Schweiter Technologies

2016

Annual Report 2016

Board of Directors, Group Management, Statutory Auditor

Board of Directors

Term of office 3 May 2016 to 25 April 2017

Beat Siegrist	Chairman
Dr Lukas Braunschweiler	
Vanessa Frey	
Jan Jenisch	
Dr Jacques Sanche	

Group Management

Dr Heinz O. Baumgartner	Chief Executive Officer Group
Martin Klöti	Chief Financial Officer Group
Georg Reif	Chief Technology Officer 3A Composites
Ernesto Maurer	Chairman of the board SSM Textile Machinery

Statutory Auditor

Deloitte AG, Zurich

Report of the Board of Directors

Dear shareholders,

Schweiter Technologies achieved revenues of one billion Swiss francs, 3A Composites grew 9% also due to acquisitions, and SSM saw a cyclical increase of 16%. The 36% rise in EBITDA to over CHF 125 million is impressive. Schweiter Technologies witnessed the most successful year in its history, with all business units contributing. Other key drivers were the consistently encouraging levels of customer demand in all business areas, and favorable raw material costs.

3A Composites can once again look back on a very good financial year. After an already outstanding 2015, the Display and Architecture businesses in Europe reported another record year, despite overhaul work lasting several months at a major production facility. Polycasa has integrated optimally into 3AC and harnessed the hoped-for synergies. America made significant organizational headway in the Architecture business in particular, setting the stage for positive knock-on effects over the following years. Asian operations were strong, above all in India and Southeast Asia. In addition several delayed projects in the Middle East could be realized. Only China reported a decrease in revenues, albeit a modest one.

Core Materials maintained its strong market position, significantly lifting both revenues and earnings. The investments in balsa plantations in Papua New Guinea and in a new PET facility in the USA produced the expected successes. The wind turbine materials business reported double-digit growth, as did the other segments (e.g. Marine).

In the Mass Transportation business, the Polish facility acquired in 2015 provided a sizable volume of integration services and raised productivity. Revenues were also up in Switzerland. The bus and rail vehicles segments both secured substantial projects.

Following a somewhat difficult 2015 in terms of industry conditions, **SSM Textile Machinery** reconfirmed its strong market position and its impressive ability to achieve excellent earnings with lean structures.

Although 2016 was a quiet year as regards acquisitions, efforts were made to further strengthen the existing business areas in strategic terms. Schweiter Technologies will continue growing organically through acquisitions.

Chief among the numerous reasons for the business successes enjoyed by Schweiter Technologies is most probably the company's business culture, designed to inspire the individual management teams as well as cultivate and reward entrepreneurial talent. The Board of Directors and CEO are committed to working closely with the management teams.

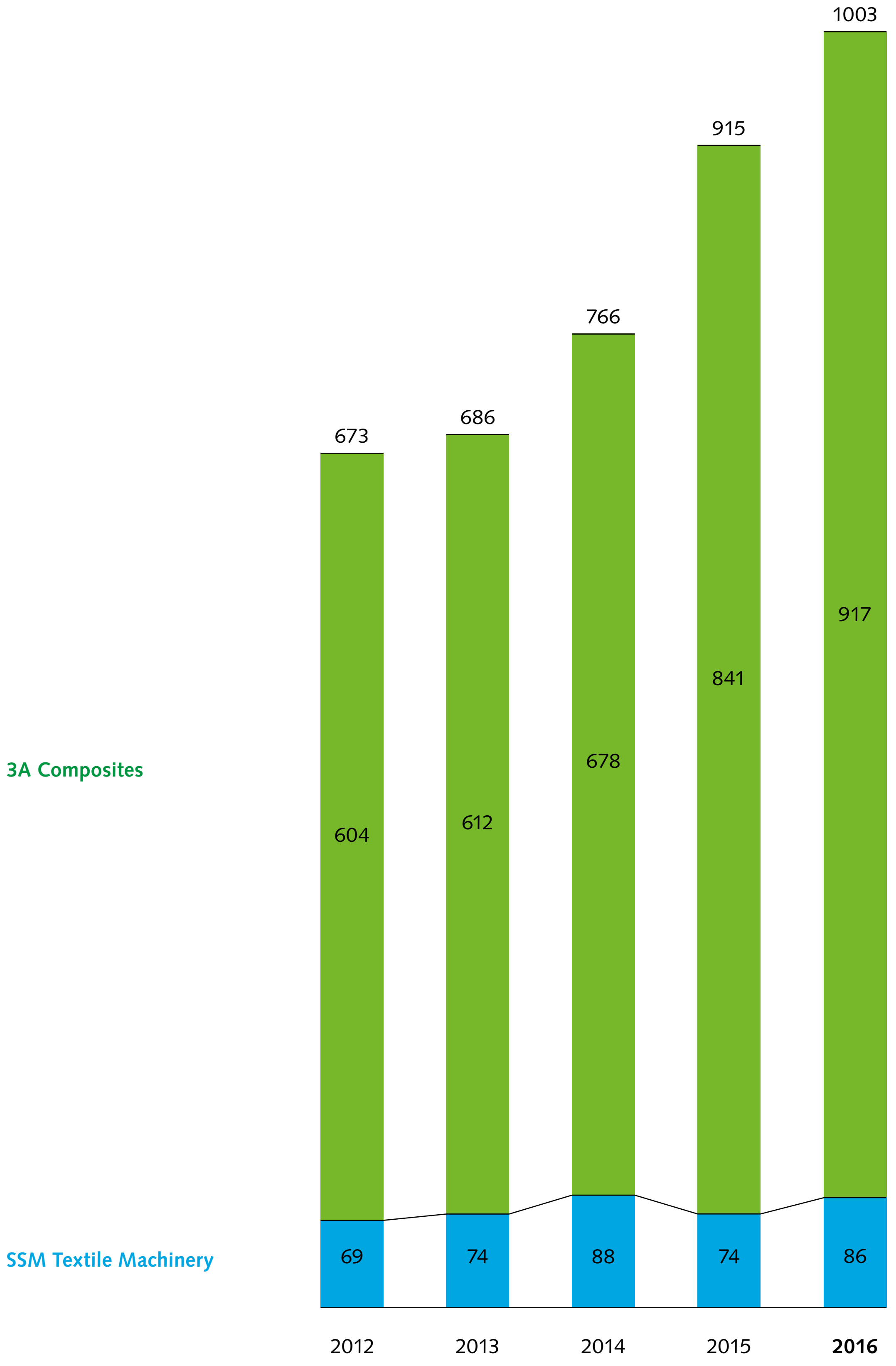
Our customers as well as our dependable and dedicated employees also play a part in these successes. The Board of Directors therefore wishes to thank everyone for the successes they have achieved and their hard work.

Loyal to the principle that capital which is surplus to requirements should be returned to shareholders, the Board of Directors proposes maintaining the attractive dividend policy applied in recent years and an unchanged dividend of CHF 40 per share for this year.

Schweiter Technologies started the new year on a strong footing and in-line with expectations. The strategy adopted to date is the right one, and the first quarter looks set to be solid.

