be addressing those SDGs that are most important for us: 7 (affordable and clean energy), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 12 (responsible consumption and production) and 13 (climate action).



The priority SDGs of V-ZUG.

2020 highlights

Preventing, reducing and offsetting CO₂ emissions

By continually reducing and offsetting, the V-ZUG Group became CO₂-neutral at all its production sites, including internal logistics (scope 1 and scope 2) plus air travel, for the first time in 2020.

V-ZUG is not yet operating emission-free. In particular, energy consumption for production processes, heating and logistics generates greenhouse gases. For a long time, V-ZUG has been taking steps to avoid, reduce and compensate/offset these emissions, and has since 2020 been offsetting all its residual emissions.

These offsetting contributions are funded from a carbon levy that was introduced in 2018 in collaboration with the Metall Zug Group. The companies that have signed up to this contractual mechanism pay CHF 120 into a fund for each tonne of CO₂ they emit. The fund finances sustainable projects to avoid, reduce and compensate emissions. Measures such as expanding the use of waste heat, investing in photovoltaic systems and a possible future switch to electromobility are examples of such projects.

The scope of this compensation includes direct emissions such as the fuel consumption of our vehicles and the natural gas and oil heating in the buildings in which we work. These fall under scope 1 of the Greenhouse Gas Protocol. We also offset indirect emissions that arise during the production of the energy we use (scope 2) as well as the emissions we cause due to our business flights (scope 3). This has already partially been the case at Zug since 2018 and at Arbon since 2019. Subassembly production in Changzhou, China, has been CO₂-neutral since 2020, meaning that all V-ZUG's Swiss-made appliances were manufactured CO₂-neutrally for the first time in 2020.

The commissioning of the multi-energy hub at the Zug site and the new refrigerator factory in Sulgen will significantly reduce our carbon footprint over the next few years.

V-Forest

The intention is for our offsetting contributions to be directed towards a reforestation project in Scotland. In doing so, we will essentially be creating our own forest. V-ZUG opted for this project because reforestation is currently one of the most effective methods of removing CO₂ from the atmosphere and sequestering it in the long term. The Scottish forest is growing in Glen Lochay, Perthshire, and is making climate protection real and tangible. Our partner organization has already planted 800,000 trees in Scotland in line with the UK Woodland Carbon Code standard. One particularly attractive aspect of this project is that it will restore the countryside to its original wild state. Native flora and fauna will be able to flourish in this Scottish mixed woodland, and nature will find its equilibrium.



V-Forest in Glen Lochay, Scotland

At the end of the life cycle

The recyclability of our products is a key starting point for a sustainable V-ZUG. We therefore used the example of the Adora washing machine to find out more about the recyclability of our machines and had ten tonnes of old Adoras recycled separately in 2020. The test was informative, revealing that the machines are already over 90% recyclable. If we optimize the mix of materials we use and minimize our use of plastic and the number of different types of plastic, we can improve the recyclability of our products even further. The aim was also to gain an insight into how appliances will have to be built in future so that recycling partners can maximize the recycling quota at the end of the life cycle. So we set the recycling specialists to work with our development team in a workshop on future approaches and incorporated their findings into the development project.

50 years old and 20 years with the company – what next?

The digital transformation is changing the way we work and placing a spotlight on the employability of our staff. Together with the Zug careers information centre (BIZ Zug), we launched a pilot project called "Career check" that is helping our employees to better evaluate their careers and consciously pursue their vocational paths. 38 employees from the service division in German-speaking Switzerland took part in a review. At a meeting with specialists from BIZ Zug, they then discussed interesting findings and possible development paths. Due to the positive feedback received, the project will be rolled out more widely and, from 2021, can be used for personal career planning.

Saving energy by using waste heat

Not only does manufacturing our appliances use energy - it also generates waste heat. With the multi-energy hub, we will in future be able to use this heat. We are storing the heat generated by our production processes in ground water during the summer, and retrieving it later when required, for example to heat buildings in the winter. So as not to disrupt the ecosystem, we cannot heat up the ground water limitlessly. We are adhering strictly to Federal regulations. Two 140-meter-deep groundwater wells have already been created. But part of the solution is even closer at hand: enamelling our ovens requires very high temperatures, for example. In 2020 we developed a solution that, in early 2021, will enable us to reuse this heat at various locations in immediately upstream and downstream processing steps.

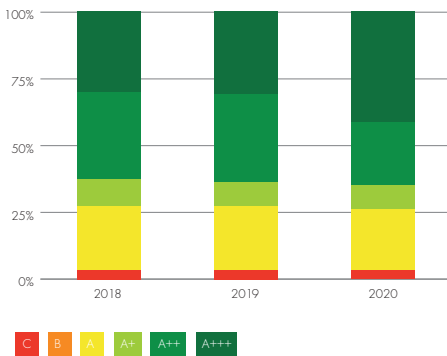
Sulgen: a quality site for quality products

When we took over the Arbonia Group's refrigerator production in Arbon, the search for a new site was part and parcel of the exercise right from the start. The existing production layout and technology at the Arbon plant were sub-optimal and the opportunities for expansion very limited. With the move to the new factory in Sulgen, 20 kilometres away, set to take place in 2021, we are remaining in the region. Pivotal in the choice of the new site was the opportunity to secure expertise and know-how, and to keep employee turnover as low as possible despite the move. In order to further position V-ZUG's refrigerator division, we are dependent on outstanding processes and the very best employees. With the new building complex, which was completed in October 2020, V-ZUG is strengthening its links with the region and clearly stating that it believes in Switzerland as a manufacturing base. You can find more information on the influence the new factory is having on our environmental footprint on page 31 of this Annual Report.

Our sustainability at a glance

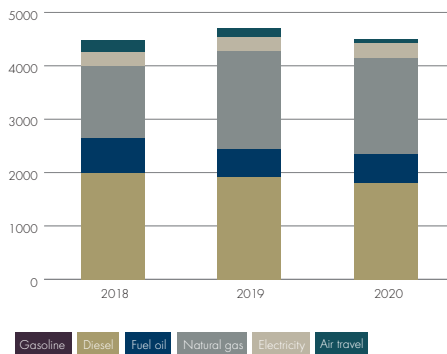
This information and these figures relate to the three companies V-ZUG AG, V-ZUG Kühltechnik AG and V-ZUG (Changzhou) Domestic Appliances Co., Ltd.

Appliances delivered by energy efficiency class¹⁾



The proportion of V-ZUG appliances delivered with an energy efficiency rating of A or higher has been around 97% in recent years.

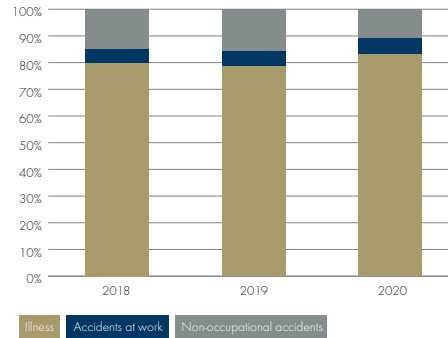
Operational CO₂ emissions in tonnes



Direct and indirect CO₂ emissions amounted to 4,500 tonnes in 2020. The reasons for the 4% reduction compared with 2019 are reduced diesel consumption and a reduction in air travel due to Covid-19.

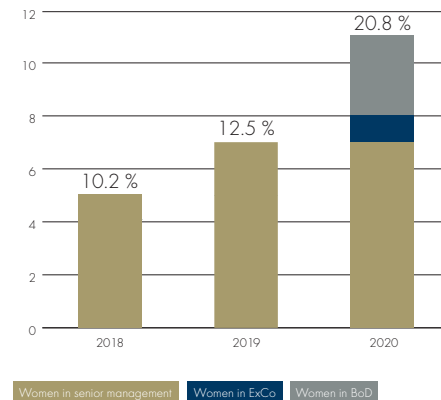
CO₂ emissions are therefore approaching the 2018 level despite an increase in natural gas consumption in the coating technology system (the temperature in the enamelling oven has been increased by 20°C for quality assurance reasons).

Hours lost due to accidents and illness



The lost hours rate in 2020 was 3.5%, a reduction of 0.2% compared with the previous year. Although we recorded fewer occupational accidents due to the Covid-19 pandemic, absences due to illness increased.

Number of women in management roles²⁾



The proportion of women at top management levels in V-ZUG has risen continuously over the last few years. The above percentages relate to the total number of women on the Board of Directors and Executive Committee and in level 1 management. V-ZUG is therefore above the Swiss average (according to the 2021 Schilling Report, top management: 18% women).

¹⁾ Applies to V-ZUG appliances with a regulatory energy efficiency classification (in accordance with energy efficiency regulations applicable at the end of 2020); in addition, there are also appliance categories that do not have an energy efficiency classification (e.g. cooktops, microwave ovens); this share is constantly around 18% of all V-ZUG appliances delivered.

²⁾ With regard to the figures for the Board of Directors, it should be noted that V-ZUG Holding AG was founded on 28 November 2019, when it was entered in the commercial register. Gender representation for the Board of Directors is therefore only shown for the end of 2019 and 2020.

Excellence Line – The new premium line for V-ZUG’s kitchen products

State-of-the-art tradition

The new product line for thermal appliances, the “Excellence Line”, combines innovative functionality and state-of-the-art technology with perfect design. Our claim is based on over 100 years of tradition. We produce durable and attractive household appliances with functions that simplify everyday cooking and offer guaranteed success – no matter whether you are preparing a sophisticated sous-vide menu for guests or baking a ring cake with children. Our new Excellence Line effortlessly covers all types of use.

“The Excellence Line ovens and steam cookers have been developed entirely in Switzerland, and will continue to be manufactured at our headquarters in Zug.”

Stephan Keller
Senior Vice President Engineering





The Excellence Line embodies the heart of the V-ZUG brand. Its coordinated materials and stylish aesthetics enable you to combine appliances in numerous different ways, with no compromises. Ovens, steam cookers, warming drawers and sous-vide drawers, wine coolers, dishwashers and even CoffeeCenters are all available in the new Excellence Line design. V-ZUG launched the first CombiSteamer in 2001. Inspired by professional catering, these complex appliances were made accessible for private use. To mark this 20th anniversary, our ovens and steam cookers have been completely redesigned and will be launched onto the market in 2021.

The Excellence Line sets new standards of the highest level in terms of cooking precision. It is therefore aimed primarily at people who have the most exacting requirements regarding functionality and design.

Intuitive controls and understated design

The Excellence Line offers controls that are globally unique and at the same time intuitive. The CircleSlider – a ring milled into glass – takes centre stage here. It supplements the high-resolution TouchDisplay and considerably simplifies changing appliance settings such as regulating the temperature in particular. Like a smartphone, the appliances are controlled via a touch screen that displays useful information that assists in selecting programmes. The controls are personalizable, and can be modified to suit the user's own requirements via the display settings. Functions and settings can be rearranged on the home screen, for example.

Excellence Line appliances feature stunning, high-quality materials. They are puristic, timeless and symmetrical. With the new mirror-glass colours platinum and pearl, it is possible to achieve even greater contrasts between appliances and the kitchen façade.

The appliances are, of course, still available in popular black mirror-glass. Thanks to their understated design and mirror-glass fronts, the appliances become extremely unobtrusive when switched off but, with their unmistakable iconic design, they are still characteristic of the V-ZUG brand.

If you opt for a handle-free kitchen, the V-ZUG range also has suitable appliances to offer – ovens and steam cookers featuring the “Auto-Door” function. This replaces the handle, as the appliances are opened and closed automatically at the push of a button.

The Excellence Line ovens and steam cookers have been developed entirely in Switzerland, and will continue to be manufactured at our headquarters in Zug.

Seamless connection to digital services

The Excellence Line ovens and steam cookers can be networked via the Internet using a V-ZUG account, enabling users to benefit from the additional functions of the V-ZUG Home app. This app includes a large number of recipes that can be transmitted to the appliance, with settings being adjusted automatically. The recipes can also be found in our new recipe books and on our website. Networking appliances via the Internet also enables our Service & Support team to provide additional assistance and remote maintenance.

Process optimization using new technology platform

In terms of technology, the Excellence Line is based on a set of newly designed modules – a technology platform that had already been systematically optimized in line with future produc-

tion processes for the “Advanced Line”. This has made it possible to achieve an even more stable and consistent quality for the components that are manufactured in Zug and also those that are bought in.

The appliance control system for the Excellence Line was designed using a completely new software architecture that ensures it will be compatible with future digital product enhancements and connects the innovative and intuitive user interface with the refined cooking process control system. The appliance control system also has all the necessary prerequisites for subsequent functional enhancements on the journey towards progressive cooking excellence.

V-ZUG’s many years of experience in research and development plus feedback from business partners and customers enable it to manage processes extremely precisely. This is particularly important for applications that use steam, such as the V-ZUG “Vacuisine” method of sous-vide cooking. This can be used to prepare food at exactly the right temperature, enabling V-ZUG to deliver cooking excellence. Outstanding cooking quality is achieved in part by using automatic refinements. The appliance determines the temperature and cooking time itself, making it considerably easier to use and enabling food to be prepared under ideal conditions and with minimal modifications. However, these precise settings can also be adjusted by users themselves, providing the opportunity to accomplish extremely ambitious recipes. This way, there is something for amateur cooks and top chefs alike.

With the Excellence Line, V-ZUG is demonstrating its passion for detail.



“The Excellence Line offers trendsetting functionalities and controls that are globally unique and at the same time intuitive. Its coordinated materials and stylish aesthetics enable you to combine appliances in numerous different ways, with no compromises.”

Stephan Keller
Senior Vice President Engineering

Corporate Governance



Corporate Governance Report

All information in this Corporate Governance Report refers to the situation as of 31 December 2020 or to the reporting year 2020, unless otherwise stated. The V-ZUG Group complies with all the legal and regulatory requirements for corporate governance in Switzerland to which 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 29 September 2014.

This Corporate Governance Report refers to the V-ZUG Holding AG Articles of Association of 29 April 2020 (“**Articles of Association**”) and the Organizational Regulations of 14 May 2020 (“**Organizational Regulations**”), both available at <https://www.vzug.com/ch/en/corporate-governance>. No material changes occurred between 31 December 2020 and the editorial deadline for the Annual Report, other than the facts disclosed in this report. The content, order and numbering of the following sections correspond to those of the “Directive on Information relating to Corporate Governance” issued by SIX Swiss Exchange on 20 June 2019 (effective from 2 January 2020).

1 Group structure and shareholders

1.1 Group structure

The operational structure of the V-ZUG Group is outlined on page 10 of this Annual Report. The management organization of the V-ZUG Group is essentially based on the central responsibility of the Board of Directors and the Executive Committee of V-ZUG Holding AG.

The holding company V-ZUG Holding AG, headquartered in Zug, is the sole listed company in the Group. Its registered shares are listed on the Swiss Reporting Standard of SIX Swiss Exchange, Zurich.

More detailed information on V-ZUG Holding AG, including its stock market capitalization, is provided on page 4 of this Annual Report. The list of consolidated companies and their non-listed subsidiaries is shown on page 92 of the Financial Report and includes substantial shareholdings.

1.2 Significant shareholders

All significant shareholders known to V-ZUG Holding AG with voting rights in excess of 3 % on 31 December 2020 are listed on page 103 of the Financial Report under Note “Significant shareholders”.