Yours sincerely,

Portfolio development



Revenues (EBIT) CHF m (%)	673 (8%)	686 (7%)	766 (8%)	915 (7%)	1003 (10%)

Financial overview

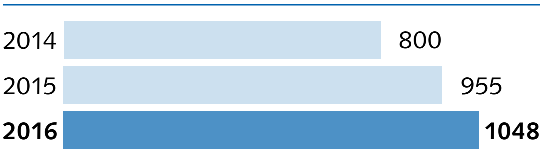
	2016	2015
Income statement (in CHF m)		
Orders received:		
Group	1 048.3	955.2
3A Composites	946.5	885.5
SSM Textile Machinery	101.8	69.7
Net revenue:		
Group	1 003.4	915.4
3A Composites	917.2	840.8
SSM Textile Machinery	85.9	74.3
EBITDA	125.0	92.1
EBIT	97.2	65.9
Net income	70.6	50.1
Balance sheet (in CHF m)		
Total assets	943.7	925.3
Net operating assets [1)]	469.5	464.3
Shareholders' equity	659.3	624.9
Net cash and cash equivalents	179.3	170.4
Statement of cash flow (in CHF m)		
Cash flow from operating activity	97.6	65.7
Cash flow from investment activity	– 28.2	– 134.6
Free cash flow	69.4	– 68.9
Key figures (in %)		
ROS (EBITDA/net revenue)	12.5	10.1
RONOA [2)]	20.7	14.2
Equity ratio (shareholders' equity / total assets)	69.9	67.5
Employees as at 31 December (Number)		
Total employees	4 332	4 689
Ratios per share (in CHF)		
33 Earnings per bearer share	49.36	35.00
Equity	460	436
Payout [3)]	40.0	40.0
Stock market capitalization as at 31 December (in CHF m)		
Stock market capitalization	1 646.6	1 213.5

[1)] Trade receivables, inventories and property, plant and equipment minus trade payables and payments on account received from customers
[2)] EBIT as % of the average net operating assets (return on net operating assets)
[3)] 2016 – dividend proposal of the Board of Directors

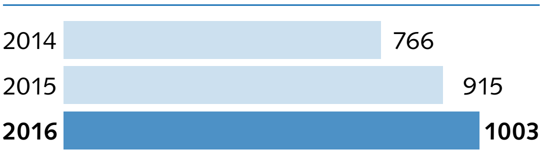
▲ For additional details, see the Notes to the consolidated financial statements

Key figures

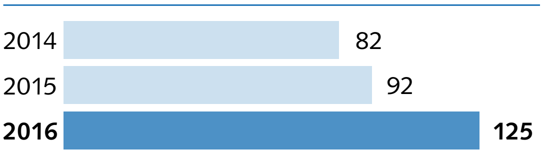
Orders received (in CHF m)



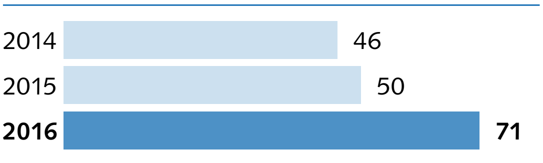
Net revenues (in CHF m)



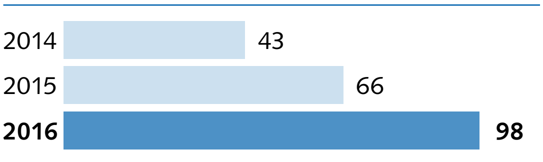
EBITDA (in CHF m)



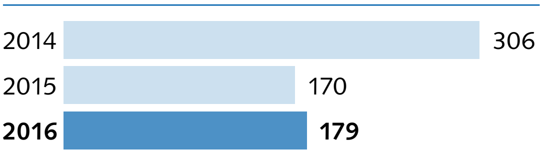
Net income (in CHF m)



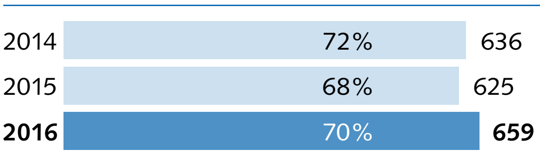
Cash flow from operating activity (in CHF m)



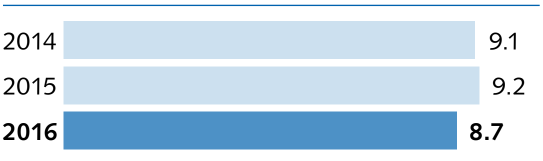
Cash and cash equivalents (in CHF m)



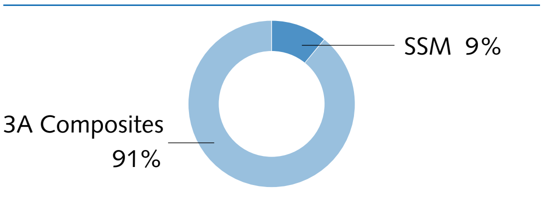
Equity (in CHF m) **/ Equity ratio**



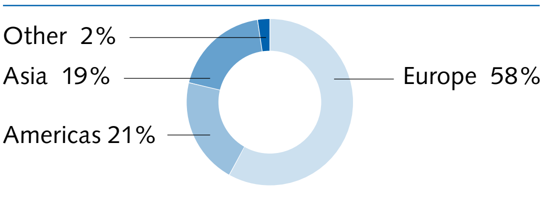
Dividend payout in % of equity



Net revenues 2016 by divisions (in %)



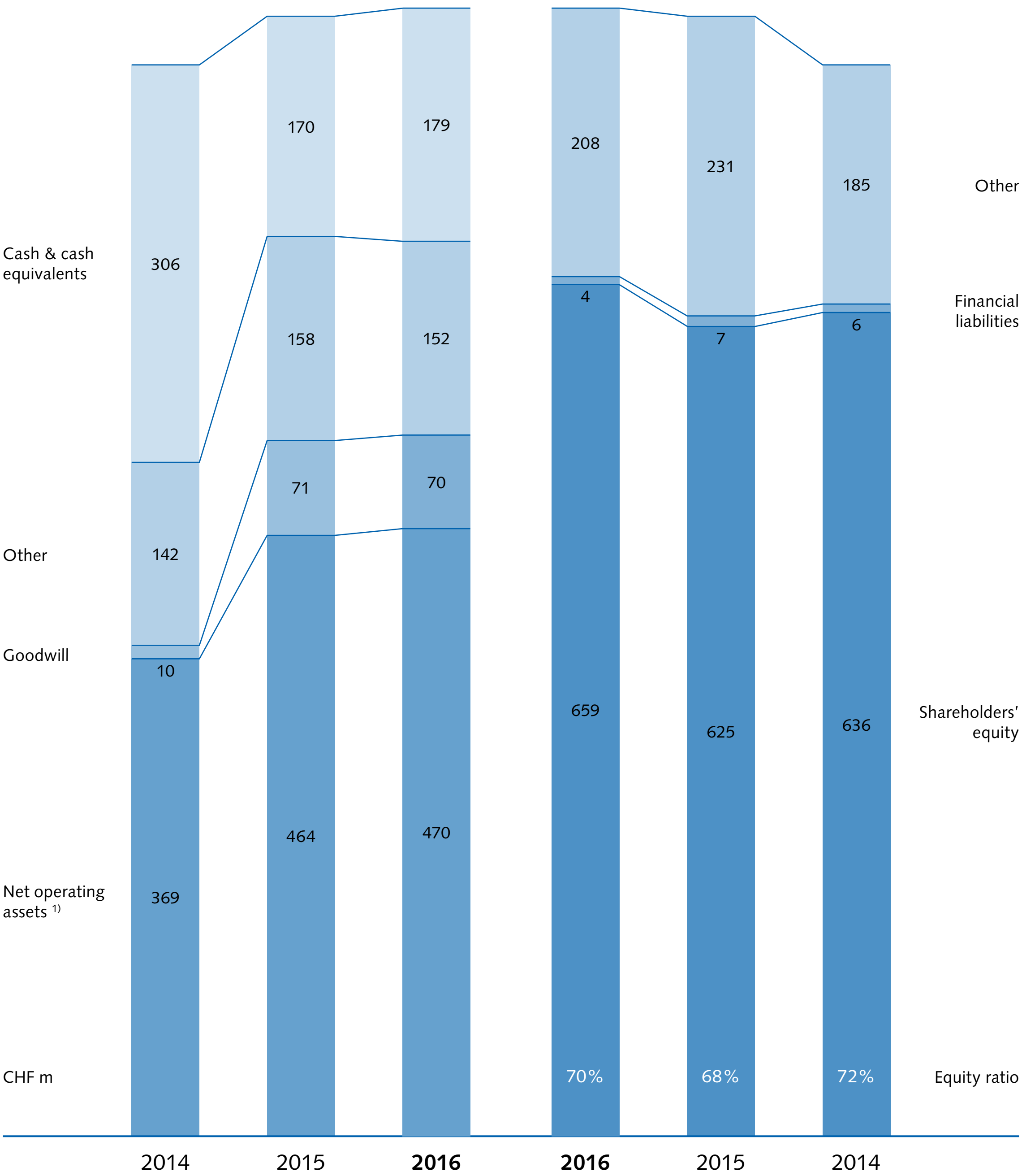
Net revenues 2016 by regions (in %)



Essentials of the consolidated balance sheet

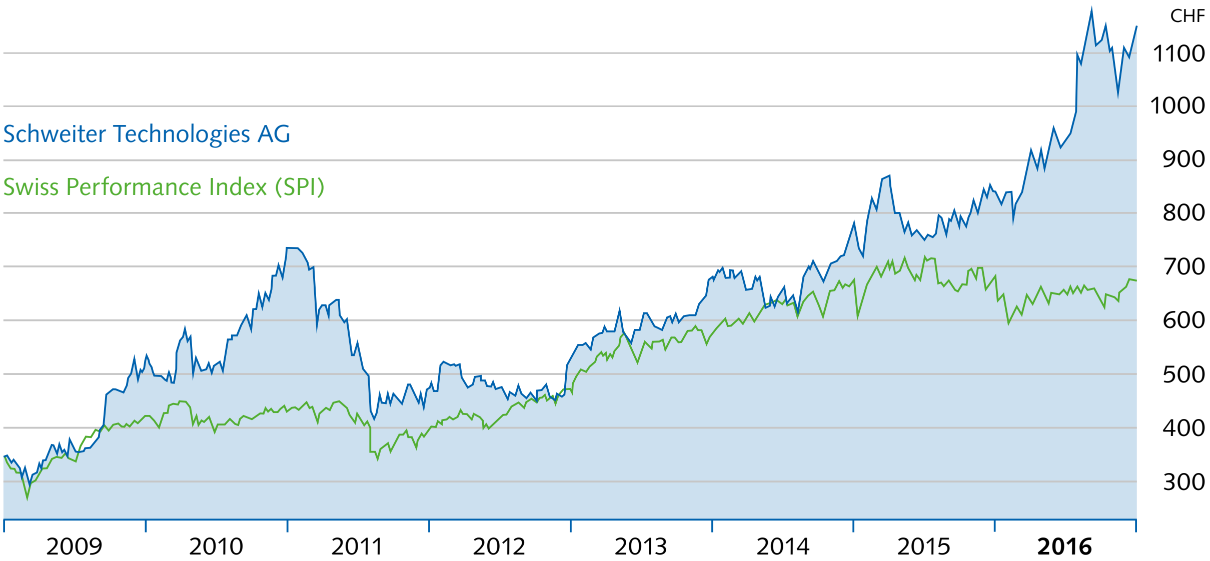
Assets

Liabilities



[1] Net operating assets = Trade receivables, inventories and property, plant and equipment minus trade payables and payments on account received from customers

Share price and stock information



Key figures for 5 years	**2016**	2015	2014	2013	2012
Share capital as at 31 December					
Bearer shares with a par value of CHF 1	1 431 808	1 431 808	1 443 672	1 443 672	1 443 672
Treasury shares	600	799	14 748	14 748	5 634
Share price					
Share price as at 31 December (in CHF)	1 150	848	780	677	525
Stock market capitalization					
as at 31 December (in CHF m)	1 647	1 213	1 126	977	758
Net income / loss					
per bearer share (in CHF)	49	35	32	21	42 [1]
Cash flow from operating activity					
per bearer share (in CHF)	68	46	30	27	55 [1]
Equity					
per bearer share (in CHF)	460	436	441	449	462
Distribution [2] [3]					
Total amount (in CHF m)	57.3	57.3	57.2	57.2	57.5
per bearer share (in CHF)	40.0	40.0	40.0	40.0	40.0
Dividend payout					
in % of equity	8.7	9.2	9.1	8.9	8.6

[1] Including net income / cash flow from discontinued operations (Ismeca Semiconductor)
[2] 2016 proposal of the Board of Directors
[3] Dividends and repayment of reserves from capital contributions (cash and distribution in form of treasury shares)

Group management report

Portfolio strategy

1. Schweiter Technologies develops business in the composite and mechanical engineering segments. 3A Composites manufactures materials and composite solutions in lightweight construction through the combination of suitable materials for specific applications and industry segments. SSM Textile Machinery covers a maximum of customer needs through a minimum of standardized and modular components and machinery. This is the basis for quality, cost-effectiveness and reliable procurement.

2. The individual business units (divisions) are global market leaders in their segments – or at least have the potential to become global market leaders. Each is autonomous – including financially.

3. The core of each strategy consists of innovation (starting point for all success to date), proximity to customers via an in-house sales and service system or distribution partner (3AC), as well as concentration on critical value creation. Schweiter Technologies promotes lean structures and direct communication.

4. The same care is applied to management development as to business development. A management culture is promoted which goes beyond product or even company cycles.

5. The holding company is not interested in buying and selling businesses, but aims to develop them beyond the timespan of those currently in executive posts. Acquisitions are primarily intended to strengthen current positions – divestments take place if there are better owners than Schweiter Technologies, or if there is no prospect of market leadership.

6. The structures of the holding company are lean. Apart from supervising executive functions, the Board of Directors is mainly involved in preparing and implementing the acquisition strategy.

Current situation of the portfolio strategy

In addition to traditional machine construction, the portfolio is concentrated primarily on the composites business in the core materials, architecture, display and transportation sectors.

As far as possible, the substantial cash holding is to be used for future-proof acquisitions in existing and/or new areas of business.