In the financial year 2020, in addition to the initial disclosure notifications issued as part of the spin-off from the Metall Zug Group and the independent stock market listing of the V-ZUG Group on 25 June 2020, two disclosure notifications were issued in accordance with Article 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, “FinMIA”) and associated regulations:

- On 23 July 2020, Bestinver Gestión, S.A. SGIIC, Madrid, Spain, fell below the 3 % reporting threshold for voting rights due to its divestment of registered shares in V-ZUG Holding AG.
- On 15 December 2020, Vontobel Fonds Services AG, Zurich, Switzerland, exceeded the 3 % reporting threshold for voting rights due to its acquisition of registered shares in V-ZUG Holding AG (as at 31 December 2020, Vontobel Fonds Services AG held 3.01 % of voting rights in V-ZUG Holding AG).

Further details of these disclosure notifications and the initial disclosure notifications at the time of V-ZUG Holding AG’s stock market listing can be found on the Disclosure Office website and that of SIX Exchange Regulation (<https://www.ser-ag.com/en/resources/notifications-market-participants/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

As at 31 December 2020, the share capital of V-ZUG Holding AG amounted to CHF 1,735,714.17, divided into 6,428,571 registered shares, each with a nominal value of CHF 0.27 (single share class). The share capital is fully paid up.

2.2 Authorized and conditional capital

V-ZUG Holding AG does not have any authorized or conditional capital.

2.3 Changes in capital

V-ZUG Holding AG was founded on 28 November 2019 (date of entry in the commercial register) by Metall Zug AG by means of a contribution in kind of the V-ZUG Group companies held directly and indirectly by Metall Zug AG.

The contribution in kind is outlined as follows in the Articles of Association (Article 33):

At the time of incorporation, the company acquired, based on a contribution-in-kind agreement dated 25 November 2019, the following assets from Metall Zug AG, headquartered in Zug (CHE-101.865.948):

- 4,000 registered shares of V-ZUG AG, headquartered in Zug (CHE-109.031.450), each with a nominal value of CHF 475.00 at a total book value of CHF 21,008,581.56;
- 100 registered shares of V-ZUG Services AG, headquartered in Zug (CHE-465.409.187), each with a nominal value of CHF 1,000.00 at a total book value of CHF 100,000.00;
- 3,518,590 registered shares of V-ZUG Infra AG, headquartered in Zug (CHE-111.717.232), each with a nominal value of CHF 1.00 at a total book value of CHF 50,000.00;
- 1,000 registered shares of MZ Infra AG, headquartered in Zug (CHE-213.356.967), each with a nominal value of CHF 1,000.00 at a total book value of CHF 4,500,000.00.

CHF 1,215,000.00 of the total value of the contribution in kind of CHF 25,658,581.56 (book value), was used to pay for 4,500,000 registered shares in the company, each with a nominal value of CHF 0.27, and the remaining CHF 24,443,581.56 was posted as a premium (residual capital reserves).

In return for its contribution in kind, Metall Zug AG received 4,500,000 fully paid-up registered shares in the company, each with a nominal value of CHF 0.27.

V-ZUG Holding AG also carried out an ordinary capital increase by cash contribution on 29 April 2020. In return for the issue of 1,928,571 registered shares in the company, each with a nominal value of CHF 0.27, Metall Zug AG provided a capital contribution to V-ZUG Holding AG totalling CHF 110 million (of which CHF 520,714.17 comprised share capital and CHF 109,479,285.83 comprised a premium ("Agio") resp. capital contribution reserves).

2.4 Shares and participation certificates

Detailed information regarding V-ZUG Holding AG shares (the number, type and nominal value) can be found in section 2.1 above, and also on page 87 of the Financial Report under Note "Share capital".

The registered shares in V-ZUG Holding AG are listed in the Swiss Reporting Standard of SIX Swiss Exchange in Zurich (securities number 54 248 374, ISIN CH0542483745, ticker symbol VZUG). Dividend entitlement is in proportion to the share capital held. Each share entitles the holder to one vote. The shares are fully paid up.

V-ZUG Holding AG has not issued any participation certificates.

2.5 Dividend-right certificates

V-ZUG Holding AG has not issued any dividend-right 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 Article 7 of the Articles of Association, the transferability of registered shares is restricted as follows:

Acquirers of registered shares are registered in the share register as shareholders with the right to vote, provided that:

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

After consultation with the person concerned, the company may remove entries from the share register with retrospective effect from the date of the entry if these entries came about due to incorrect purchaser details. The purchaser must be informed immediately of the removal.

In the financial year 2020, V-ZUG Holding AG did not decline any transfers or grant any exceptions.

V-ZUG Holding AG does not offer any nominee registrations. To date, no need has been expressed by shareholders for registrations of this kind.

For the procedure and conditions for cancelling restrictions on transferability, see section 6.2 of this Corporate Governance Report.

2.7 Convertible bonds and options

V-ZUG Holding AG does not have any outstanding convertible bonds or options.

3 Board of Directors

3.1 Members of the Board of Directors

In accordance with Article 16 para. 1 of the Articles of Association, the Board of Directors of V-ZUG Holding AG consists of at least three members. Since the General Meeting of Shareholders on 19 May 2020, it has consisted of the following members, whose business addresses are located at the company's headquarters (Industriestrasse 66, 6302 Zug).

All members of the Board of Directors are non-executive; in other words, they do not hold any operational management function at V-ZUG Holding AG or any other V-ZUG Group company.

With the exception of Jürg Werner, the members of the Board of Directors did not belong to the Executive Committee of V-ZUG Holding AG or that of any other company within the V-ZUG Group or the Metall Zug Group during the three previous years, and have no significant business links with the V-ZUG Group or the Metall Zug Group. Until 31 March 2020, Jürg Werner held the post of CEO at Metall Zug AG, and was involved in operational matters concerning the V-ZUG Group in this function. All other members of the Board of Directors can be considered to be independent as defined in Article 14 of the Swiss Code.

Board of Directors



OLIVER RIEMENSCHNEIDER
(CH/DE) B. 1962

Dipl. Masch.-Ing. (MSc in Mechanical Engineering) ETH Zurich, MBA from City University, Bellevue, Washington (USA).

- Chairman of the Board of Directors (non-executive), independent member
- First elected to the Board of Directors: 2019
- Elected until: General Meeting of Shareholders 2021

Professional background

President of the Turbocharging Division at the ABB Group, Zurich, since 2011; various management functions at the ABB Group, Zurich, including seven years in Japan, 1991-2011.

Other functions within V-ZUG Group

Member of the Board of Directors at V-ZUG AG, Zug, May 2019–October 2020 (Chairman from September 2019); Member of the Board of Directors of SIBIRGroup AG, Spreitenbach, September 2019–October 2020; Member of the Board of Directors of V-ZUG Kühltchnik AG, Arbon, September 2019–October 2020.

Activities in governing and supervisory bodies

President of the Swissmem specialist combustion engine group, Zurich; Member of the Management Committee of VDMA Motoren und Systeme, Frankfurt (DE).



ANNELIES HÄCKI BUHOFER
(CH) B. 1954

Doctorate in Philosophy (PD Dr. phil. I), University of Zurich/Post-doctoral qualification.

- Member of the Board of Directors (non-executive), independent member
- First elected to the Board of Directors: 2020
- Elected until: General Meeting of Shareholders 2021

Professional background

Full professor of German linguistics at the University of Basel and various management roles in the Faculty of Philosophy and History, 1989-2015; various activities on the controlling bodies of national and international expert associations, 1989-2020; research advisor for the Swiss National Science Foundation, 2010-2016.

Other functions within V-ZUG Group

Member of the Audit Committee; Member of the Board of Directors of V-ZUG AG, Zug, May 2016–May 2020.

Activities in governing and supervisory bodies

Chairman of the Board of Directors of BURU Holding AG, Hagendorn/Cham; Member of the Board of Directors of Zug Estates Holding AG, Zug; Member of the Board of Directors of the Cham Group AG, Cham; Member of the Boards of Directors of additional non-listed companies.



PRISCA HAFNER
(CH) B. 1967

Federal Diploma of Higher Education, Commercial Business School Schwyz, Diploma in Human Resources Management and CAS Executive Coaching Institute of Applied Psychology (IAP/ZHAW) Zürich.

- Member of the Board of Directors (non-executive), independent member
- First elected to the Board of Directors: 2020
- Elected until: General Meeting of Shareholders 2021

Professional background

Independent consultant in HR, leadership & transformation, since April 2020; Chief Human Resource Officer at the COMET Group, Flamatt, 2018-March 2020; Global Head of Human Resources at Oerlikon Surface Solutions and Oerlikon Balzers, Balzers (FL), 2008-2016; various HR roles at Credit Suisse in Zurich and London (UK), 1990-2007.

Other functions within V-ZUG Group

Chair of Human Resources and Compensation Committee

Activities in governing and supervisory bodies

No significant activities.



TOBIAS KNECHTLE
(CH) B. 1972

Degree in Political Science (lic. rer. pol.), University of Bern.

- Member of the Board of Directors (non-executive), independent member
- First elected to the Board of Directors: 2020
- Elected until: General Meeting of Shareholders 2021

Professional background

CFO and partner at Innoterra AG, Zug, since October 2020; CFO and member of the Group Executive Board of the Valora Group, Muttenz, 2014 – November 2019; Senior Vice President and Vice President Finance at the Kudelski Group, Cheseaux-sur-Lausanne, 2009 – 2014; Principal and last as Managing Director of Cinven Private Equity in Frankfurt and London, 2005 – 2009; The Boston Consulting Group in Zurich and São Paulo (BR), 1998-2005; Auditor and Audit Team Leader with a global remit at the Nestlé Group, Vevey, 1995 – 1998.

Other functions within V-ZUG Group

Chair of the Audit Committee.

Activities in governing and supervisory bodies

No significant activities.



PETRA RUMPF
(DE/CH) B. 1967

Bachelor of Economics, University of Trier (DE), MBA from Clark University, Worcester (USA).

- Member of the Board of Directors (non-executive), independent member
- First elected to the Board of Directors: 2020
- Elected until: General Meeting of Shareholders 2021

Professional background

Member of the Executive Committee of the Straumann Group, Basel, 2015 – end of December 2020 (Global Head of Dental Service Organisations, 2018 – December 2020; Global Head of Intradent & Strategic Alliances, 2015 – 2018); Member of the Executive Committee of Nobel Biocare, Zurich, last as Global Head of Corporate Development and Special Channels, 2007 – 2015; various roles at Capgemini Consulting, Zurich, last as Vice President Strategy & Transformation Central Europe, 1991 – 2007.

Other functions within V-ZUG Group

None (from financial year 2021: Chair of the Digital Advisory Board).

Activities in governing and supervisory bodies

Member of the Board of Directors of SHL Medical AG, Zug; Member of the Advisory Board of Limacorporate S.p.A., Udinese (IT); Member of the Board of Directors of Unilabs Holding AB, Stockholm (SE).



JÜRIG WERNER
(CH) B. 1956

Doctor of Sciences & Technology (Dr. sc. tech.), ETH Zurich, Postgraduate diploma in business management at Lucerne University.

- Member of the Board of Directors (non-executive), non-independent member
- First elected to the Board of Directors: 2019
- Elected until: General Meeting of Shareholders 2021

Professional background and previous operational activities for V-ZUG Group

CEO of Metall Zug AG, Zug, 2012 – March 2020; CEO of V-ZUG AG, Zug, 2010 – 2013; COO of V-ZUG AG, Zug, 2010; Head of Development and Member of the Executive Committee of V-ZUG AG, Zug, 1996 – 2009.

Other functions within V-ZUG Group

Member Human Resources and Compensation Committee; Member Board of Directors of V-ZUG AG, Zug, 2013 – May 2020 (Chairman until September 2019); Chairman V-ZUG Kühltechnik AG, Arbon (until 31/12/2020; from 2021 member Board of Directors and advisor to Executive Committee V-ZUG Kühltechnik AG).

Activities in governing/supervisory bodies

President Swiss Association for Standardization (SNV); Member DIN Committee, Berlin (DE) (until 31/12/2020); Industrial Advisory Board, Department of Mechanical Engineering and Process Technology, ETH Zurich; Technical Committee, ZHAW Life Sciences & Facility Management, Zurich (until 31/12/2020); Swiss Academy of Engineering Sciences, Zurich; Chairman, Schleuniger AG, Thun; member Board of Directors, Haag-Streit Holding AG, Köniz; member of governing and supervisory bodies in additional Metall Zug companies.

3.2 Other activities and vested interests

Apart from the functions mentioned above, 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 Article 26 of the Articles of Association, the number of permitted activities for members of the Board of Directors and the Executive Committee in top supervisory or management bodies of legal entities that are obliged to be entered in the Commercial Register or a corresponding foreign register, and that are not controlled by the company or do not control the company, is restricted as follows:

Type of mandates	Number per member Board of Directors/Executive Committee
Mandates in listed companies	5
Remunerated mandates in other, non-listed legal entities, with compensation	15
mandates in non-profit or charitable legal entities (such as associations and other charitable, social, cultural or sports organizations, professional or industry associations, foundations, trusts and pension schemes) outside the V-ZUG Group	10

Mandates are classed as such if they are held in the highest governing body of a legal entity. Mandates in a number of different legal entities under uniform control count as a single mandate. Insofar the company holds an ownership interest in another company and a member of the Board of Directors or the Executive Committee holds a mandate in such a company on the instructions of and in the interests of the company, such a mandate does not count as an additional mandate. The above numbers are cumulative; the mandate at V-ZUG Group does not count towards these figures. In calculating the number of mandates, a chairmanship counts double. Members of the Executive Committee generally require the approval of the Board of Directors before taking up external mandates.

3.4 Elections and terms of office

Members of the Board of Directors are elected by the General Meeting of Shareholders, on an individual basis and for a period of one year in each case. They may be reelected at any time but must step down upon reaching the age of 70, i.e. on the date of the subsequent General Meeting of Shareholders. The Chairman of the Board of Directors, the members of the Human Resources and Compensation Committee and the independent voting representative are elected directly by the General Meeting of Shareholders for a term of one year (Articles 9, 14 and 16 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, amongst other things, the organizational, financial-planning-related and accounting-related directives that the V-ZUG Group undertakes to comply with. Decisions are made by the entire Board of Directors with the assistance of two committees: the Audit Committee and the Human Resources and Compensation Committee. The latter is assigned all the duties and responsibilities imposed on compensation committees by the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares of 20 November 2013 (ERCO). The Board of Directors is responsible for overall supervision and exerts an influence on the strategic direction of the V-ZUG Group, amongst other things. It allocates financial resources, appoints members of the Executive Committee and is involved in filling further top executive positions. It is supported in these tasks by the Audit Committee, the Human Resources and Compensation Committee and the Executive Committee. The Board of Directors may issue guidelines and recommendations for the purpose of realizing a coherent business policy.

The Board of Directors has delegated the management of day-to-day business for the V-ZUG Group to the Executive Committee. The Board of Directors generally meets every two to three months. In its newly restructured form, the Board of Directors has met at four ordinary meetings since the General Meeting of Shareholders on 19 May 2020. These meetings usually last half a day. The Board of Directors also held an extraordinary meeting via a telephone conference and met at a workshop that addressed selected topics relating to the strategy of the V-ZUG Group. The agenda items for the meetings of the Board of Directors are specified by the Chairman and prepared by the Secretary together with the Executive Committee. Every member of the Board of Directors plus the CEO or the CFO are entitled to request the convocation of a meeting, indicating its purpose. As a rule, the members of the Board of Directors receive an invitation no later than ten days prior to the Board meeting, 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 has met at three ordinary meetings since the General Meeting of Shareholders on 19 May 2020, and has held three ordinary meetings via telephone conference calls. Half-day in-person meetings are usually held once a quarter, with monthly conference calls that last around one hour taking place in between. The Audit Committee makes an independent assessment of the quality of the annual financial statements and discusses these with the Executive Committee and the external auditors. It 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 specifies the audit plan and the scope of internal and external auditing, and evaluates the cooperation between internal and external auditors and their effectiveness. The Audit Committee assesses the effectiveness of the internal control system including risk management, and evaluates compliance with laws, regulations and accounting standards as well as adherence to internal rules and directives. It 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 also undertakes additional tasks in accordance with its regulations (not publicly available). The members of the Audit Committee are Tobias Knechtle (Chair) and Annelies Häcki Buhofner (Member). In addition to the CEO and CFO, a representative from the legal department (usually also the secretary of the Audit Committee) and a representative from the Finance & Controlling Group plus representatives from the external auditors and the internal audit department also take part in Audit Committee meetings.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee held three ordinary meetings during the reporting year. It usually holds quarterly in-person meetings. These meetings usually last half a day. As well as performing the duties and responsibilities assigned to the Compensation Committee under 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 includes a periodic review of the composition and size of the Board of Directors and its committees and of the Executive Committee. The Human Resources and Compensation Committee also submits proposals to the Board of Directors for qualified candidates for various committees. It also submits proposals to the Board of Directors for the remuneration of the Board of Directors and the Executive Committee. It develops and reviews the objectives and principles of the company's human resources policy for approval by the Board of Directors, prepares the appointment of members of the Executive Committee and approves selected personnel decisions. Finally, it reviews the basic structures in the area of the pension fund with regard to the scope and content of benefits, it reviews the annual appraisal of members of the Executive Committee, and keeps itself informed about personnel development and HR succession planning. The Human Resources and Compensation Committee also undertakes additional tasks in accordance with its regulations (not publicly available). The Human Resources and Compensation Committee consists of Prisca Hafner (Chair) and Jürg Werner (Member). As permanent guests, the CEO, CFO and Director of Human Resources take part in meetings of the Human Resources and Compensation Committee, except when matters are being discussed that affect those people themselves.

3.6 Definition of areas of responsibility

The V-ZUG Group is managed as a group, with the CEO and the Executive Committee being operationally responsible for management and target attainment. The Executive Committee's remit is essentially universal. Although the Board of Directors may be responsible, the Executive Committee must embrace conceptual initiatives and seize promising business opportunities through to fruition. In order to define the areas of responsibility between the Board of Directors and the Executive Committee, the Board of Directors has issued Organizational Regulations. These Organizational Regulations contain fundamental compliance principles that are valid for the entire V-ZUG Group. They form the legal basis for issuing further regulations and making reference to them. The Organizational Regulations are supplemented by a comprehensive competence matrix that defines the responsibilities and powers of the various committees and bodies within the V-ZUG Group in general and also for different business operations. If existing regulations at subsidiary level have not yet been modified in line with the Organizational Regulations and the competence matrix at Group level, the latter will take precedence. The organizational regulations dated 14 May 2020 can be found at www.vzug.com/ch/en/corporate-governance in their current version, which has remained valid with no changes since 1 June 2020. The competence matrix is not publicly available.

3.7 Information and control instruments vis-a-vis the Executive Committee

Extensive management information is compiled within the V-ZUG Group every six months in the form of consolidated financial statements for the V-ZUG Group (profit and loss account, balance sheet and cash flow statement). These consist of the two segments "Household Appliances" and "Real Estate" plus the "Corporate" reporting segment (see page 75 in the Financial Report). The half-yearly financial statements are submitted to the Audit Committee and the Board of Directors, and are explained in detail by the Executive Committee. The results are compared with the previous year's period and to the budget. The budgets, which form part of rolling medium-term plans, are reviewed several times a year in the form of extrapolations to establish how attainable they are. Regular reports are made to the Board of Directors and the Executive Committee concerning the results and progress towards budget attainment. Each month, the Chairman of the Board of Directors and the members of the Audit Committee receive key performance indicators (in the form of a "cockpit") and written comments on business progress and other aspects of the operational business and the relevant market environment. The entire Board of Directors receives this information at each ordinary Board meeting. At these meetings, the Executive Committee provides extensive information on business operations. The individual monthly financial statements from the subsidiaries form the basis for the consolidated financial statements of the V-ZUG Group. The individual annual financial statements of the subsidiaries are presented to the Audit Committee once a year.

The internal auditors conduct regular audits. The results of these audits are discussed in detail with the Executive Committee and essential measures are agreed. The Chairman of the Board of Directors, members of the Audit Committee, members of the Executive Committee and other line managers of the head of the audited unit receive a copy of the audit report. In addition, the reports and the key measures agreed are discussed by the Audit Committee. The internal auditors are administratively subordinated to the CFO, but reports on functional matters to the Chair of the Audit Committee. No internal audits were carried out at the V-ZUG Group in the reporting year due to the spin-off from the Metall Zug Group and the reorganization of the internal audit.

The V-ZUG Group has an appropriate system for monitoring and managing the risks associated with the company's activities. Risk management is a structured process that essentially encompasses all hierarchical levels. This process involves risk identification, risk analysis, risk management and risk reporting. The Executive Committee is responsible for monitoring and managing risks at an operational level. Particular people are assigned responsibility for significant individual risks. They take specific measures to manage these risks and monitor their implementation. On behalf of the Audit Committee, a risk report is drawn up and submitted to the Board of Directors at regular intervals, usually once a year.

In terms of insurance, V-ZUG Group companies have risk-appropriate cover in line with industry standards and in particular are insured appropriately against operational risks such as damage to property, operational disruption and third-party liability.

In terms of business risks, the V-ZUG Group deals with interest-rate and currency risks in addition to those risks set out under the risk management system described above. Currency risks are assessed centrally by the CFO in consultation with the Chair of the Audit Committee, and safeguards are put in place on a case-by-case basis as appropriate.

4 Executive Committee

4.1 Members of the Executive Committee

The Executive Committee of V-ZUG Holding AG currently consists of eight members. The following changes to the Executive Committee of the V-ZUG Group are planned for the 2021 financial year: Max Herger, Senior Vice President Operations, will leave the V-ZUG Group in summer 2021 to take early retirement. Adrian Theiler has been appointed as his successor and as a new member of the Executive Committee. Manuel Faeh, Senior Vice President Business Development, will leave the V-ZUG Group in the first half of 2021. The role of Senior Vice President Business Development is being repositioned and a new role of Chief Marketing Officer created. This role is currently vacant.

4.2 Other activities and vested interests

Details of the other activities and vested interests of the current members of the Executive Committee and those who left during the reporting year, as well as of the designated Director Operations, can be found below. Various Executive Committee members hold functions in governing and supervisory committees in various V-ZUG Group subsidiaries. Apart from the functions mentioned, none of the members of the Executive Committee has a permanent management or advisory role for an important interest group, nor an official role or political post.

Executive Committee



PETER SPIRIG
(CH) B. 1973

Dipl. Bau-Ing. (MSc in Civil Engineering) ETH Zurich; MBA INSEAD, Fontainebleau (FR).

Chief Executive Officer (CEO) of the V-ZUG Group since 1 September 2020.

Professional background

Head of Doors Division at Arbonia AG, Arbon, 2016-2020; President Franke Asia in Hong Kong and Member of the Group Executive Board of the Franke Group, Aarburg, 2013-2016; President of Franke Food Service Systems Asia, Hong Kong, 2009-2013; various roles at the Holcim Group, Rapperswil-Jona, in Zurich, Thailand and Sri Lanka, most recently as CEO of Holcim (Lanka) Ltd. in Colombo (LK), 2002-2009.

Previous activities for V-ZUG Group

None.

Activities in governing and supervisory bodies outside V-ZUG Group

None.



ALBERTO BERTOZ
(IT) B. 1974

Degree in Electrical Engineering, Politecnico Torino (IT), Executive MBA, MIB School of Management Trieste (IT).

Senior Vice President International and member of the Executive Committee of the V-ZUG Group since July 2018.

Professional background and previous operational activities for V-ZUG Group

Various roles at the V-ZUG Group including Regional Managing Director Asia, Managing Director China Region and Head of IPO (International Procurement Organization) Asia Pacific, 2012-2018; Head of Business and Development and Head of Product Development at Marcegaglia Imat SpA, Fontanafredda (IT), 2007-2012.

Activities in governing and supervisory bodies outside V-ZUG Group

No significant activities.



ATTILA CASTIGLIONI
(CH) B. 1969

Global Executive MBA HSG, University of St Gallen, SKU Advanced Management Programme, Business Studies HWV, St Gallen.

Senior Vice President Service and Marketing Swiss Market and member of the Executive Committee of the V-ZUG Group since 2015.

Professional background and previous operational activities for V-ZUG Group

Divisional Head of Marketing at V-ZUG AG, Zug, 2011-2015; various management and sales roles at IBM (Schweiz) AG, Zurich, 1995-2011.

Activities in governing and supervisory bodies outside V-ZUG Group

Board of Directors at Appenzeller Alpenbitter AG, Appenzell; Member of the Management Committee of Verband Küche Schweiz, Ebikon.



**MANUEL FAEH
(CH) B. 1978**

Dipl. Betr.- u. Prod.-Ing. (MSc in Industrial Management and Manufacturing) ETH Zurich.

Senior Vice President Business Development and member of the Executive Committee of the V-ZUG Group since October 2016. (leaving in the first half of 2021)

Professional background and previous operational activities for V-ZUG Group

Head of Business Development at Metall Zug AG, Zug, 2015-2016; Director and management advisor focusing on operations, strategy and organizational development for industrial firms at Helbling Business Advisors, Zurich, 2008-2015.

Activities in governing and supervisory bodies outside V-ZUG Group

None.



**SANDRA FORSTER-BERNACCHIA
(CH/IT) B. 1971**

Degree in law (lic. iur.), University of Zurich, postgraduate degree (CAS/MAS) in Human Resources, ZHAW-IAP Zurich, executive MBA University of St Gallen.

Director of Human Resources and member of the Executive Committee of the V-ZUG Group since November 2020.

Professional background

Head of People & Culture and member of the Executive Committee at ISS Schweiz AG, Zurich, April 2020 - October 2020; Head of Human Resources and member of the Executive Committee at Hilti (Schweiz) AG, Adliswil, 2013-July 2019; various personnel roles at Swiss Re, Zurich, 2007-2013; Vice President and member of the Executive Committee of Rail Gourmet Holding AG, Zug, 2001-2006.

Previous activities for V-ZUG Group

None.

Activities in governing and supervisory bodies outside V-ZUG Group

No significant activities.



**MAX HERGER
(CH) B. 1961**

Industrial engineer, Swiss Technical Association business administration, postgraduate degree in energy and building technology, HTL degree in mechanical engineering.

Senior Vice President Operations and member of the Executive Committee of the V-ZUG Group since January 2020. (early retirement in summer 2021)

Professional background and previous operational activities for V-ZUG Group

CEO of V-ZUG Kühltechnik AG, Arbon, 2013-2019; Head of Operations and member of the Executive Committee of V-ZUG AG, Zug, 2009-2013; Head of Production Planning at V-ZUG AG, Zug, 2002-2009; various management roles in production, service and support at Landis & Gyr, Zug, and Siemens Building Control, Zug, 1990-2001.

Activities in governing and supervisory bodies outside the V-ZUG Group

None.



**ADRIAN INEICHEN
(CH) B. 1973**

Chartered Expert in Financial and Managerial Accounting and Reporting, Advanced Federal Diploma of Higher Education, Chartered Specialist in Accounting and Financial Management, Federal Diploma of Higher Education, KV Business School, Zürich.

Chief Financial Officer (CFO) and member of the Executive Committee of the V-ZUG Group since 2015; Head of Segment "Real Estate".

Professional background and previous operational activities for V-ZUG Group

Head of Finance & Controlling of V-ZUG (Shanghai) Domestic Appliance Co., Ltd., Shanghai (CN), 2014-2015; Head Group Controlling and Finance at V-ZUG AG, Zug, 2005-2014; various roles as Controller at Panalpina, Basel and Hong Kong, 2002-2005; various roles in management and controlling at Collano Adhesive, Sempach, 1992-2002.

Activities in governing and supervisory bodies

President of the Foundation Board of the Pension Fund of V-ZUG AG, Zug; member of the Foundation Board of the Welfare Fund of V-ZUG AG, Zug.



**STEPHAN KELLER
(CH) B. 1969**

Dipl. Masch.-Ing. (MSc in Mechanical Engineering) ETH Zurich.

Senior Vice President Engineering and member of the Executive Committee of the V-ZUG Group since 2013.

Professional background and previous operational activities for V-ZUG Group

Member of the Executive Committee of the V-ZUG Group with alternating responsibilities for the areas of operations and product development since 2013; various roles at Robert Bosch GmbH, Solothurn, Stuttgart (DE), Hangzhou (CN) and Frauenfeld, amongst others, as Vice President with responsibility for product development, corporate research and accessories and abrasives worldwide, 1995-2013.

Activities in governing and supervisory bodies outside V-ZUG Group

Member of the Management Committee of Swissmem, Zurich; member of the Governing Council of Lucerne University of Applied Sciences and Arts; Member of the Scientific Advisory Board CSEM, Neuchâtel.

**HEINZ M. BUHOFFER
(CH) B. 1956**

Degree in economics (lic. oec.), University of St. Gallen.

CEO ad interim and member of the Executive Committee of the V-ZUG Group from September 2019 until September 2020.

Professional background and previous operational activities for V-ZUG Group

Chairman of the Executive Committee of the Metall Zug AG, 2002-2008; various operational roles at former MZ-Immobilien AG, Zug, 1984-1997; Member of various Boards of Directors of the V-ZUG Group from 1987 onwards.

Activities in governing and supervisory bodies

Member of the Board of Directors Metall Zug AG since 1997 (President 2013-2019) and Member of the Board of Directors of various Metall Zug Group companies; Member of the Board of Directors of WWZ AG, Zug; President of the Foundation Board of the Welfare Fund of V-ZUG AG, Zug.

**ADRIAN THEILER
(CH) B. 1972**

Dipl. Betr.- u. Prod.-Ing. (MSc in Industrial Management and Manufacturing) ETH Zurich.

Designated Director Operations and member of the Executive Committee of the V-ZUG Group (as of 1 August 2021, at the latest).

Professional background

Various management roles at Landis+Gyr AG, Zug, last as Vice President Supply Chain Management EMEA, since 2003; self-employed Supply Chain and Management Advisor, 2002-2003; Project Manager and Logistic Coordinator for The Nuance Group AG in Zurich and Sydney (AU), 2001-2002.

Activities in governing and supervisory bodies

No significant activities.

4.3 Number of permitted additional mandates (Executive Committee)

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

4.4 Management contracts

V-ZUG Holding AG has not concluded any management contracts with third parties.

The executive management of the two real estate companies within the V-ZUG Group (V-ZUG Infra AG and V-ZUG Assets AG) is contractually delegated to Tech Cluster Zug AG (a subsidiary of Metall Zug AG) until at least the end of 2027, under the supervision of the Board of Directors of the two real estate companies and that of V-ZUG Holding AG (further details of this arrangement can be found in the Real Estate Segment Report on page 29 et seq. of this Annual Report).

5 Compensation, shareholdings and loans: compensation report

For details regarding compensation, please refer to the separate Compensation Report published on page 61 et seq. of this Annual Report.

6 Shareholders' participation rights

6.1 Voting rights restrictions and representation

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

The independent representative is obliged to exercise the voting rights transferred to him by shareholders in accordance with their instructions. In accordance with Article 14 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 on unannounced motions and new agenda items,
- submit proxies and instructions to the independent representative electronically,

whereas the Board of Directors sets the rules for the procedures and deadlines for issuing such electronic submission of proxies and instructions.