Business performance

In the 2016 financial year, Schweiter Technologies broke through the CHF 1 billion revenue mark for the first time and once again posted a double-digit increase in sales and earnings after an already strong 2015. Net revenues rose to CHF 1 003.4 million (2015: CHF 915.4 million), an increase of 10% (+8% in local currencies), thereof 7% due to acquisitions.

Both divisions contributed to the sales growth. 3A Composites confirmed the previous year's growth trend and grew its revenues by 9% (+8% in local currencies), while SSM Textile Machinery returned to its growth trajectory after a weaker 2015, posting a 16% increase in sales (+15% in local currencies).

Earnings grew at a faster rate than sales, and new records were set. The Group's EBITDA rose by 36% to CHF 125.0 million (2015: CHF 92.1 million), representing organic growth of 24%. EBIT was 48% higher at CHF 97.2 million (2015: CHF 65.9 million), while net income increased – despite currency losses in the current financial year – by 41% to CHF 70.6 million (2015: CHF 50.1 million).

Cash flow from operating activities amounted to around CHF 98 million, a rise of 49% versus the previous year. Cash and cash equivalents increased to CHF 179 million following a dividend payment of around CHF 57 million.

The headcount was 4 332 (2015: 4 689), including 1 649 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea.

Schweiter Technologies continuously invests in research and development with the aim of developing new markets through innovations, expanding its existing product portfolio and laying the foundations for further profitable growth.

Risk assessment

Schweiter Technologies has an implemented risk management system. On the basis of a periodic systematic risk identification process, the key risks to which the company is exposed are assessed in terms of their likelihood and impact. Appropriate measures, decided by the Board of Directors, are taken to avoid, diminish or shift these risks. Risks borne by the company itself are strictly monitored. The most recent risk assessment by the Board of Directors was performed in December 2016. Individual risks are dealt with in depth regularly.

Division 3A Composites

3A Composites manufactures composite panels and materials for sandwich solutions and is focused on the architecture, display, marine, transportation and wind energy markets. The company is regarded as the market leader in all target markets. Suitable combinations of materials are determined on the basis of the requirements of the relevant applications and are manufactured in large volumes using industrial processes.

In all target markets, 3A Composites offers a unique product range for the respective high-end segment and owns the brands that define the category, such as ALUCOBOND®, AIREX®, BALTEK®, DIBOND®, GATOR®, KAPA® etc.

Vision and strategy

The division sees itself as a global industrial company which aims to grow at 2 to 3 times the rate of the global economy, while at the same time achieving solid, double-digit EBITDA margins.

As a global composites company, its success is founded on a well-developed understanding of
- the current and anticipated future needs of selected attractive markets
- materials and composite materials
- the most efficient industrial and appropriate manufacturing processes.

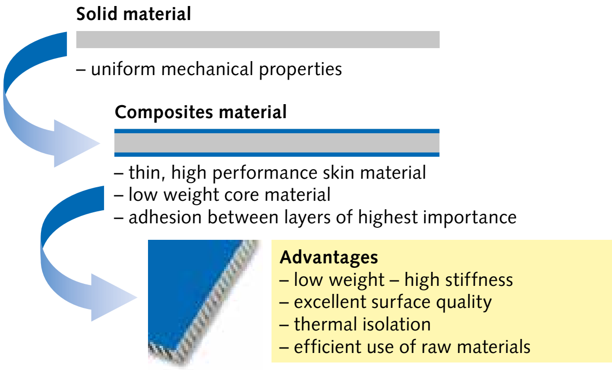
The 3A Composites business segments focus on a series of niche applications where innovative composite materials solutions are substitutes for traditional materials.

The advantages of the materials and composites lie in
- their decorative and functional surfaces
- structural properties and high rigidity of materials and composites
- the ease of further processing
- other specific properties, such as thermal insulation, absorption of structure-borne sound etc.

3A Composites' strong focus on end users and its high standard of service enable it to gain the necessary understanding of market requirements with a view to the first stage of developing suitable new materials and composites. These are then offered globally and undergo further adaptation. The main focus here is on the production of semi-finished products.

The products are sold to distribution partners. In this context, the company's leading brands and broad product range give access to the leading distribution organizations in each market segment. In some cases, such as the wind energy sector, products are supplied directly to leading global OEMs.

Division 3A Composites



In addition to the clear specialization of the products by markets, another of 3A Composites' strengths lies in the synergies achieved in the raw materials used and in the manufacturing processes which it deploys across segments. These result in cost advantages over competitors who concentrate on individual markets and have a narrow product range.

However, in exceptional cases, 3A Composites also integrates itself forward and/or backward.

To promote the acceptance of sandwich solutions in mass transportation applications and associated sales of materials, for example, the company also selectively offers whole components made of composite materials.

Reverse integration is undertaken in order to secure technology positions or the availability of raw materials, for example through control of the entire balsa supply chain from seed to saleable semi-finished product.

Market for composite panels and refined semi-finished products

Display

European revenues grew at approximately double the rate of the economy as a whole. Contributory factors included product innovations for existing product lines and expansion of the product offering to include transparent panel materials from the Polycasa Group (acquired in 2015). These products ideally complement the 3A Composites product portfolio. Consequently, joint marketing via existing distribution channels already markedly strengthened the market position in the first year following the acquisition.

The environment-friendly panels DITTO® (paper-based) and BANOVA® (made from balsa wood) gained a firmer market foothold.

While the strongest revenue growth was seen in Southern Europe and the UK, the increases achieved in Central Europe and core market Germany were also well above the general economic growth.

Wide Format Digital Printing on BANOVA® print
Davidson, North Carolina, USA

The performance of the Display business in the US market was subdued due to a generally low rate of growth in target markets and the associated weak demand in the primary segment for graphic display panels. The volume was nonetheless maintained.

Architecture

The construction sector in Europe continued to enjoy strong, stable conditions in 2016, helped by the historically low level of European interest rates. Despite the extensive technological renovation work being carried out on the main production facility and the significant reduction in capacity this caused in the first half of the year, 8% growth in the second half meant that revenues in Europe were on a par with the previous year's high level.

Solid revenues were generated in the core markets of Germany, Switzerland and Austria. France and the UK saw some normalization of the situation after very strong sales in the previous year. In the

Marina Barrage shelters, ALUCORE® /ALUCOBOND®, Singapore
Zach Architect Pte Ltd, Singapore

Division 3A Composites

UK, the "Brexit" situation is causing some uncertainty among investors in the construction sector, whereas revenues picked up in Italy and Spain despite the ongoing financing difficulties facing customers. There was also some evidence of growth momentum in Eastern and Southeastern Europe as well as Turkey.

After a slow start for the Architecture business in North America, the main market segment for industrial and institutional buildings performed well, showing encouraging growth over the year as a whole. A persistently weak South American economy and the continuing import of low price products prevented a positive performance.

The strong growth posted by Asia-Pacific in India and Southeast Asia was impacted by the temporary weakness in Chinese operations. This translated into average growth for the Asian Architecture business overall.

Group management report

Underground station, St. Petersburg, Russia
Interior cladding with ALUCOBOND® A2

In the Middle East the drop in sales suffered in 2015 was reversed despite continued, adverse political developments and persistently low oil prices.