6.2 Statutory quorums

The General Meeting of Shareholders passes its resolutions and conducts its voting with an absolute majority of the voting shares represented, unless the law (in particular Article 704 of the Swiss Code of Obligations (CO) or Articles 18, 43 or 64 of the Swiss Mergers Act) or the Articles of Association (Article 15, which in particular 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 for resolutions on the easing or cancellation of the transferability of registered shares) contains provisions to the contrary (Article 703 CO and Article 13 of the Articles of Association).

6.3 Convocation of the General Meeting of Shareholders

The ordinary General Meeting of Shareholders takes place annually no later than six months after the end of the financial year (Article 10 of the Articles of Association). The convocation is announced no later than 20 days before the day of the meeting, by letter, e-mail, fax or other electronic communication system that permits evidence to be presented in text format. It is sent to all shareholders entered in the share register, and is also published in the Swiss Official Gazette of Commerce (Article 11 of the Articles of Association).

Extraordinary General Meetings of Shareholders are convened as often as required, in particular in those cases governed by law. The external auditors and the liquidators have a legal right to convene a meeting, as has the General Meeting of Shareholders by way of a respective resolution. The Board of Directors shall further convene an extraordinary General Meeting of Shareholders if shareholders representing at least 10 % of the share capital request the convocation of such a meeting in writing, stating the agenda items and the motions. The written request must be accompanied by a statement issued by a bank, confirming that the shares have been deposited until after the General Meeting of Shareholders (Article 10 of the Articles of Association).

6.4 Inclusion of items on the agenda

In principle, items are included on the agenda in compliance with legal provisions. Shareholders individually or jointly representing shares with a nominal value of at least 10 % of the share capital may request in writing, and upon specification of the motions, the inclusion of items on the agenda no less than 50 days prior to the General Meeting of Shareholders unless the company publishes a different deadline. The written request must be accompanied by a statement issued by a bank, confirming that the shares have been deposited until after the General Meeting of Shareholders (Article 10 of the Articles of Association).

6.5 Entries in the share register

Only those shareholders who are listed in the share register as shareholders with the right to vote on a given cut-off date may exercise their right to vote at the General Meeting of Shareholders. The company's Articles of Association do not contain any rules regarding the cut-off date. This is determined by the Board of Directors and generally fixed for a date a few days prior to the General Meeting of Shareholders. The cut-off date is published along with the invitation to the General Meeting of Shareholders.

7 Changes of control and defence measures

7.1 Duty to make an offer

The duty to present a public purchase offer in accordance with Articles 135 and 163 FinMIA was waived in the Articles of Association (Article 4) in accordance with Article 125 para. 3 FinMIA prior to the company being listed on the stock exchange (so called "opting out").

7.2 Clauses on changes of control

In the event of a change of control, V-ZUG Holding AG is not obliged to make any additional payments for the benefit of members of the Board of Directors, the Executive Committee 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 the mandate: Since 2019 for V-ZUG Holding AG (previously since 2006 for Metall Zug AG).

Lead auditor: Christoph Michel

Assumption of office of the lead auditor: 2020.

8.2 Auditing fees

In the reporting year, the independent auditors, Ernst & Young AG, charged V-ZUG Holding AG and the V-ZUG Group KCHF 199 for services relating to the audit of the annual financial statements of V-ZUG Holding AG and its subsidiaries, as well as for services relating to the audit of the consolidated financial statements of the V-ZUG Group.

8.3 Additional fees

The independent auditors Ernst & Young AG charged V-ZUG Holding and the V-ZUG Group a total of KCHF 3 in additional fees.

8.4 Information 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 and other findings identified by the external auditors as part of their audit activities. External audit representatives are generally invited to all quarterly meetings of the Audit Committee. In 2020, they took part in all the quarterly 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 fees charged by the external auditors are 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 auditing fees and the fees they have charged 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

V-ZUG Holding AG has a transparent information policy with regard to the general public and the financial markets. It communicates openly and regularly with its shareholders, the capital market and the general public. Contact persons are the Chairman of the Board of Directors, the CEO, the CFO and the Head Investor Relations. The Annual Report and half-yearly report are made available in full on the Internet. A media conference is held at least once a year.

Press releases are issued on important events involving facts that may potentially impact on the share price. These can be accessed at www.vzug.com/ch/en/investor-relations-news. The financial calendar can be viewed at www.vzug.com/ch/en/corporate-calendar and general information on the V-ZUG Group can be found at www.vzug.com/ch/en. At www.vzug.com/ch/en/investor-relations-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.vzug.com/ch/en/media.

Compensation Report



Compensation Report

The Compensation Report describes the principles and corporate governance aspects of compensation for the Board of Directors and Executive Committee of V-ZUG Holding AG in the financial year 2020. The report is compiled in accordance with the mandatory provisions of the Ordinance against Excessive Remuneration in Listed Companies Limited by Share of 20 November 2013 (ERCO), taking account of the recommendations and principles of the "Swiss Code of Best Practice for Corporate Governance" published by economiesuisse on 29 September 2014 ("**Swiss Code**"), which is aimed at the individual responsibility of such companies.

Impact of the listing on 25 June 2020 on the disclosure of compensation

V-ZUG Holding AG was founded in November 2019 and was not listed on the stock exchange for the whole of the financial year 2020. The listing of the V-ZUG Holding AG registered shares and therefore the company's obligations under the ERCO took place part way through the year on 25 June 2020 (the first day of trading) as part of the spin-off from the Metall Zug Group (see detailed information regarding the listing and spin-off in the information memorandum dated 17 June 2020 on the listing of V-ZUG Holding AG shares on SIX Swiss Exchange, which is available together with additional information at: <https://www.vzug.com/ch/en/spin-off-and-listing>).

Against this background, this Compensation Report only sets out the compensation covering the period between the listing (from 25 June 2020 inclusive) and the end of the financial year 2020 (up to and including 31 December 2020) (the "**Reporting Period**"). Consequently, this Compensation Report does not include a comparison with the previous year.

General remarks concerning the compensation system

Based on the articles of association of V-ZUG Holding AG (the "**Articles of Association**"), members of the Board of Directors and the Executive Committee of V-ZUG Holding AG are entitled to compensation commensurate with their function and to customary social security benefits as well as reimbursement for expenses incurred in the interests of the company. Details are laid out in the separate compensation regulations (Article 23 of the Articles of Association). The following remarks for the financial year 2020 are based on the revised Compensation Regulations of V-ZUG Holding AG dated 2 December 2020 (the "**Compensation Regulations**", which were valid from 1 June 2020 and therefore applicable during the entire Reporting Period). The revised Compensation Regulations fully replace the compensation regulations of V-ZUG Holding AG dated 14 May 2020, which originally became effective on 1 June 2020.

With its current compensation policy, the V-ZUG Group endeavors to create a suitable basis for remunerating and incentivizing employees, management and supervisory bodies in line with the market and individual performance.

In accordance with Article 25 of the Articles of Association, pensions and other post-employment benefits are only paid to members of the Executive Committee and the Board of Directors by pension funds (including insurance companies, collective foundations and similar second-pillar institutions); the respective benefits and employer contributions are determined by the applicable regulations.

Compensation system for the Board of Directors

Members of the Board of Directors receive fixed compensation for their work as well as a lump-sum reimbursement of 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; chairing advisory boards, etc.) receive an additional fee for such additional roles and special tasks. If a member of the Board of Directors holds office as his or her main occupation and is not otherwise subject to occupational pensions (BVG) obligations, they are entitled to be included in the V-ZUG Group's occupational pension scheme within the framework of the legal and social security provisions. The fee scale is structured in accordance with the Compensation Regulations (including lump-sum expenses):

Role	Fixed (gross), in CHF	Lump-sum expenses, in CHF	Total, in CHF
Basic amount (member BoD)	63,000	12,000	75,000
Additional amount: Chairman BoD	72,000	3,000	75,000
Additional amount: chair BoD committee	20,000	-	20,000
Additional amount: member BoD committee	10,000	-	10,000

The Corporate Governance Report on pages 50 et seq. of this Annual Report lists the additional tasks performed by members of the Board of Directors of V-ZUG Holding AG on committees, their directorships and further functions at Group companies in the reporting year.

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 of the current calendar year to the ordinary General Meeting of Shareholders of the following year and is presented to the General Meeting of Shareholders for approval in accordance with Article 24 of the Articles of Association.

Compensation system for the Executive Committee

The compensation for members of the Executive Committee consists of a fixed basic salary and performance-related short-term variable compensation (short-term incentive). Members of the Executive Committee also receive a lump-sum expenses allowance (hospitality expenses plus vehicle and mileage remuneration).

Article 23 of the Articles of Association also provides for the possibility of long-term variable compensation elements (long-term incentive) for the compensation of the Executive Committee. Such long-term variable compensation elements would essentially focus on the same targets as the short-term variable compensation elements, but would also be designed to take account of employee retention and would therefore take the form of restricted shares (long-term incentive). The necessary shares would be purchased on the market. The Board of Directors has not currently made any decision regarding such long-term variable compensation elements, but does not rule out the possibility that they may be included in the compensation system for the Executive Committee in the future.

Fixed compensation

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 the members of the Executive Committee in their employment contracts, usually in the fourth quarter for the following financial year, and within the total amount approved by the General Meeting of Shareholders. Approval of the total amount available for the fixed compensation of the members of the Executive Committee is granted by the General Meeting of Shareholders in accordance with Article 24 of the Articles of Association for the following calendar year (prospective model).

If the total amount approved for the compensation of the Executive Committee is not sufficient to compensate members newly appointed after authorization by the General Meeting of Shareholders until the beginning of the next approval period, in accordance with Article 24 of the Articles of Association, an additional amount of 25 % of the previously approved total amount for the Executive Committee is available per newly appointed person for the approval period in question, up to a total additional amount of 50 % of the previously approved total amount for the Executive Committee for the relevant approval period.

Variable compensation

The variable compensation must not exceed 100 % of the respective fixed compensation per member of the Executive Committee. In accordance with Article 23 of the Articles of Association, the variable compensation is linked to qualitative and quantitative objectives, the components and 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 role of the Executive Committee member in question.

The quantitative objectives are connected to key performance indicators at Group and/or project level depending on the role of the Executive Committee member. When defining the relevant level for key performance indicators, the Human Resources and Compensation Committee uses the budgeted figures as a starting point and factors in the current environment, the previous year's provisional figures and the "tension" (attainability) in the budget, amongst other things. Achieving the budgeted figures does not mean members are entitled to 100 % of their target bonus. The qualitative targets are based on the nature of the work done and how it is performed, the commitment shown and the pursuit of the company's long-term, sustainable development; however, an integrated appraisal that looks beyond quantitative measurement systems is also used.

The individual employment contracts of members of the Executive Committee provide for a target bonus amounting to 80 % of the fixed compensation for the CEO and 50 % for the other Executive Committee members. These regulations are applicable at the latest for the variable compensation for the financial year 2021, which will be paid out in the financial year 2022. In the event of excellent performance, the target bonus may be exceeded by no more than a quarter; in other words, in the maximum case for the CEO, the bonus may be 100 % of the fixed compensation and in the maximum case for the other members of the Executive Committee, the bonus may be 62.5 % of the fixed compensation.

The Human Resources and Compensation Committee has considerable discretion when assessing target attainment. In individual cases, it may state in advance that no bonus will be paid out at all if certain minimum targets are not met, even if a bonus could be paid based on the attainment of other targets. As a general rule, the payment of any variable compensation is conditional upon exemplary performance as well as a positive net result in the profit and loss account (after the bonus payment has been included) at Group level. As a general rule, the actual bonus may not exceed the target bonus per person unless at least 90 % of the budgeted EBIT is achieved at Group level.

With the respective approval of the Human Resources and Compensation Committee and the Board of Directors, part or all of the bonus may be included in the pension fund and considered to be part of the occupational pension.

The amount of the target bonus for individual members of the Executive Committee is determined at the request of the Human Resources and Compensation Committee by the entire Board of Directors in the first quarter of the current financial year, taking into consideration the target bonus agreed in their respective employment contracts. The variable compensation for the Executive Committee for a financial year is also determined at the request of the Human Resources and Compensation Committee by the entire Board of Directors following the 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 following approval by the General Meeting of Shareholders (retrospective model - one of the variants provided for in Article 24 of the Articles of Association).

The Compensation Regulations allow V-ZUG Holding AG to claim back all or part of the variable compensation paid to a member of the Executive Committee for a bonus period up to 30 months after it has been paid, or make an appropriate deduction from their variable compensation for the following bonus period if, after the variable compensation has been paid, it transpires that this member seriously violated applicable legal regulations, contractual provisions or internal regulations (in particular the V-ZUG Group's Code of Conduct or other ethical principles) in the bonus period under consideration, or influenced their target attainment in the bonus period under consideration by taking action that adversely affected the long-term business development interests of the V-ZUG Group. Serious and repeated contraventions will generally result in the member losing all his or her variable compensation for the current year. In all cases, the entire Board of Directors will, at the request of the Human Resources and Compensation Committee, make a decision at its own discretion.

Capital participation programs

V-ZUG Holding AG does not have any participation or option programs and no shares have been assigned to members of the Board of Directors, of the Executive Committee or related parties.

Article 23 of the Articles of Association permits compensation to be paid out in the form of money or shares. The Board of Directors has not yet availed itself of the opportunity to allocate shares (see the preceding section on the compensation system for the Executive Committee on page 62 as a long-term incentive).

Details of compensation

Details of compensation for the Board of Directors and the Executive Committee are set out on the following pages. Details of share ownership by members of the Board of Directors and the Executive Committee are set out in the appendix to the annual financial statements of V-ZUG Holding AG on page 103 of this Annual Report.

Compensation for the Board of Directors

Since the Board of Directors of V-ZUG Holding AG was re-formed at the time of the spin-off from the Metall Zug Group and the company's listing on the stock exchange on 25 June 2020, and since the company became subject to ERCO part way through the year, no comparison with the previous year is shown.

Fixed Compensation

On 19 May 2020 (before the stock market listing), the ordinary General Meeting of Shareholders of V-ZUG Holding AG approved the sum of CHF 750,000 for the fixed compensation of the Board of Directors for the period of office until the next ordinary General Meeting of Shareholders. Of this amount, a pro-rated amount of around CHF 387,500 was available for the Reporting Period relevant to this Compensation Report (25 June 2020 – 31 December 2020). CHF 324,229 of this sum was effectively used for the compensation of members of the Board of Directors in the relevant Reporting Period (25 June 2020 – 31 December 2020).

The Board of Directors pursues a policy of consistent compensation, and is requesting the General Meeting of Shareholders on 29 April 2021 to approve a total amount of CHF 750,000 for its fixed compensation and lump-sum reimbursement of expenses for the period of office up to the next ordinary General Meeting of Shareholders in 2022. This figure includes a certain reserve, and is the same as the total amount approved by the ordinary General Meeting of Shareholders of V-ZUG Holding AG on 19 May 2020 (before the stock market listing) for the current period of office up to the ordinary General Meeting of Shareholders 2021.

Additional compensation

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, which are based on expense regulations approved by the tax authorities, are shown as fixed compensation in the interests of full and complete transparency although, as so-called genuine lump-sum expenses, they do not have to be disclosed since they do not constitute compensation. None of the members of the Board of Directors acts within the V-ZUG Group in an executive capacity, and therefore none of them receive any additional compensation from other companies within the V-ZUG Group.

Compensation for the 2020 ¹⁾ financial year, in CHF	Compensation/fixed fee (gross) ²⁾	Social contributions ³⁾	Total
'Oliver Riemenschneider, Chairman Board of Directors	77,500	4,447	81,947
Tobias Knechtle ⁴⁾ , Chair Audit Committee	52,004	0	52,004
Prisca Hafner, Chair Human Resources and Compensation Committee	49,083	2,734	51,817
Annelies Häcki Buhofer, Member Audit Committee	43,917	2,404	46,321
Dr. Jürg Werner, Member Human Resources and Compensation Committee	44,614	6,701	51,316
Petra Rumpf	38,750	2,075	40,825
Board of Directors total	305,868	18,361	324,229

¹⁾ Relates to the relevant Reporting Period (25/06/2020 to 31/12/2020).

²⁾ The compensation shown includes lump-sum expenses and other payments, benefits and remuneration (such as supplementary insurance, travel remuneration and mobility contribution). Child and family allowances are not disclosed.

³⁾ Employer contributions for AHV (old-age and survivors' insurance), IV (disability insurance), EO (loss of earnings compensation) and ALV (unemployment insurance).

⁴⁾ Payment to Tobias Knechtle is made via a corporate body. In accordance with the Compensation Regulations, the fixed fee (but not the lump-sum expenses) is increased (currently by 6.81 %) to offset the employer contributions made by the corporate body.

Compensation for the Executive Committee

Like the compensation for the Board of Directors, the compensation for the Executive Committee of V-ZUG Holding AG is published from the time of the stock market listing on 25 June 2020. Likewise, no figures are shown for the previous year.

The following changes took place in the V-ZUG Group's Executive Committee during the financial year 2020: Peter Spirig took over the role of CEO and Chair of the Executive Committee on 1 September 2020 from Heinz M. Buhofer, who had held this role temporarily and left the V-ZUG Group Executive Committee on 30 September 2020 after a handover period of one month. On 23 November 2020, Sandra Forster-Bernacchia, Director of Human Resources, joined the Executive Committee of the V-ZUG Group as a new member.

Fixed compensation

For the entire financial year 2020, the ordinary General Meeting of Shareholders on 19 May 2020 (before the stock market listing) approved a total amount of CHF 3,750,000 for the fixed compensation of members of the Executive Committee. Of this sum, a pro-rated amount of around CHF 1,937,500 was available for the relevant Reporting Period (25 June 2020 – 31 December 2020). CHF 1,678,227 of this amount was used for the fixed compensation of the Executive Committee in the relevant Reporting Period. This includes compensation for Heinz M. Buhofer until his departure on 30 September 2020, plus compensation for Peter Spirig (from 1 September 2020) and Sandra Forster-Bernacchia (from 23 November 2020) once they had joined the company. There was no need to make use of any additional amount.

For the financial year 2021, the V-ZUG Holding AG ordinary General Meeting of Shareholders on 19 May 2020 (before the stock market listing) approved an amount of CHF 3,750,000 for the fixed compensation of the Executive Committee in accordance with Article 24 para. 1, bullet point 2 of the Articles of Association.

For the financial year 2022, the General Meeting of Shareholders will, due to the announced personnel changes (including an additional member of the Executive Committee) and the restructuring of the management structure in the 2021 financial year (see Corporate Governance Report on page 54 et seq. of this Annual Report), be requested to approve a slightly higher overall amount of CHF 3,950,000 for the fixed compensation of the Executive Committee.

Variable compensation

Since the retrospective model is used for the approval of variable compensation of the Executive Committee by the General Meeting of Shareholders (see the previous section on the compensation system for the Executive Committee on page 62), the variable compensation for the Executive Committee for the relevant Reporting Period (25 June 2020 – 31 December 2020) will not be approved until the coming ordinary General Meeting of Shareholders of V-ZUG Holding AG on 29 April 2021. For the variable compensation of members of the Executive Committee for this relevant Reporting Period, the Board of Directors is requesting the General Meeting of Shareholders on 29 April 2021 to approve an amount of CHF 700,000, with the variable compensation for Peter Spirig and Sandra Forster-Bernacchia being included from the time they joined the company. Heinz M. Buhofer did not receive any variable compensation in the relevant Reporting Period. The variable compensation reflects the business results of the V-ZUG Group and the achievement of objectives by members of the Executive Committee.

Additional compensation

The employment contracts of Executive Committee members do not provide for any severance payments. The notice period is generally six months. No loans or credit facilities were granted to members of the Executive Committee or related parties, and the Articles of Association do not contain any provisions that would permit the granting of loans or credit facilities.

Compensation for the 2020 ¹⁾ financial year, in CHF	CEO ²⁾	Executive Committee (total) ³⁾
Fixed basic salary (gross)	150,000	1,163,589
Other payments / benefits ⁴⁾	14,240	182,360
Social contribution ⁵⁾	42,265	332,328
Total fixed compensation	206,505	1,678,277
Variable compensation (gross) ⁶⁾	120,000	601,332
Social contribution ⁵⁾	6,930	34,727
Total variable compensation⁷⁾	126,930	636,059
Total compensation	333,435	2,314,337

¹⁾ Relates to the relevant Reporting Period (25/06/2020 to 31/12/2020).

²⁾ The highest amount for any member of the Executive Committee in the relevant Reporting Period (25/06/2020 to 31/12/2020) was paid to the current CEO, Peter Spirig, who joined the Executive Committee as CEO on 01/09/2020.

³⁾ The compensation for Heinz M. Buhofer is included in the relevant Reporting Period (25/06/2020 to 31/12/2020) until his departure from the Executive Committee on 30/09/2020, and the compensation for Peter Spirig (from 01/09/2020) and Sandra Forster-Bernacchia (from 23/11/2020) is included from the time they joined the Executive Committee.

⁴⁾ Includes lump-sum expenses and other payments, benefits and remuneration (such as supplementary insurance, travel remuneration and mobility contribution). Child and family allowances are not disclosed.

⁵⁾ 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. The amounts in the table are disclosed on an accrual basis.

⁶⁾ The variable compensation for Peter Spirig for the period from his joining date of 01/09/2020 to 31/12/2020 was initially fixed, and is therefore not based on the attainment of agreed quantitative or qualitative objectives. From the financial year 2021 onwards, Peter Spirig's variable compensation will be subject to the same criteria as those described in the section on the compensation system for the Executive Committee.

⁷⁾ The variable compensation for members of the Executive Committee is generally paid out in May of the following year subject to approval by the ordinary General Meeting of Shareholders (on 29 April 2021 for the variable compensation of the Executive Committee for the relevant Reporting Period of 25/06/2020 – 31/12/2020). The amounts in the table are disclosed on an accrual basis.

Report of the statutory auditors



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To the General Meeting of
V-ZUG Holding AG, Zug

Zug, 15 March 2021

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of V-ZUG Holding AG for the period from 25 June 2020 to 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 61 to 65 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 period from 25 June 2020 to 31 December 2020 of V-ZUG Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Christoph Michel
Licensed audit expert
(Auditor in charge)

Simon Balmer
Licensed audit expert

Financial Report

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Financial Report

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Consolidated income statement

in KCHF	Notes	2020	2019 ¹⁾
Net sales	1.2	569,426	543,626
Changes in inventories		- 8,649	721
Other operating revenue	1.2	10,664	9,754
Operating revenue		571,441	554,101
Cost of materials	1.3	- 188,263	- 187,489
Personnel expenses	1.3	- 204,447	- 203,307
Depreciation on tangible assets	2.2	- 23,531	- 21,637
Amortization on intangible assets	2.3	- 6,457	- 5,559
Impairments on tangible assets	2.2	- 485	- 99
Other operating expenses	1.3	- 99,092	- 106,431
Operating expenses		- 522,275	- 524,522
Operating result (EBIT)		49,166	29,579
Financial income	3.4	341	366
Financial expenses	3.4	- 769	- 1,049
Financial result		- 428	- 683
Net result before taxes		48,738	28,896
Taxes	1.4	- 5,531	- 1,587
Group net result		43,207	27,309
Earnings per share (in CHF)	1.5	7.45	6.07
Diluted earnings per share (in CHF)	1.5	7.45	4.25

¹⁾ Combined historical financial statements.

Consolidated balance sheet

in KCHF	Notes	2020	2019 ¹⁾
Cash and cash equivalents	3.1	107,690	36,174
Securities	3.1	106	117
Trade receivables	2.1	55,877	54,686
Other receivables	2.1	15,035	15,107
Inventories	2.1	64,058	76,827
Prepaid expenses		2,692	5,787
Current assets		245,458	188,698
Tangible assets	2.2	270,108	240,191
Intangible assets	2.3	13,149	17,898
Financial assets	2.4	25,978	24,880
Fixed assets		309,235	282,969
Assets		554,693	471,667
Trade payables		22,140	20,744
Other current liabilities	2.1	55,973	45,181
Accrued liabilities	2.1	36,328	32,717
Current provisions	2.5	19,059	19,094
Current liabilities		133,500	117,736
Long-term financial liabilities	3.3	-	79,000
Other long-term liabilities	2.6	3,438	8,332
Long-term provisions	2.5	10,756	10,551
Deferred tax liabilities	1.4	13,817	14,425
Non-current liabilities		28,011	112,308
Total liabilities		161,511	230,044
Share capital	3.2	1,736	1,215
Capital reserves		132,792	24,408
Retained earnings		258,654	216,000
Shareholders' equity		393,182	241,623
Liabilities and shareholders' equity		554,693	471,667

¹⁾ Combined historical financial statements.

Changes in consolidated shareholders' equity

in KCHF	Share capital	Capital reserves	Retained earnings	Accumulated currency translation differences	Total retained earnings	Total
Shareholders' equity 31.12.2020	1,736	132,792	255,621	3,033	258,654	393,182
Group net result 2020			43,207		43,207	43,207
Inflows from capital increase	521	109,479			-	110,000
Issue tax on capital increase		- 1,095			-	- 1,095
Currency translation effects				- 553	- 553	- 553
Shareholders' equity 31.12.2019¹⁾	1,215	24,408	212,414	3,586	216,000	241,623
Group net result 2019			27,309		27,309	27,309
Dividend			- 15,000		- 15,000	- 15,000
Establishment of V-ZUG Holding AG	1,215	14,425	- 15,640		- 15,640	-
Others		100			-	100
Currency translation effects				- 109	- 109	- 109
Shareholders' equity 31.12.2018¹⁾	-	9,883	215,745	3,695	219,440	229,323

¹⁾ Combined historical financial statements.

For the periods until the establishment of V-ZUG Holding AG on 28 November 2019, the combined invested share capital is disclosed under capital reserves.

Consolidated statement of cash flows

in KCHF	Notes	2020	2019 ³⁾
Group net result		43,207	27,309
Financial result (net)		428	683
Depreciation and amortization		29,988	27,196
Impairment		485	99
Earnings from the sale of tangible assets		- 200	-
Net changes in provisions		194	1,869
Income tax		5,531	1,587
Other non-cash items ¹⁾		- 1,324	1,080
Change in trade receivables		- 1,194	- 10,257
Change in other receivables and prepaid expenses		4,280	- 3,237
Change in inventories		9,453	- 2,012
Change in trade payables		4,648	- 9,740
Change in other current liabilities and accrued expenses		4,906	9,577
Interest paid		- 324	- 611
Taxes paid		- 682	- 5,795
Cash flow from operating activities		99,396	37,748
Investments in tangible assets	2.2	- 53,566	- 65,717
Investments in intangible assets	2.3	- 4,408	- 3,615
Investments in financial assets and securities		- 16	- 107
Disposals of tangible assets	2.2	300	58
Disposals of intangible assets	2.3	-	269
Disposals of financial assets and securities		216	103
Interest received		49	34
Cash flow from investing activities		- 57,425	- 68,975
Cash flow from operating and investing activities (free cash flow)		41,971	- 31,227
Increase in long-term financial liabilities		-	52,000
Decrease in long-term financial liabilities		- 79,000	- 10,008
Inflows from capital increase		110,000	100
Issue tax on capital increase		- 1,095	-
Dividends		-	- 15,000
Cash flow from financing activities		29,905	27,092
Currency translation effects		- 360	- 214
Change in "Net cash and cash equivalents"²⁾		71,516	- 4,349
Net cash and cash equivalents beginning of year		36,174	40,523
Net cash and cash equivalents end of year		107,690	36,174

¹⁾ Other non-cash items essentially comprise changes in value adjustments on inventories and trade receivables of CHF 2.6 million (previous year CHF 1.7 million), non-cash allocations from the pension fund of V-ZUG AG and the welfare fund of V-ZUG AG to the employer's contribution reserves, incl. interest of CHF -2.3 million (previous year CHF -0.6 million), as well as the release of deferred compensation for additional expenses caused by the site transformation in Zug in the amount of CHF -1.2 million.

²⁾ The "Net cash and cash equivalents" fund comprises the balance sheet position cash and cash equivalents less current financial liabilities.

³⁾ Combined historical financial statements.

Notes to the consolidated financial statements

Information on the Report

General

The consolidated financial statements of the V-ZUG Group comply with the complete Swiss GAAP FER financial reporting standard currently applicable and are prepared on the basis of historical cost (acquisition cost or production cost) or actual values. The financial year taken as the basis for the consolidated financial statements is equivalent to the calendar year.

V-ZUG Holding AG was established on 28 November 2019 as a direct subsidiary of Metall Zug AG. V-ZUG subsidiaries (direct and indirect) previously held by Metall Zug AG were transferred to V-ZUG Holding AG by contribution in kind at the time of establishment. The spin-off and listing of V-ZUG Holding AG on SIX Swiss Exchange took place on 25 June 2020. As, in the previous year, the V-ZUG Group was not yet operating as an independent group, the prior-year comparatives are based on combined historical financial statements prepared in accordance with all existing Swiss GAAP FER Accounting and Reporting Recommendations.

The Financial Report is published in German and English. In the event of discrepancies between the two versions, the German version shall prevail.

Consolidation and combination principles

The Group holds more than 50% of the votes and the capital of all Group companies. The full consolidation method is applied, i.e. assets, liabilities, income and expenses are recognized in full. Participations below 20% are not consolidated. At the time of the initial consolidation, assets and liabilities of the acquired companies and business parts are stated at fair value and in accordance with uniform Group policies. The excess of the acquisition price over the revalued net assets of the acquired companies or business parts is recognized as goodwill. This goodwill is offset against retained earnings without affecting net income. The impact of a theoretical capitalization is presented in the notes to the consolidated financial statements. The useful life of the goodwill is determined at the time of acquisition. It generally ranges from three to five years, and up to 20 years in exceptional cases.

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

The companies included in the combined Group are all those wholly owned by V-ZUG Holding AG and these companies' subsidiaries as at 31 December 2019. The assets, liabilities, income and expenses are therefore recognized in full in combined historical financial statements. Investments in companies representing an ownership interest of less than 20% are not combined. Up until the date of V-ZUG Holding AG's establishment (28 November 2019), the Group was not an independent legal entity and there was therefore only combined, invested share capital. The combined share capital contained therein and the combined reserves were amalgamated in the capital reserves up until the date of establishment. Retained profits brought forward and revenue reserves were presented as retained earnings during the combination period.

Intergroup transactions

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

Currency translation

With regard to currency translation for consolidation purposes, the annual financial statements of the foreign Group companies are translated into Swiss francs according to the current rate method. The exchange rate at the end of the year is applied to assets and liabilities, while the average exchange rate during the period under review is used for income statements and statements of cash flows. Shareholders' equity is converted at historical exchange rates. The currency effects resulting from the conversion are offset against retained earnings without affecting net income. Foreign currency gains and losses on long-term, equity-like loans to Group companies are also recorded in equity without affecting net income.