Interior fittings for
recreational vehicles and yacht building

Following initial successes in the motorhome and yacht interior fittings sectors with the unique, lightweight BANOVA® panels made of bonded balsa veneers, a network of distribution partners was successfully built up in Germany, Europe's principal wood panel market. Product visibility and availability were increased by organizing systematic training sessions for the new distribution partners and staging joint marketing events.

BANOVA®-based, finished multi-ply products were also developed and launched in collaboration with market leaders (SwissKrono and Europlac).

Market for
core materials for sandwich applications

The Core Materials business achieved another significant year-on-year improvement. Double-digit increases in revenues and earnings were reported in both the wind and non-wind sectors.

Despite a modest upturn in Northern Europe and stagnating markets in Southern Europe, 3AC posted double-digit growth in Europe and the Middle East, while expectations were only partly met in the Asian market. The US market stabilized further and is very well covered by the 3AC distribution network.

3AC continues to focus on PET and BALSA-based products. 2016 saw the first industrial customers acquired for BANOVA®. In general terms an ongoing switch is taking place from PVC to PET core materials. The commissioning of the new PET production facility in the USA means that 3A Composites is now in a position to supply the US market as well with locally produced products.

Wind energy

The prevailing trend toward bigger and taller turbines continued in 2016 and is likely to remain stable. 2016 saw further consolidation among wind turbine manufacturers.

The 3AC offering comprises structural foam products, balsa wood, and balsa-based finished products. Thanks to the Hybrid Core Concept® and the strong AIREX® and BALTEK® brands, 3AC remains the supplier of choice for leaders in the wind segment.

The largest independent rotor blade manufacturer has expressed growing interest in replacing PVC core materials with PET and has stated that balsa products must be FSC-certified. 3AC is presently the sole supplier of FSC-certified balsa.

Division 3A Composites

Non-wind – marine,
transportation and construction industry

Besides targeting the marine market, 3AC is increasingly focused on the automotive, bus and truck markets. Weight-reduction solutions were developed in collaboration with leading OEMs over the past few months, while the first advance contracts were concluded for series deliveries starting in 2018.

In the fragmented marine market, 3A Composites improved its market position worldwide and – particularly in the USA – posted further strong growth thanks to cooperation with leading local distributors.

**Market for
structural components / system components**

The volume of business in the lightweight components sector increased by a total of 10% year-on-year. Revenues at the core location in Switzerland rose by 25%, while they fell short of expectations at the new site in Poland owing to a backlog of projects.

The positive development seen in Switzerland is attributable to a renewed strong increase in sales for the European bus market. Up 60% year-on-year in 2016, sales have quadrupled over the last 3 years.

The rail vehicle systems business – comprising the three product lines train front-ends, floor systems, and interiors – produced mixed results.

While sales of train front-ends were above expectations, floor system revenues were below budget owing to project delays.

Interior products are currently sold mainly in the local Polish market and are also manufactured in the newly integrated plant in Poland. With delays in EU subsidy payments to Poland causing a substantial drop in rail vehicle construction in the country, sales were below expectations and have been largely postponed to 2017.

Control Tower, San Francisco International Airport (SFO),
San Francisco, USA, ALUCOBOND® Plus

Group management report

Revenues and income

Revenues increased by 9% to CHF 917.2 million (2015: CHF 840.8 million). EBITDA increased by a disproportionate 35% to CHF 115.4 million (2015: CHF 85.5 million).

Product range / capacity

Major technological renovation work was carried out on the main production line at the Singen plant in the first half of the year. Tools to promote sales and provide consultancy services to architects/facade builders were also created, and a technical training center for developers and architects was opened. These measures form the basis for further increases in growth going forward.

In the USA, investments were made in an improved ACM production line for architectural products with the aim of reducing delivery times, lowering costs and increasing innovativeness. The new facility for the extrusion of PET core materials was commissioned on schedule.

The development of the new PET core material T10 was successfully completed, initial contracts were concluded with customers in the wind market, and the first orders delivered.

Organization

The decentralized, lean organization remained largely unchanged. The acquired operations of Polycasa, Plastwag and PNG Balsa were successfully integrated into the existing concept.

The BANOVA® lightweight panel business was reallocated to the Display & Architecture Europe division — primarily to benefit from synergies in the Display and industrial markets and the highly developed distribution network for intelligent semi-finished products.

Balsa plantations, 3A Composites PNG, Papua New Guinea

Division 3A Composites

Outlook

Developments are expected to remain positive in the Display segment. The key drivers are the attractive and unique range of products (now including transparent panels) on offer in Europe, the systematic introduction of improved and new products, as well as the positive forecast for the US market environment. Some areas were operating at full production capacity.

Predictions of encouraging progress in the Architecture business are based on the stable economic growth projected for Europe and America. Continuous product innovations, consultancy and training services for architects/facade builders, and the investments made in 2016 will facilitate further profitable growth. The market situation in Russia and Turkey may be seen as demanding compared to other markets.

2017 should be a solid year for China and Southeast Asia, provided the strong US dollar does not weaken local currencies further.

India is expected to see another good year. Attractive medium-term opportunities are opening up in the Middle East, due above all to new fire protection regulations in the UAE, a stabilization of the oil price, and accelerating growth in Qatar.

Management

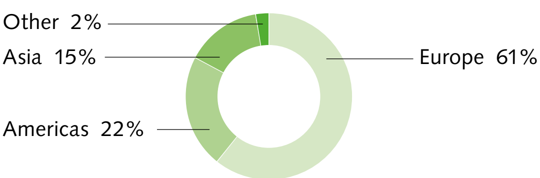
Dr Heinz O. Baumgartner	Chief Executive Officer 3A Composites
Brendan Cooper	Chief Executive Officer Display & Architecture Americas
Dr Tarek Haddad	Chief Executive Officer Display & Architecture Asia / Pacific
Martin Klöti	Chief Financial Officer
Dr Armin Raiber	Chief Executive Officer Mass Transportation
Georg Reif	Chief Technology Officer
Roman Thomassin	Chief Executive Officer Core Materials
Dr Joachim Werner	Chief Executive Officer Architecture & Display Europe

Employees (at year-end)

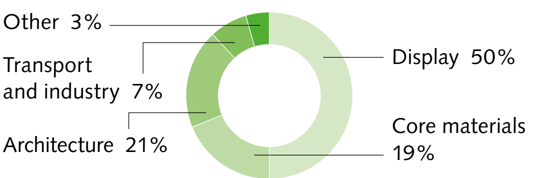
2016	2015	2014	2013
4080	4432	2514	2081
[1] 1649	[1] 1977	[1] 797	[1] 609

[1] of which in balsa plantations and sawmills in Ecuador and Papua New Guinea

Sales markets 2016 (in %)



Net revenues 2016 by operations (in %)



Group management report

Division SSM Textile Machinery

Market

New orders worth CHF 101.8 million (2015: CHF 69.7 million) marked the highest figure reported by SSM in ten years. In addition to a generally favorable market environment – following a somewhat difficult 2015 in term of industry conditions – the successful launch of new developments at the end of 2015 was a major factor in the striking increase in new orders.