Significant estimates

In preparing the Group financial statements, certain assumptions must be made which affect the accounting principles to be used and the amounts reported as assets, liabilities, income and expenses and the presentation of these amounts. The assumptions are set out in the following notes:

- Income tax
- Inventories
- Provisions

Definition of non-Swiss GAAP FER key indicators

V-ZUG uses certain key performance indicators which are not defined according to Swiss GAAP FER (so-called alternative performance measures [APMs]). Where relevant for the reader, specific subtotals are included which can be found directly in the relevant tables.

Other key indicators not described in the tables:

- "EBITDA" is the operating result (EBIT) before depreciation and amortization on tangible and intangible assets.
- "Capex" refers to additions of tangible and intangible assets.
- "The equity ratio" shows what proportion of a company's assets is financed with equity. It is defined as equity expressed as a percentage of total equity and liabilities.
- "ROCE" is a measure of how efficiently and profitably a company employs its total net capital. The calculation method can be found in Note 2 Invested capital.

Events after the balance sheet date

On 15 March 2021, the consolidated financial statements were approved for publication by the Board of Directors. They are also subject to approval by the General Meeting of Shareholders.

1. Performance

1.1 Segment information

The business activities of the V-ZUG Group comprise the following segments:

Household Appliances: Household kitchen and laundry appliances plus services

Real Estate: Management and development of real estate

Corporate: V-ZUG Holding AG

in KCHF	2020	2019
Household Appliances		
Net sales	569,426	543,626
Operating revenue	570,444	552,580
Operating expenses	- 524,294	- 524,303
Operating result (EBIT)	46,150	28,277
EBIT in % of net sales	8.1	5.2
Real Estate		
Net sales		
Operating revenue	9,502	9,820
Operating expenses	- 5,811	- 8,506
Operating result (EBIT)	3,691	1,314
Corporate and elimination		
Net sales		
Operating revenue	- 8,505	- 8,299
Operating expenses	7,830	8,287
Operating result (EBIT)	- 675	- 12
Total		
Net sales	569,426	543,626
Operating revenue	571,441	554,101
Operating expenses	- 522,275	- 524,522
Operating result (EBIT)	49,166	29,579
EBIT in % of net sales	8.6	5.4

ACCOUNTING PRINCIPLES

The segment accounts used at top management level for corporate control purposes are presented for segment reporting. Segment revenue consists of net sales and the segment result consists of the EBIT.

The main sources of revenue in the Household Appliances segment are the sale of appliances and spare parts as well as the provision of services. Sales outlets include specialist dealers, V-ZUG stores and digital channels.

1.2 Net sales and other operating revenue

Net sales by geographic markets

in KCHF	2020	2019
Switzerland	502,054	482,278
Europe (excluding Switzerland)	19,283	16,744
Americas	14,866	25,033
Asia/Pacific/Others	33,223	19,571
Total	569,426	543,626

Other operating revenue

Other operating revenue includes proceeds from invoicing an OEM customer for product development services, from the sale of tangible assets, from compensation for additional expenses caused by the site transformation in Zug, from the staff restaurant, and from rents.

ACCOUNTING PRINCIPLES

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

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

1.3 Operating expenses

Cost of materials

The position Cost of materials comprises all expenses for raw materials, auxiliary materials, fuels and trade goods, as well as expenses for the external manufacture, preparation and processing of proprietary products (outsourced services). Cash discounts on goods purchased are recorded as cost reductions.

Compared to the 4.7% increase in net sales, the cost of materials rose by a disproportionately low 0.4%. The ratio of the cost of materials to net sales (materials ratio) was 33.1% (previous year 34.5%). The materials ratio is influenced to a large degree by changes in inventories of semi-finished and finished products. Adjusted for this effect, it amounts to 34.6%, on a par with the previous year's level.

Personnel expenses

in KCHF	2020	2019
Wages and salaries	- 169,896	- 165,914
Pension expenses	- 12,738	- 14,538
Other personnel expenses	- 21,813	- 22,855
Total	- 204,447	- 203,307

Personnel expenses increased by 0.6% year-on-year. The average number of full-time equivalents rose by 0.9% from 1,954 in the previous year to 1,972. Personnel expenses contain an allocation from the pension fund of V-ZUG AG and the welfare fund of V-ZUG AG to the employer's contribution reserves, incl. interest of CHF 2.3 million (previous year CHF 0.6 million). This allocation reduced the Group's pension contributions by the corresponding amount. Average personnel expenses per employee decreased from KCHF 104.0 to KCHF 103.7, while net sales per employee were increased from KCHF 278.2 to KCHF 288.8.

At the balance sheet date, the number of full-time equivalents was 1,999 (previous year 1,940). The increase in personnel is attributable mainly to the two production sites in Switzerland, to SIBIRGroup AG and to the foreign distribution company in China.

Other operating expenses

in KCHF	2020	2019
Marketing/sales promotion	- 20,949	- 19,232
Maintenance and repair	- 12,177	- 15,092
Administrative expenses	- 27,648	- 35,835
Other costs	- 38,318	- 36,272
Total	- 99,092	- 106,431

In relation to net sales, other operating expenses amounted to 17.4% (previous year 19.6%). The decrease is largely due to lower sales and travel costs in 2020 because of restrictions imposed as a consequence of COVID-19 as well as to the absence of the increased costs seen in 2019 in connection with the introduction of the new ERP system. In addition, provisions in the amount of CHF 3.1 million for soil remediation work at the main site in Zug were recognized as maintenance and repair in 2019. Other costs contain rental costs, research and development costs, transport and energy costs, non-personnel costs for production, development, sales and administration as well as the change in guarantee provisions.

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. At 59.5 million, R&D expenses in 2020 were down CHF 1.5 million year-on-year and correspond to 10.4% of net sales (previous year 11.2%). Research and development expenses are charged in full to the income statement.

1.4 Income taxes

in KCHF	2020	2019
Current income taxes	- 6,138	- 842
Deferred income taxes	607	- 745
Total	- 5,531	- 1,587

Current income taxes include paid and due taxes on the taxable profits of the individual companies.

in KCHF	2020	2019
Liabilities from current income taxes	5,664	344
Deferred tax liabilities	13,817	14,425
Total	19,481	14,769

in KCHF	2020	2019
Ordinary group net result before taxes	48,738	28,896
Weighted average applicable income tax rate in %	13.4	16.6
Weighted average calculated income taxes	6,539	4,808
Utilization of previously unrecognized tax loss carryforwards	- 548	- 722
Additional unrecognized tax loss carryforwards	75	79
Change of unrecognized temporary differences	- 2	325
Tax effects on investments	375	- 90
Effect of Swiss corporate tax reform (TRAF)	- 987	- 2,394
Other effects	79	- 419
Effective income taxes	5,531	1,587
Effective income tax rate in %	11.3	5.5

The expected income tax rate on the ordinary group net result came to 13.4% (previous year 16.6%) and corresponds to the weighted average tax rate based on the profit/loss before taxes as well as the tax rate for each individual Group company. As a consequence of the Swiss corporate tax reform which came into force on 1 January 2020, cantonal taxes were lowered, which reduced the expected income tax rate compared to the previous year.

The effective income tax rate for the Group amounted to 11.3% (previous year 5.5%). In addition to the utilization of previously unrecognized tax loss carryforwards, the additional deduction for research and development expenses in the wake of the Swiss corporate tax reform is the main reason for the deviation from the expected income tax rate. In the previous year, the revaluation of deferred tax positions as a result of cantonal tax reductions led to a one-time tax revenue gain.

Non-capitalized tax loss carryforwards in 2020 amounted to CHF 20.1 million (previous year CHF 23.0 million) with a potential tax effect of CHF 4.0 million (previous year CHF 5.1 million), CHF 12.2 million (previous year CHF 13.7 million) of which may be used for an indefinite period and CHF 5.3 million (previous year CHF 1.1 million) of which will expire within the next two years. Non-capitalized deferred taxes on valuation differences also exist in the amount of CHF 1.5 million (previous year CHF 1.5 million). Owing to uncertainties with regard to the future offset option, these tax effects were not capitalized.

SIGNIFICANT ESTIMATES

Current tax liabilities are calculated based on an interpretation of the tax legislation in place in the relevant countries. The adequacy of such an interpretation is assessed by the tax authorities in the course of the final assessment or tax audits. This can result in changes to tax expense. Furthermore, capitalization of tax loss carryforwards requires a critical estimation of the probability of their being able to be set off against future profits, which are dependent on many different influences and developments.

ACCOUNTING PRINCIPLES

Current income taxes are calculated at the prevailing tax rates based on the expected statutory (i.e. 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 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 - if applicable - expected tax rates are applied to calculate deferred taxes.

The Deferred tax assets from offsettable loss carryforwards and from temporary valuation differences are only capitalized when in all probability future taxes on profits can be offset.

1.5 Earnings per share

in CHF	2020	2019
Group net result	43,207,000	27,309,000
Number of shares	5,796,253	4,500,000
Earnings per share	7.45	6.07

No dilution of earnings occurred in the year under review.

For the purpose of calculating earnings per share for the previous year, the number of shares of V-ZUG Holding AG outstanding as at 31 December 2019 was used, namely 4,500,000. Management based the calculation of diluted earnings per share of CHF 4.25 on 6,428,571 outstanding shares, which was the anticipated number at the time of the listing of V-ZUG Holding AG. The capital increase in the amount of 1,928,571 shares planned in the first half of 2020 was also factored in. The diluted earnings per share for the previous year were calculated in such a way as though these shares had been outstanding for all of the periods shown.

ACCOUNTING PRINCIPLES

The group net result per share is calculated by dividing the group net result by the weighted average of outstanding shares less the weighted average of treasury shares.

2. Invested capital

V-ZUG uses the below defined indicator (among others) to manage operational performance. Since the calculation of total net capital is based on average balance sheet values, the balance sheet date values for the three relevant report years are shown below to illustrate the general development of the positions.

Return on capital employed (ROCE)

in KCHF	2020	2019 ¹⁾	2018 ¹⁾
Trade receivables	55,877	54,686	45,122
Inventories	64,058	76,827	76,481
Trade payables	- 22,140	- 20,744	- 27,121
Prepayments from customers	- 5,620	- 3,767	- 1,186
Net current assets as at 31.12.	92,175	107,002	93,296
Other short-term current assets	17,833	21,011	16,684
Other short-term current liabilities (excl. provisions)	- 86,681	- 74,131	- 68,723
Extended net current assets as at 31.12.	23,327	53,882	41,257
Tangible assets	270,108	240,191	194,085
Intangible assets	13,149	17,898	17,423
Financial assets	25,978	24,880	19,666
Operating cash and cash equivalents ²⁾	30,000	30,000	30,000
Provisions	- 29,815	- 29,645	- 27,811
Total net capital as at balance sheet date 31.12.	332,747	337,206	274,620
Monthly average³⁾	345,623	304,827	
Operating result (EBIT)	49,166	29,579	
ROCE in %	14.2	9.7	

¹⁾ Combined historical financial statements.

²⁾ Operating cash and cash equivalents contain a minimum amount to ensure operations.

³⁾ Total net capital is determined based on the average of the preceding 13 month-end figures.

The return on net capital employed is calculated on the basis of the operating result (EBIT) of the last 12 months in relation to the average total net capital employed in the comparable period. Total net capital is defined as net current assets plus fixed assets plus operationally necessary cash and cash equivalents minus provisions.

2.1 Net operating current assets

Trade receivables

in KCHF	2020	2019
Trade receivables (nominal)	57,532	56,777
Specific value adjustments	- 1,128	- 1,315
General value adjustments	- 527	- 776
Total	55,877	54,686

Other receivables

Other receivables contain mainly reclaimable value added tax as well as receivables from social security institutions and from a company of the Metall Zug Group in accordance with an agreement on compensation payments in connection with the site transformation in Zug.

Inventories

in KCHF	2020	2019
Raw materials	6,484	6,636
Trade goods	15,322	18,715
Semi-finished and finished products	62,398	68,484
Advance payments to suppliers	-	260
Specific value adjustments	- 7,121	- 7,647
General value adjustments	- 13,025	- 9,621
Total	64,058	76,827

Due to high demand, inventories of trade goods and semi-finished and finished products are at a lower level than in the previous year. General value adjustments are higher largely as a consequence of the lower inventory turnover in the service and spare parts warehouse.

Advance payments from customers are not offset against inventories, but are reported as Other current liabilities. They amount to CHF 5.6 million (previous year CHF 3.8 million).

Other current liabilities

The position Other current liabilities includes taxes due, social insurance contributions, advance payments from customers as well as liabilities towards customers from sales bonus agreements.

This position also contains a goodwill amount. Effective 1 March 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 resulting from the acquisition was presented within liabilities and systematically reversed over the subsequent years. Goodwill is caused by deferred development costs and necessary adjustments to operations, both already factored into the purchase price. The goodwill was reversed over time in line with the development activities and the adjustments to the operational processes. The remaining goodwill as at the balance sheet date is CHF 4.7 million (previous year CHF 5.0 million). Since the final adjustments to processes (relocation from Arbon to Sulgen) will be made in the 2021 financial year, the amount as at the balance sheet date is reported under other current liabilities. In the previous year, CHF 1.3 million were reported as other short-term liabilities and CHF 3.7 million as other long-term liabilities.

Accrued liabilities

The position Accrued liabilities contains accruals for holidays, overtime and variable compensation (i.e. profit-sharing) as well as for services rendered and contributions to advertising spend.

SIGNIFICANT ESTIMATES

In assessing the value of inventories, estimates are based on expected consumption, price trend (lowest value principle) and on the loss-free valuation. The estimates used to determine inventory value adjustments are reviewed on an annual basis and changed as needed. Changes in sales figures or other circumstances may therefore lead to an adjustment of the book values.

ACCOUNTING PRINCIPLES

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

Purchased goods are recognized in the balance sheet at acquisition cost, predominantly according to the average 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.

Liabilities are measured at their nominal value.

2.2 Tangible assets

in KCHF	Developed land and buildings	Plant and equipment	Prepayments and assets under construction	Other tangible assets	Total
Acquisition value 31.12.2020	197,389	212,326	39,340	47,172	496,227
Additions	413	2,595	48,797	2,567	54,372
Disposals	- 4,036	- 2,410	- 19	- 2,242	- 8,707
Reclassifications	42,407	12,201	- 55,672	844	- 220
Currency translation effects		- 44	- 10	- 185	- 239
Acquisition value 31.12.2019	158,605	199,984	46,244	46,188	451,021
Additions	389	3,698	60,269	3,675	68,031
Disposals		- 13,448	- 22	- 4,872	- 18,342
Reclassifications	29,552	38,549	- 68,341	240	-
Currency translation effects		- 55	- 64	- 118	- 237
Acquisition value 31.12.2018	128,664	171,240	54,402	47,263	401,569
Accumulated depreciation 31.12.2020	- 50,952	- 138,294		- 36,873	- 226,119
Depreciation current year	- 3,743	- 15,800		- 3,988	- 23,531
Impairment	- 483	- 2			- 485
Disposals	4,036	2,331		2,240	8,607
Reclassifications	1,145	- 957		- 188	-
Currency translation effects		23		97	120
Accumulated depreciation 31.12.2019	- 51,907	- 123,889	-	- 35,034	- 210,830
Depreciation current year	- 3,028	- 14,621		- 3,988	- 21,637
Impairment				- 99	- 99
Disposals		13,448		4,836	18,284
Reclassifications		23		- 23	-
Currency translation effects		24		82	106
Accumulated depreciation 31.12.2018	- 48,879	- 122,763	-	- 35,842	- 207,484
Net value of tangible assets as at 31.12.2020	146,437	74,032	39,340	10,299	270,108
Net value of tangible assets as at 31.12.2019	106,698	76,095	46,244	11,154	240,191

The changes in developed land and buildings are due to ongoing building projects. August 2020 saw the operational handover of phase two of the Zephyr Hangar production building in Zug. Planning and construction activities are also underway for further buildings for the new vertical factory in Zug, which led to significant increases in prepayments and assets under construction. In addition to the site transformation in Zug, progress was also made on the construction of the new refrigerator factory in Sulgen, where prepayments for plant and equipment were made. The commissioning of a new press, the acquisition of tools for new products as well as investments in the coating technology system in Zug led to substantial additions to plant and equipment.

Impairment relates to the new Zephyr Ost production facility, construction of which is scheduled to begin in spring 2021, including the demolition of an existing building. User inner fixtures in plant buildings have also been reclassified from Buildings to Plant and Equipment within the framework of the site transformation.

ACCOUNTING PRINCIPLES

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

Depreciation table

	Years
Industrial, commercial and office buildings	33 - 50
Plant and equipment	5 - 12
Special tools	3 - 5
Vehicles	5 - 10
Other movable assets	2 - 8

2.3 Intangible assets

in KCHF	2020	2019
Acquisition value 31.12.	35,691	52,722
Additions	1,496	6,307
Disposals	- 18,731	- 570
Reclassifications	220	-
Currency translation effects	- 16	- 18
Acquisition value 1.1.	52,722	47,003
Accumulated amortization 31.12.	- 22,542	- 34,824
Amortization current year	- 6,457	- 5,559
Disposals	18,731	301
Currency translation effects	8	14
Accumulated amortization 1.1.	- 34,824	- 29,580
Net value intangible assets as at 31.12.	13,149	17,898
Net value intangible assets as at 1.1.	17,898	17,423

Immaterial assets include software and services bought in for IT outsourcing, which will bring the organization measurable benefits over several years. Further investments in the digitalization of business processes are reported under additions. In addition to a clean-up of legacy data, disposals include originally reported acquisition costs and accumulated depreciation and amortization of the previous ERP system now shut down.

ACCOUNTING PRINCIPLES

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. The useful life and amortization period of software is between two and five years. Self-developed intangible assets are not capitalized. Expenses for research and development are taken to the income statement.

2.4 Financial assets

in KCHF	2020	2019
Employer's contribution reserves	19,902	17,578
Shares in companies	1,982	1,982
Long-term loans and receivables	4,094	5,320
Total	25,978	24,880

Details of the changes in employer's contribution reserves can be found in Note 5.1 Pension schemes. A participation in a start-up in the smart kitchen sector is reported under shares in companies. Long-term loans and receivables include loans to third parties and deposits to secure rents. The position also contains a long-term receivable from a Group company of Metall Zug AG in the amount of CHF 3.3 million (previous year CHF 4.5 million). The short-term portion is reported under Other receivables and outlined in Note 2.1 Net operating current assets. An impairment of CHF 0.3 million (previous year CHF 0.3 million) is included in financial assets.

ACCOUNTING PRINCIPLES

Financial assets are recorded at their acquisition value less necessary impairments. Also recognized in the financial assets are employer's contribution reserves not subject to renounced use.

2.5 Provisions

in KCHF	Guarantees	Other	Total
Provisions 31.12.2020	26,677	3,138	29,815
Additions	19,940	463	20,403
Utilization	- 18,392	- 61	- 18,453
Release	- 65	- 65	- 130
Transfer	-	- 1,626	- 1,626
Currency translation effects	- 23	- 1	- 24
Provisions 31.12.2019	25,217	4,428	29,645
Additions	16,401	4,000	20,401
Utilization	- 17,142	- 32	- 17,174
Release	- 1,313	- 45	- 1,358
Currency translation effects	- 34	- 1	- 35
Provisions 31.12.2018	27,305	506	27,811
Of which current provisions 2020	17,662	1,397	19,059
Of which current provisions 2019	17,052	2,042	19,094

Provisions for guarantees cover the expected costs of guarantees and ex gratia services such as repairs.

The position Other contains provisions for soil remediation work in the amount of CHF 3.1 million (previous year CHF 3.1 million). A provision for soil remediation work at the main V-ZUG site was recognized in 2019. As part of the preparations for construction work at the main V-ZUG site in Zug, extensive contamination investigation was carried out in consultation with the Canton of Zug Environment Office. The investigations identified various areas that require remediation. These areas will be rectified at the same time as the planned construction work. Given the legal remediation obligation and the advanced planning stage for these construction plots, these remediation costs must be provided for. The provision was discounted at 1.5%. In the 2020 financial year, CHF 0.1 million in services were rendered, CHF 0.1 million released and CHF 0.2 million added as a result of new cost estimates.

Moreover, in the previous year, the position also contained CHF 1.4 million in connection with the CO₂ fund of the Metall Zug Group for the promotion of climate protection measures. The allocation to the CO₂ fund amounted to CHF 0.3 million up to the spin-off. When the spin-off took place, the fund was transferred to the Metall Zug Group. Also after the spin-off, V-ZUG continues to participate contractually in the CO₂ fund managed by the Metall Zug Group and makes annual contributions based on the CO₂ output from the V-ZUG Group's activities.

SIGNIFICANT ESTIMATES

The amount of provisions is largely based on an estimate of future costs. The calculation for guarantee claims is based on product sales and past cost and revenue experience. In addition to the flat-rate calculation, individual provisions for incurred or reported claims are taken into account based on an assessment by management.

ACCOUNTING PRINCIPLES

A provision is recognized if the Group has a probable obligation based on past events for which the amount and due date are still uncertain but can be estimated. 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 outflow after more than one year. Provisions for guarantees are calculated based on historical data (average of actual costs relative to revenue in recent years).

2.6 Other long-term liabilities

The position Other long-term liabilities includes a long-term deferred income position of CHF 3.3 million (previous year CHF 4.5 million) under an agreement between a company of the Metall Zug Group and V-ZUG AG on compensation payments in connection with the site transformation. In the previous year, the position also contained the long-term component of the goodwill transaction described under Note 2.1 Other current liabilities.

3. Financing and risk management

3.1 Cash and cash equivalents and securities

Cash and cash equivalents include cash on hand, and postal account and bank balances. The securities comprise investments in Swiss francs with a residual maturity of over 90 days.

ACCOUNTING PRINCIPLES

Securities are recorded at acquisition cost less necessary impairments.

3.2 Shareholders' equity

Share capital

As at 31 December 2020, the share capital of V-ZUG Holding AG consisted of 6,428,571 (previous year 4,500,000) registered shares with a nominal value of CHF 0.27 (previous year CHF 0.27). The total value of the share capital is CHF 1.7 million (previous year CHF 1.2 million). Under a capital restructuring in connection with the spin-off from the Metall Zug Group, V-ZUG Holding AG carried out an ordinary capital increase by cash subscription. In return for the issue of 1,928,571 registered shares of V-ZUG Holding AG with a par value of CHF 0.27 each to Metall Zug AG, the latter made a contribution of a total of CHF 110 million, CHF 0.5 million of this amount being in the form of a share capital increase and CHF 109.5 million in the form of a premium or capital contribution reserves, CHF 108.4 million of which can be paid out with the dividend tax-exempt to shareholders.

Undistributable, statutory or legal reserves amount to CHF 2.6 million (previous year: CHF 2.5 million).

3.3 Financial liabilities

In the previous year, the Metall Zug Group granted companies of the V-ZUG Group loans in an amount of CHF 79.0 million. These were paid back in 2020 as part of a capital restructuring.

3.4 Financial result

in KCHF	2020	2019
Interest income	46	26
Income from securities	238	320
Foreign exchange gains	57	20
Financial income	341	366
Interest expenses	- 372	- 664
Losses on securities	- 11	-
Other financial expenses	- 176	- 163
Foreign exchange losses	- 210	- 222
Financial expenses	- 769	- 1,049
Financial result	- 428	- 683

3.5 Operating leases

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

Maturing as at 31.12. in KCHF	2020	2019
up to 1 year	12,670	12,105
up to 3 years	13,192	13,235
over 3 years	1,600	2,066
Total	27,462	27,406

3.6 Other off-balance sheet obligations and contingent liabilities

There are long-term purchase commitments of CHF 30.1 million (previous year CHF 41.7 million) in place. The reduction in purchase commitments is in connection with the progressing development of the main site in Zug.

The carrying amount of the fixed-term deposits and long-term financial assets pledged as collateral is CHF 0.6 million (previous year CHF 0.5 million).

ACCOUNTING PRINCIPLES

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

3.7 Financial risk management

Risk assessment and management process

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

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

Country risks

The V-ZUG Group is represented by its subsidiaries in selected metropolises in Europe, Asia and Australia. Its global presence (share of foreign sales: 11.8%; previous year 11.2%) sometimes exposes the Group to additional risks such as political, financial and social uncertainty.

Financial risk management

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

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

Liquidity risks

The Group uses a periodic liquidity planning instrument to monitor liquidity risk and has sufficient cash and cash equivalents and unused credit facilities to meet its liabilities. It has no financial liabilities as at the balance sheet date.

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

Market risks and interest rate risks

Unlisted securities are shown in the balance sheet at acquisition cost less any impairment. The Group does not hold any listed securities.

The V-ZUG Group has no interest-bearing financial liabilities at present. As a result, the Group's interest rate risk arises less from its financing structure and volume but more from its interest-bearing assets.

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

Currency risks

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

These risks are partly mitigated through the concept known as natural hedging. This involves neutralizing currency risks from cash inflows in a certain currency with cash outflows in the same currency. However, the cash inflows and outflows do not match in size. As a result currency fluctuations can affect the V-ZUG Group's earnings margins, which means that the Group is exposed to a transaction risk. The Household Appliances segment generates more costs than sales in foreign currency, making the EUR/CHF exchange rate of primary importance.

Transaction risks are monitored continually by the Group and hedged where necessary. This includes investments in tangible assets in the EUR area.

In addition, exposure to currency risks remains a factor whenever competitors operating on a foreign currency basis factor the currency fluctuations in question into the prices of the products they sell in Switzerland. This can give rise to competitive advantages or disadvantages vis-à-vis competitors.

Bank balances and loans in foreign currencies can lead to changes in the exchange rates affecting the financial result. The following table provides information about the net foreign currency effect on the financial result.

in KCHF	2020	2019
Foreign exchange losses (net)	- 153	- 202
In % of net result before taxes	- 0.3	- 0.7
Change from the previous year	49	12
Change in % of net result before taxes	0.1	-

Counterparty risks from treasury activities

Financial transactions are only entered into with counterparties with a high credit rating. Cash and cash equivalents and securities are invested in a variety of counterparties to avoid cluster risks.

Credit risks

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

in KCHF	2020	2019
Allowance for doubtful receivables	- 1,655	- 2,091
In % of trade receivables (gross)	2.9	3.7
Change from the previous year	436	- 339
Change in % of net result before taxes	0.9	- 1.2

Exchange rates

CHF			Rate as at the balance sheet date		Annual average rate	
			2020	2019	2020	2019
Euro countries	1	EUR	1.08	1.09	1.07	1.11
Australia	1	AUD	0.68	0.68	0.65	0.69
Singapore	1	SGD	0.67	0.72	0.68	0.73
China	100	CNY	13.46	13.88	13.60	14.39
Hong Kong	100	HKD	11.35	12.41	12.10	12.68

Derivative financial instruments**Foreign exchange**

Values as at 31.12. in KCHF	2020	2019
Contract or nominal values (gross)	18,966	129,125
Positive replacement values	177	104
Negative replacement values	- 15	- 421

The contracts were concluded to hedge future operating cash flows in foreign currencies (primarily in EUR).

ACCOUNTING PRINCIPLES

Hedges are reported in the same way as the underlying transaction.

4. Group structure

4.1 Group companies

Company	Notes	Domicile	Currency	Share capital	Share of capital and votes
V-ZUG Holding AG		Zug	CHF	1,735,714	
Segment Household Appliances					
V-ZUG AG	1	Zug	CHF	1,900,000	100%
V-ZUG Kühltechnik AG		Arbon	CHF	100,000	100%
SIBIRGroup AG		Spreitenbach	CHF	500,000	100%
V-ZUG Australia Pty. Ltd.		Sydney (AU)	AUD	100	100%
V-ZUG Europe BV		Harelbeke-Kortrijk (BE)	EUR	2,000,000	100%
V-ZUG (Shanghai) Domestic Appliance Co., Ltd.		Shanghai (CN)	CNY	8 363 000	100%
V-ZUG (Changzhou) Special Components Co., Ltd.		Changzhou (CN)	CNY	19,370,000	100%
V-ZUG Hong Kong Co., Ltd.		Hong Kong (HK)	HKD	500 000	100%
V-ZUG Singapore Pte. Ltd.		Singapore (SG)	SGD	250,000	100%
V-ZUG Services AG	1	Zug	CHF	100,000	100%
Segment Real Estate					
V-ZUG Infra AG	1	Zug	CHF	3,518,590	100%
V-ZUG Assets AG	1, 2	Zug	CHF	1 000 000	100%

¹⁾ Directly held by V-ZUG Holding AG.

²⁾ Renamed from MZ Infra AG to V-ZUG Assets AG as at 16 December 2020.

5. Other information

5.1 Pension scheme

The most important companies with pension plans are located in Switzerland, where pension schemes are organized through independent foundations or collective foundations according to Swiss pension law (BVG). A patronage fund is also in place. The purpose of this fund 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)

in KCHF	Balance sheet	Balance sheet	Result from ECR or similar items in personnel expenses	Result from ECR or similar items in personnel expenses
	31.12.2020	31.12.2019	2020	2019
Patronage fund	18,005	17,295	710	623
Pension schemes with surplus	1,897	283	1,614	1
Total	19,902	17,578	2,324	624

There are no renounced uses.

The pension fund of V-ZUG AG allocated CHF 1.6 million (there was no allocation in the previous year) and the welfare fund of V-ZUG AG CHF 0.5 million (previous year CHF 0.4 million) to the employer's contribution reserves. The interest on the employer's contribution reserve amounted to CHF 0.2 million (previous year CHF 0.2 million).

Economical benefit/economical obligation and pension benefit expenses

in KCHF	Surplus/deficit according to pension plans	Surplus/deficit according to pension plans	Contributions for the period ¹⁾	Contributions for the period ¹⁾	Pension expenses in personnel expenses	Pension expenses in personnel expenses
	31.12.2020	31.12.2019	2020	2019	2020	2019
Patronage fund	3,000	3,000				
Pension plans without surplus/deficit			- 15,062	- 15,162	- 15,062	- 15,162
Total	3,000	3,000	- 15,062	- 15,162	- 15,062	- 15,162

¹⁾ All contributions were to pension schemes that bear pension risks themselves.

The reported surplus of the patronage fund is not intended for the economical benefit of the organization.

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

ACCOUNTING PRINCIPLES

The payments due in the accounting period to the pension schemes as well as current expenses for the execution of other pension plans are reported in the income statement. Any actual economic impact of the pension funds on the company is calculated at the balance sheet date. An economic benefit is only capitalized when this is to be used for the future pension expenses of the company. An economic obligation is recognized as a liability when the requirements for the formation of a provision are met. Separate, freely available employer's contribution reserves are shown as assets. The difference between the annually determined economic benefits and obligations and the change in the employer's contribution reserves are included in the income statement.