Volume markets in China and India were solid, despite growing pressure from local competitors. The majority of customer segments in China are reporting excess capacity, leaving little scope for investment in expansion. On the other hand, numerous customers endeavoring to increase efficiency, flexibility and automation levels are relying on SSM products for modernizing their facilities. Reassuring order trends in India, Bangladesh and Pakistan confirm that SSM is on the right track in revamping its product portfolio. While the currency reform introduced in India in November 2016 prompted customers to hold back temporarily, the prospects for 2017 are intact.

In spite of the challenging political situation, the important Turkish market has made welcome headway. The Iranian market is also gradually opening up again and offers further considerable potential – even if the uncertainty caused by the recently reimposed US sanctions could lead to some delays in planned investments.

New orders reached encouraging levels in the Central Asia region, in particular in Uzbekistan. This contrasts with South America, where business was impacted by sluggish economic trends – above all in Brazil.

The traditional high-end markets in Europe and North America profited from the optimized SSM offering. Volumes were stable in the winding machine sector, while the yarn processing and texturing businesses succeeded in landing multiple medium-sized projects from numerous major manufacturers.

SSM GIUDICI TG30-BA – False-twist texturing

Division SSM Textile Machinery

Revenues and income

The combination of positive revenue trends, consistent cost management and flexible structures led to excellent results. Reporting revenues of CHF 85.9 million (2015: CHF 74.3 million), SSM generated EBIT of CHF 11.6 million (2015: CHF 8.0 million), corresponding to a return on sales of 13.5%. The high order backlog at the end of 2016 points to a good start to 2017 and ensures that all locations are operating at full capacity. In order to handle the heavy demand, temporary, flexible solutions have been found that barely impact structural costs.

Products and organization

With the current product portfolio, SSM can cover both the high-end and the volume segments without compromising on quality – despite the strong Swiss franc.

Division SSM Textile Machinery

All told, in 2016 SSM once again demonstrated that innovation, quality and service are a sustainable, solid basis for successful business – even in the face of challenges such as fast-changing market demands and relentlessly fierce competitive pressure.

The move initiated in May 2016 to focus and relocate the texturing machine business at the existing site in Galbiate, Italy, will help to keep SSM in good shape in the coming years. SSM's flexible structures allow it to meet fluctuations in demand. What is more, the total cost of products is continually being optimized, and further improvements in cost structures are targeted.

Outlook

The excellent order backlog of CHF 28.6 million at the end of 2016 (2015: CHF 13.1 million) and the current generally solid market situation signal a good first half in 2017.

In the year that has recently begun, SSM faces the task of stabilizing internal structures and processes following on from the reorganization initiated in 2016. Marketing efforts will be directed at consolidating the company's position as a technology, quality and service leader.

Machine program

Machines for the following applications/segments in the textile sector:
– Rewinding and dyeing – Doubling – Sewing threads
– Air texturing – Air covering
– False twist texturing – Singeing
– Yarn preparation – Elastane preparation

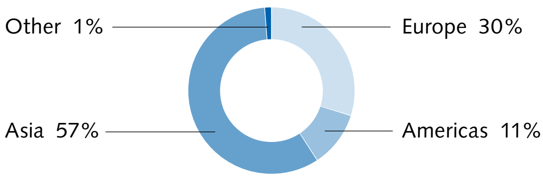
Management

Ernesto Maurer	Chairman of the Board of Directors SSM
Dr Davide Maccabruni	Chief Executive Officer
Marco Sarain	Chief Financial Officer
Dr Davide Maccabruni	Head of Marketing & Sales
Christian Muser	Chief Technology Officer
Claudia Wagner	Head of Operations
Christian Widmer	Head of Aftersale Services

Employees (at year-end)

2016	2015	2014	2013	2012
246	251	244	242	256

Sales markets 2016 (in %)



Consolidated financial statements of Schweiter Technologies AG

Consolidated balance sheet as at 31 December 2016

	Assets (in CHF 1000s)	**2016**	%	2015	%
	Current assets				
1	Cash and cash equivalents	179 308		170 445	
2	Trade receivables	143 007		136 342	
	Current income tax receivables	3 816		5 374	
	Advances to suppliers	9 191		7 555	
3	Other receivables	19 759		21 742	
	Prepaid expenses and accrued income	1 395		863	
4	Inventories	147 744		144 349	
	Total current assets	**504 220**	53.4	**486 670**	52.6
	Non-current assets				
5	Property, plant and equipment	251 778		245 606	
6	Investment property	19 874		20 333	
7	Biological assets	27 918		26 870	
8	Investment in associated companies	0		966	
9	Financial assets	861		1 677	
30	Deferred tax assets	22 577		24 351	
10	Intangible assets (incl. goodwill)	116 505		118 863	
	Total non-current assets	**439 513**	46.6	**438 666**	47.4
	Total assets	**943 733**		**925 336**	

	Liabilities and shareholders' equity (in CHF 1000s)				
	Current liabilities				
11	Current financial liabilities	1 271		2 378	
	Trade payables	65 018		54 909	
	Prepayments received from customers	7 976		7 066	
12	Other payables	8 583		10 075	
13	Accrued expenses and deferred income	55 483		51 366	
17	Current provisions	2 552		1 580	
	Current income tax payables	20 384		28 122	
	Total current liabilities	**161 267**	17.1	**155 496**	16.8
15	Non-current financial liabilities	3 208		5 004	
31	Deferred tax liabilities	30 209		26 812	
17	Non-current provisions	16 581		19 506	
16	Pension obligations	73 150		93 632	
	Total non-current liabilities	**123 148**	13.0	**144 954**	15.7
	Total liabilities	**284 415**	30.1	**300 450**	32.5
	Shareholders' equity				
18	Share capital	1 432		1 432	
18	Treasury shares	– 221		– 295	
	Reserves from capital contributions	63		63	
	Retained earnings	682 630		650 498	
	Currency translation adjustments	– 24 586		– 26 812	
	Total shareholders' equity	**659 318**	69.9	**624 886**	67.5
	Total liabilities and shareholders' equity	**943 733**		**925 336**	

▲ For additional details, see the Notes to the consolidated financial statements

Consolidated income statement for the financial year 2016

	(in CHF 1000s)	2016	%	2015	%
22	**Net revenues**	**1 003 356**	100.5	**915 398**	99.6
	Change in inventories of semi-finished and finished goods	– 5 329	– 0.5	3 611	0.4
	Total operating income	**998 027**	100.0	**919 009**	100.0
	Material expenses	– 512 722	– 51.4	– 496 093	– 54.0
	Personnel expenses	– 191 851	– 19.2	– 176 440	– 19.2
23	Other operating expenses	– 174 724	– 17.5	– 159 801	– 17.4
24	Income/expenses from investment property – net	0		– 99	
25	Other operating income	6 237	0.6	5 503	0.6
26	Depreciation and amortization	– 27 753	– 2.8	– 26 178	– 2.8
	Operating result	**97 214**	9.7	**65 901**	7.2
27	Financial income	428	0.0	2 190	0.2
28	Financial expenses	– 4 670	– 0.4	– 2 872	– 0.3
8	Share of result of associated companies	– 346		– 86	
	Income before taxes	**92 626**	9.3	**65 133**	7.1
29	Income taxes	– 21 990	– 2.2	– 15 053	– 1.6
	Net income	**70 636**	7.1	**50 080**	5.5
33	**Earnings per share** (in CHF)				
	– undiluted	49.36		35.00	
	– diluted	49.33		34.98	

▲ For additional details, see the Notes to the consolidated financial statements

Consolidated statement of comprehensive income for the financial year 2016

(in CHF 1000s)	**2016**	2015
Net income	**70 636**	**50 080**
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	2 226	– 14 445
– Tax effect	0	0
Total	2 226	– 14 445
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial (losses) / gains on defined benefit plans	22 400	12 266
– Tax effect	– 3 920	– 2 087
Total	18 480	10 179
Total other comprehensive income	**20 706**	**– 4 266**
Comprehensive income	**91 342**	**45 814**

Consolidated statement of cash flows for the financial year 2016

	(in CHF 1000s)	**2016**	2015
	Net income	**70 636**	**50 080**
	Non-cash items:		
26	Depreciation and amortization	27 294	26 178
	Depreciation on investment properties	459	459
	Change in provisions and pension obligations	– 1 757	2 195
	Other positions not impacting cash	878	– 3 654
27	Financial income	– 428	– 2 190
28	Financial expenses	4 670	2 872
29	Income taxes	21 990	15 053
	Change in working capital:		
	Change in trade receivables	– 8 740	6 908
	Change in other receivables and accruals	– 188	– 1 247
	Change in inventories and work in progress	– 4 448	4 002
	Change in trade payables	10 542	– 13 552
	Change in other liabilities	4 469	– 7 682
	Interest paid	– 1 129	– 336
	Income taxes paid	– 26 630	– 13 430
	Cash flow from operating activity	**97 618**	**65 656**
32	Purchase of subsidiaries, net of cash	– 1 739	– 115 183
	Purchase of intangible assets	– 422	– 511
	Purchase of property, plant and equipment	– 30 395	– 24 072
	Sale of property, plant and equipment	1 653	1 887
	Repayment of financial assets	1 423	3 451
	Interest received	426	251
	Gain / loss from derivative instruments	840	– 437
	Cash flow from investment activity	**– 28 214**	**– 134 614**
	Repayment leasing liabilities	– 563	– 555
	Repayment of current financial liabilities	– 1 057	– 718
	Repayment of non-current financial liabilities	– 659	– 237
	Sale of treasury shares	174	0
18	Dividend paid	– 57 281	– 57 256
	Cash flow from financing activity	**– 59 386**	**– 58 766**
	Currency exchange differences on cash and cash equivalents	– 1 155	– 7 743
	Change in cash and cash equivalents	**8 863**	**– 135 467**
	Cash and cash equivalents as at 1 January	170 445	305 912
	Cash and cash equivalents as at 31 December	**179 308**	**170 445**

▲ For additional details, see the Notes to the consolidated financial statements

Consolidated statement of changes in equity

	(in CHF 1000s)	Share capital	Treasury shares	Reserves capital contributions	Retained earnings	Currency translation difference	Total shareholders' equity
	Balance as at 1 January 2015	**1 444**	**– 7 400**	**63**	**654 471**	**– 12 367**	**636 211**
	Net income				50 080		50 080
	Other comprehensive income	*0*	*0*	*0*	*10 179*	*– 14 445*	*– 4 266*
	Comprehensive income	*0*	*0*	*0*	*60 259*	*– 14 445*	*45 814*
	Cancellation of treasury shares	– 12	6 337		– 6 325		0
19	Share-based remuneration		768		– 643		125
	Dividend				– 57 264		– 57 264
	Balance as at 31 December 2015	**1 432**	**– 295**	**63**	**650 498**	**– 26 812**	**624 886**
	Net income				70 636		70 636
	Other comprehensive income	*0*	*0*	*0*	*18 480*	*2 226*	*20 706*
	Comprehensive income	*0*	*0*	*0*	*89 116*	*2 226*	*91 342*
	Sale of treasury shares		74		100		174
19	Share-based remuneration				188		188
	Dividend				– 57 272		– 57 272
	Balance as at 31 December 2016	**1 432**	**– 221**	**63**	**682 630**	**– 24 586**	**659 318**

▲ For additional details, see the Notes to the consolidated financial statements

Notes to the consolidated financial statements 2016

Accounting policies

General

Schweiter Technologies AG is a company established under Swiss law domiciled in Horgen. Its main activities are the development, manufacturing and global distribution of technologically high-grade machines and composite materials.

Accounting principles

Schweiter Technologies AG prepares its consolidated financial statements in accordance with the principles of the International Financial Reporting Standards (IFRS) on the basis of historical acquisition values with the exception of "financial assets at fair value through profit or loss", which are stated at fair value. In addition, it presents the information required by Swiss company law.

The consolidated annual financial statements are presented in Swiss francs (CHF). The Swiss franc (CHF) is both the functional and the reporting currency of Schweiter Technologies AG.

Adoption of new or revised accounting policies

The following new or revised standards and interpretations of the International Accounting Standards Board (IASB) were applied for the first time for the financial year beginning 1 January 2016:

New standards	
IFRS 14	Regulatory Deferral Accounts
Amendments to standards	
IFRS 10 and 12	Changes to investment entities
IAS 27	Equity methode in separate financial statements
IAS 1	Disclosure initiative
IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41	Agriculture: Bearer Plants
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Miscellaneous	Amendments resulting from the Annual Improvement Projects

These changes had no impact on the consolidated financial statements of Schweiter Technologies.

Issued standards not yet adopted

The following new and revised standards and interpretations were issued by the IASB. These standards were not effective for the reporting period and have not been adopted early in the present consolidated financial statements. The following table shows the impact estimated by the Executive Management:

New standards		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies	
IFRS 15	Revenues from Contracts with Customers	1 January 2018	Financial year 2018	1)
IFRS 16	Leases	1 January 2019	Financial year 2019	3)
IFRS 9	Financial Instruments	1 January 2018	Financial year 2018	2)
IFRIC 22	Foreign currency transactions	1 January 2018	Financial year 2018	2)

Amendments to standards		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies	
IAS 12	Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	Financial year 2017	4)
Miscellaneous	Amendments resulting from the Annual Improvement Projects	1 January 2017	Financial year 2017	4)

1) In 2016 a Group wide IFRS 15 implementation project was launched. The project has two phases: An initial detailed analysis of the impact of the rules of IFRS 15 for the consolidated financial statements of Schweiter Technologies at the level of each Group company also including the need for adjustments to existing processes as well as provide training for the Group companies in handling the new requirements of IFRS 15.
Based on the findings of the detailed analysis of IFRS 15 carried out in fiscal year 2016, no material impacts were identified compared with the current revenue recognition.
2) No or no material effects are expected on the consolidated financial statements of Schweiter Technologies
3) The impact on the consolidated financial statements of Schweiter Technologies has not yet been fully analyzed
4) No effects are expected on the consolidated financial statements of Schweiter Technologies

Basis of consolidation

The consolidated financial statements, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, as well as the consolidated statement of cash flows, the consolidated statement of changes in equity and notes are based on the audited annual statements of the companies included as at 31 December 2016 and 31 December 2015. The statements of the individual companies, which follow local requirements and customary practices, have been adapted to IFRS on the basis of standard Group-wide accounting and valuation principles and have been combined into the consolidated financial statements.