5.2 Transactions with related parties and companies

The following tables show the transactions, included in the income statement, between companies of the V-ZUG Group and related parties:

Income statement

in KCHF	2020	2019
Net sales	60	53
Cost of materials	-	- 23
Other operating revenue	2,931	2,353
Other operating expenses		
Rental expenses, property maintenance and energy supply	- 12,419	- 11,839
Development costs	-	- 1,148
Management fees	- 619	- 1,623
Other (net)	- 2,515	- 1,149
Total	- 15,553	- 15,759
Financial expenses	- 22	- 636

Balance sheet

in KCHF	2020	2019
Assets		
Trade receivables	-	17
Other receivables	1,504	1,507
Prepaid expenses	35	590
Tangible assets	1,306	
Financial assets	3,300	4,500
Liabilities and shareholders' equity		
Trade payables	-	603
Other current liabilities	532	8
Accrued liabilities	253	636
Long-term financial liabilities	-	79,000

Details of offsetting between the V-ZUG Group and related third parties

Other operating revenue includes mainly revenue from transactions with companies of the Metall Zug Group, in particular from the renting out of industrial properties and office premises, compensation for additional expenses caused by the site transformation in Zug as well as revenue from compensation for certain administrative services and IT services rendered by the V-ZUG Group, or by third parties mandated by the latter, to the Metall Zug Group. In the previous year, as well as rental revenues, revenues from property development services rendered to the Metall Zug Group were reported.

The properties in the southern part of the main site in Zug and further properties in Zug are held by a company of the Metall Zug Group. Rental costs, property maintenance and energy costs are offset accordingly.

In the previous year, development services were rendered by group companies of Metall Zug to the V-ZUG Group. These services are no longer being used.

Up until the spin-off, Metall Zug AG, as the then parent company of the V-ZUG Group, offset management fees for centrally rendered services in the areas of management, finance, legal, etc.

After the spin-off, the Metall Zug Group temporarily rendered services for certain support functions which were invoiced to the V-ZUG Group and are reported under Other expenses. Management of the two real estate companies of the V-ZUG Group is contractually delegated to a company of the Metall Zug Group. The relevant services are paid for by the V-ZUG Group.

A receivable is due from the Metall Zug Group in the amount of CHF 4.5 million, CHF 1.2 million of which are of a short-term nature and reported under Other receivables and CHF 3.3 million of which under financial assets. This is in connection with an agreement between a Metall Zug Group company and V-ZUG AG on compensation of additional expenses incurred by V-ZUG AG as a result of the site transformation in Zug.

Furthermore, in connection with the site transformation, Metall Zug Group companies rendered building contractor services in an amount of CHF 1.3 million, which are capitalized at the V-ZUG Group as an addition to non-current assets.

Under a capital increase carried out by Metall Zug AG, long-term financial liabilities were repaid to the latter.

Offsetting was, in principle, on the basis of the costs effectively incurred plus a processing fee. Management is of the view that the above transaction is conducted at conditions such as are applied between independent third parties.

Report of the statutory auditor



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To the General Meeting of
V-ZUG Holding AG, Zug

Zug, 15 March 2021

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements presented on pages 69 to 95 of V-ZUG Holding 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 2020.



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 2020 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.



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

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

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

Inventory valuation

Risk	Gross carrying amount and the related value adjustments amount to TCHF 84'204 and TCHF 20'146, respectively. The value adjustments primarily relate to spare parts and maintenance materials which are disclosed under semifinished and finished products as well as under trade goods. During our audit, we focused on this position, since it is 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 '2.1 Net operating current assets' on pages 81 and 82.
Our audit response	Besides the assessment of the acquisition or production cost of inventory, we evaluated the calculation of the value adjustments and compared management's assumptions with past experience. We evaluated the aging analysis to identify excess inventory. Furthermore, we compared acquisition and production costs with net realizable values and thus analyzed the valuation of inventories. Our audit procedures did not lead to any reservations concerning the measurement of inventory.



Completeness and measurement of provisions for guarantees

Risk The calculation of provisions for guarantees amounting to TCHF 26'677 is on one hand dependent on assumptions that are determined on the basis of past experience such as average actual costs incurred over the past years. On the other hand, costs that are expected to be incurred in the future due to new facts and circumstances are taken in to account. The position is significant for our audit, because the calculation includes management's estimation. The provisions are disclosed in section '2.5 Provisions' on pages 85 and 86.

Our audit response We assessed the assumptions by comparing them with past experience. In addition, we considered the influence of current events, such as the launch of new products or specific warranty claims. We discussed individual cases taken into account in the provisions with local management. Furthermore, we analyzed the criteria to recognize provisions as well as the underlying assumptions that were made in determining the relevant amounts. Our audit procedures did not lead to any reservations concerning the completeness and measurement of provisions for guarantees.

Revenue recognition

Risk Revenue from the sale of goods is recognized when the rights and obligations of ownership of the goods are transferred to the buyer. There are different contractual arrangements that determine the point in time at which the risks and rewards are transferred. Revenue from service contracts is realized over the corresponding term. Details of revenue recognition are disclosed under '1.1 Segment information' on page 75 as well as under '1.2 Net sales and other operating income' on page 76.

Our audit response We analyzed the revenue recognition process from order placement to billing and tested the implemented controls. Among other procedures, we focused on the assessment of the recognition of sales transactions that took place close to the balance sheet date. We evaluated the transactions on the basis of the documents such as contracts and delivery notes. We compared credit notes issued in the new financial year with the respective accrual in the reporting year. Moreover, taking delivery terms (Incoterms) into account, we assessed whether the rights and obligations were transferred to the customer in the period under review. Our audit procedures did not lead to any reservations relating to the recognition of revenues.



4

**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

Christoph Michel
Licensed audit expert
(Auditor in charge)

Simon Balmer
Licensed audit expert

Income statement

in KCHF	2020	2019
Dividend income	15,000	-
Other operating revenue	3,582	-
Operating revenue	18,582	-
Personnel expenses	- 3,794	-
Other operating expenses	- 463	- 12
Operating expenses	- 4,257	- 12
Operating income (EBIT)	14,325	- 12
Financial income	742	-
Financial expenses	- 27	-
Financial result	715	-
Income before taxes	15,040	- 12
Taxes	- 94	-
Net income	14,946	- 12

Balance sheet

in KCHF	2020	2019
Cash and cash equivalents	2,059	-
Other receivables third parties	38	-
Other receivables subsidiaries	8,018	-
Accrued expenses third parties	24	-
Accrued expenses subsidiaries	3,580	-
Current assets	13,719	-
Loans to subsidiaries	112,000	-
Investments	25,659	25,659
Fixed assets	137,659	25,659
Assets	151,378	25,659
Other current liabilities third parties	158	-
Other current liabilities subsidiaries	18	-
Accrued liabilities third parties	1,704	12
Current liabilities	1,880	12
Share capital	1,736	1,215
Statutory capital reserves		
Capital contribution reserves	132,828	24,444
Retained earnings		
Retained earnings carried forward	- 12	-
Net income	14,946	- 12
Shareholders' equity	149,498	25,647
Total liabilities and shareholders' equity	151,378	25,659

Notes to the annual financial statements

Principles

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

Loans to subsidiaries

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

Information on income statement and balance sheet positions

V-ZUG Holding AG was established on 28 November 2019 as a direct subsidiary of Metall Zug AG. V-ZUG subsidiaries (direct and indirect) previously held by Metall Zug AG were transferred to V-ZUG Holding AG by contribution in kind at the time of establishment. The spin-off and listing of V-ZUG Holding AG on SIX Swiss Exchange took place on 25 June 2020.

Operating revenue

The dividend payments by the subsidiaries are determined in relation to available retained earnings and capital requirements. Other operating revenue includes management fees charged to a subsidiary company.

Operating expenses

Personnel and other operating expenses include remuneration of the Executive Committee, the Board of Directors fees, the costs of carrying out the General Meeting of Shareholders and preparing the Annual Report, project costs as well as taxes on capital.

Financial result

Financial income includes interest income from receivables from investments. Financial expenses come from bank charges.

Current assets

Cash and cash equivalents consist of current account bank balances in Swiss francs. Other receivables subsidiaries include a short-term loan. Accrued expenses subsidiaries comprise mainly management fees.

Total liabilities

Accrued liabilities third parties comprise accruals for variable compensation as well as services for shareholder activities.

Fixed assets

The subsidiaries are granted long-term loans to finance operational activities.

Shareholders' equity

As at 31 December 2020, the share capital of V-ZUG Holding AG consisted of 6,428,571 (previous year 4,500,000) registered shares with a nominal value of CHF 0.27 (previous year CHF 0.27). The total value of the share capital is CHF 1.7 million (previous year CHF 1.2 million). Under a capital restructuring in connection with the spin-off from the Metall Zug Group, V-ZUG Holding AG carried out an ordinary capital increase by cash subscription. In return for the issue of 1,928,571 registered shares of V-ZUG Holding AG with a par value of CHF 0.27 each to Metall Zug AG, the latter made a contribution of a total of CHF 110 million, CHF 0.5 million of this amount being in the form of a share capital increase and CHF 109.5 million in the form of a premium or capital contribution reserves, CHF 108.4 million of which can be paid out with the dividend tax-exempt to shareholders.

Further information

Significant shareholders

Number	Registered shares	Votes in %	Registered shares	Votes in %
	2020		2019	
Metall Zug AG	1,945,871	30.27	-	-
Heinz M. Buhofer	572,420	8.90	-	-
Shareholder group Stöckli ¹⁾	524,134	8.15	-	-
Werner O. Weber ²⁾	506,290	7.88	-	-
Elisabeth Buhofer-Rubli	391,170	6.08	-	-
Annelies Häcki Buhofer ³⁾	288,354	4.49	-	-
Martin Buhofer	241,990	3.76	-	-
Vontobel Fonds Services AG	193,419	3.01	-	-

¹⁾ Hubert Stöckli-Hernandez, Helen Jauch-Stöckli, Johannes Stöckli, Elisabeth Stöckli Enzmann, Matthias Stöckli-Aguilar (shareholders' agreement).

²⁾ Held indirectly through WEMACO Invest AG, Zug.

³⁾ Mainly held indirectly through Holmia Holding AG, Zug.

Investments

See Note 4.1 to the consolidated financial statements (Group companies).

Share ownership by current members of the corporate bodies

Number	2020	2019
Oliver Riemenschneider, Chairman of the Board of Directors	1,100	-
Annelies Häcki Buhofer, Member of the Board of Directors	288,404 ¹⁾	-
Petra Rumpf, Member of the Board of Directors	1,000	-
Jürg Werner, Member of the Board of Directors	200	-
Peter Spirig, CEO	100 ²⁾	-
Manuel Faeh, Senior Vice President Business Development	10	-
Max Herger, Senior Vice President Operations (COO)	330 ³⁾	-
Stephan Keller, Senior Vice President Engineering (CTO)	220 ³⁾	-

¹⁾ Mainly held indirectly through Holmia Holding AG, Zug, and in part by related parties.

²⁾ Held in part by related parties.

³⁾ Held by related parties.

Information about compensation of the Board of Directors and the Executive Committee is contained in the Compensation Report.

Sureties

There are sureties to secure credit lines to Group companies from banks amounting to CHF 16.5 million.

Number of full-time equivalents

As at 31 December 2020, V-ZUG Holding AG had eight full-time employees (Executive Committee).

Significant events after the balance sheet date

There were no events between 31 December 2020 and 15 March 2021 that would require an adjustment to the carrying amounts of assets and liabilities and equity of V-ZUG Holding AG or would need to be disclosed under this heading.

Proposal of the Board of Directors for the appropriation of available earnings

	Proposal of the Board of Directors 2020	Resolution of the General Meeting of Shareholders 2019
Retained earnings carried forward	- 11,700	-
Net income	14,946,170	- 11,700
Retained earnings	14,934,470	- 11,700
Allocation to general reserves	348,000	-
Retained earnings to be carried forward	14,586,470	- 11,700

Report of the statutory auditor



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To the General Meeting of
V-ZUG Holding AG, Zug

Zug, 15 March 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements presented on pages 100 to 104 of V-ZUG Holding AG, which comprise the income statement, balance sheet and notes, for the year ended 31 December 2020.



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 2020 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 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 financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of investments and loans

Risk	The core business of V-ZUG Holding AG is granting loans to subsidiaries (TCHF 112'000) and holding investments (TCHF 25'659). These two items make up 91% of all assets of the entity. Depending on the operational developments of the individual subsidiaries, there is a valuation risk regarding investments and loans. Disclosures are made in the notes to the financial statements under 'Fixed assets' (page 102) and 'Investments' (page 103).
Our audit response	We assessed the impairment considerations of management and tested if impairments on investments and loans were necessary. We compared the carrying amounts of the investments with the proportionate share in equity. In case net assets were insufficient, we tested the valuations prepared by management (e.g., using the discounted cash flow method) to support the carrying amount. We examined the significant assumptions made for these calculations and involved internal valuation specialists as necessary. Our audit procedures did not lead to any reservations concerning the valuation of investments and loans.

**Report on other legal requirements**

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

In accordance with article 728a 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

Christoph Michel
Licensed audit expert
(Auditor in charge)

Simon Balmer
Licensed audit expert

3-year overview Group

in CHF million	2020	2019 ¹⁾	2018 ¹⁾
Consolidated income statement			
Net sales	569.4	543.6	539.0
Development in Net sales to previous year in %	4.7	0.9	0.9
- Personnel expenses	- 204.4	- 203.3	- 203.3
- Research and development	- 59.5	- 60.9	- 58.2
EBITDA	79.6	56.9	70.4
- Depreciation, amortization and impairment	- 30.5	- 27.3	- 22.2
Operating result (EBIT)	49.2	29.6	48.2
- Financial result	- 0.4	- 0.7	- 0.7
- Taxes	- 5.5	- 1.6	- 6.7
Group net result	43.2	27.3	40.9
Consolidated balance sheet			
Total assets	554.7	471.7	410.0
Current assets	245.5	188.7	178.8
In % of Total assets	44.3	40.0	43.6
Net cash and cash equivalents	107.7	36.2	40.5
In % of Total assets	19.4	7.7	9.9
Fixed assets	309.2	283.0	231.2
In % of Total assets	55.7	60.0	56.4
Total liabilities	161.5	230.0	180.7
In % of Total assets	29.1	48.8	44.1
Shareholders' equity	393.2	241.6	229.3
In % of Total assets	70.9	51.2	55.9
Cash flow/capital expenditure/employees			
Cash flow from operating activities	99.4	37.7	64.3
Capital expenditure	55.8	74.3	64.2
Employees as per 31.12. (FTE)	1,999	1,940	1,935
Segment Household Appliances			
Net sales	569.4	543.6	539.0
Operating result (EBIT)	46.2	28.3	44.5
In % of Net sales	8.1	5.2	8.3
Segment Real Estate			
Operating result (EBIT)	3.7	1.3	3.7

¹⁾ Combined historical financial statements.

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(Status as of 1 March 2021)

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Disclaimer

All statements in this Annual Report that do not relate to historical facts are forward-looking statements, that express intentions, beliefs, expectations and projections about future financial, operational and other developments and results. These statements and the underlying assumptions are subject to numerous risks, uncertainties and other factors that could cause actual developments to differ materially. Market data and valuations as well as past trends and valuations described in this Annual Report are no guarantee for the future development and future value of the company or the V-ZUG Group.

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