Principles of consolidation

The consolidated financial statements of Schweiter Technologies AG include all entities that are controlled by the Group. The Group controls another entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Newly acquired companies are consolidated starting from the date of acquisition. The results of companies disposed of are included up until the date of the sale.

Entities over which the Group has significant influence (generally companies in which the Group holds more than 20% of voting rights, but not more than 50%) are accounted for using the equity method, provided there is no possibility to exercise control in some other way. They are reported in the balance sheet at acquisition value, adjusted for dividend payments and the Group's shares in the accumulated profit or loss after the acquisition.

Business combinations are accounted for using the acquisition method. The assets and liabilities of newly acquired companies are measured at their fair value at the time of acquisition. For each business combination (first-time consolidation), the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Non-controlling interests are subsequently adjusted for their share in income and other comprehensive income. All intercompany transactions and balances between Group companies are eliminated in full. The individual financial statements of the Group Companies as of 31 December are prepared using uniform accounting policies.

Accounting policies

Operating segments

In line with the management structure and the procedures for reporting to Management and the Board of Directors, the operating segments comprise the two operationally active divisions SSM Textile Machinery and 3A Composites and the segment "Other/Eliminations", which contains the central management and financial functions of Schweiter Technologies AG (Holding) and eliminations from consolidation. The 3A Composites division is managed as an operating segment – decisions on the allocation of resources and monitoring of the performance of top-level management in connection with the various product groups are conducted centrally on a global basis. The Group's chief operating decision maker is the Board of Directors of Schweiter Technologies AG. There are no differences between the accounting and valuation principles applied to segment reporting and those applied to the consolidated financial statements. Geographic information is broken down into the regions Europe, Americas, Asia and the rest of the world.

The products and services, the nature of the production processes as well as the methods to distribute the products and to provide the services share the same characteristics within the two operating segments that are disclosed by the Schweiter Group. Different geographic markets as well as different applications of the products were therefore aggregated in the operating segments of 3A Composites as well as SSM Textile Machinery. In addition to the aforementioned characteristics the following economic indicators are assessed to determine that the operating segments share similar economic characteristics: product and service innovation, industry risk profile, market growth rate and market share.

Changes in the scope of consolidation

The Polycasa Group and Plastwag S.A. were acquired on 31 March 2015 and the balsa operations of PNG Balsa Ltd. on 30 June 2015; all three were integrated into the 3A Composites division.

In June 2016, Balmanta S.A. Ecuador was integrated into Plantaciones de Balsa Plantabal S.A. Ecuador.

Scope of consolidation

The following companies were fully consolidated as at 31 December:

Company	Purpose	Share capital in 1000s		Investments 2016	Investments 2015
Schweiter Technologies AG Horgen, Switzerland	Holding company	CHF	1 432	–	–
SSM Schärer Schweiter Mettler AG Horgen, Switzerland	Development, production and distribution	CHF	6 000	100%	100%
SSM Vertriebs AG Steinhausen, Switzerland	Distribution	CHF	100	100%	100%
SSM (Zhongshan) Ltd. Zhongshan, China	Production and distribution	USD	500	100%	100%
SSM Giudici S.r.l. Galbiate, Italy	Production and distribution	EUR	100	100%	100%

Company	Purpose	Share capital in 1000s		Investments 2016	2015
3A Composites Holding AG Steinhausen, Switzerland	Holding company	CHF	10 000	100%	100%
3A Composites International AG Steinhausen, Switzerland	Management	CHF	100	100%	100%
3A Technology & Management AG Neuhausen, Switzerland	Development and property management	CHF	600	100%	100%
Airex AG Sins, Switzerland	Production and distribution	CHF	5 000	100%	100%
3A Composites Germany GmbH Singen, Germany	Holding company	EUR	25	100%	100%
3A Composites Holding Germany GmbH Singen, Germany	Holding company	EUR	25	100%	100%
Foamalite Ltd. Loch Gowna, Ireland	Production and distribution	EUR	1 905	100%	100%
3A Composites GmbH Osnabrück, Germany	Production and distribution	EUR	2 556	100%	100%
Polycasa GmbH Mainz, Germany	Production and distribution	EUR	26	100%	100%
Quinn Property Management GmbH Mainz, Germany	Property management	EUR	26	100%	100%
Polycasa Nischwitz GmbH Nischwitz, Germany	Production and distribution	EUR	562	100%	100%
Polycasa Holdings GmbH Mainz, Germany	Holding company	EUR	25	100%	100%
Polycasa N.V. Geel, Belgium	Distribution	EUR	91 709	100%	100%
Polycasa Spain S.A.U Montcada i Reixac, Spain	Production and distribution	EUR	12 188	100%	100%
Polycasa Slovakia sro Žilina, Slovakia	Production and distribution	EUR	4 485	100%	100%
Polycasa Ltd. Leeds, UK	Distribution	GBP	7 000	100%	100%
Polycasa sro Pribram, Czech Republic	Production and distribution	CZK	100	100%	100%

Accounting policies

Company	Purpose	Share capital in 1000s		Investments 2016	Investments 2015
Polycasa SARL Paris, France	Holding company	EUR	8	100%	100%
Polycasa France S.A. Paris, France	Distribution	EUR	457	100%	100%
Plastwag S.A. Mielec, Poland	Production and distribution	PLN	4124	100%	100%
3A Composites Holding Inc. Wilmington, DE, USA	Holding company	USD	0.1	100%	100%
Baltek Inc. Wilmington, DE, USA	Production and distribution	USD	0.05	100%	100%
3A Composites USA Inc. St. Louis, MI, USA	Production and distribution	USD	1	100%	100%
Alucobond (Far East) Pte. Ltd. Singapore	Distribution	USD	58314	100%	100%
Alucobond Asia Pacific Management (Shanghai) Ltd., China	Management	USD	2500	100%	100%
3A Composites (China) Ltd. Shanghai, China	Production and distribution	USD	20000	100%	100%
Alucobond Composites (Jiangsu) Ltd. Changzhou, China	Production and distribution	USD	10000	100%	100%
3A Composites India Pte. Ltd. Mumbai, India	Production and distribution	INR	65693	100%	100%
3A Composites PNG Ltd. Port Moresby, Papua New Guinea	Production and distribution	PGK	14000	100%	100%
Plantaciones de Balsa Plantabal S.A. Guayaquil, Ecuador	Production	USD	69849	100%	100%
Banova Innovaciones en Balsa S.A. Quevedo, Ecuador	Production and distribution	USD	18700	100%	100%
Reforestaciones e Industrias Reforei S.A. Santo Domingo, Ecuador	Production and distribution	USD	50	100%	100%

Net revenues and realization of income

Net revenues include all invoiced sales of finished products, trading goods, machines, spare parts, services and rental income. Discounts, sales tax, losses on bad debts and other revenue reductions in connection with the sale have been deducted.

Income is recognized on transfer of the ownership rights and risks or on rendering of service respectively. Appropriate provisions have been set aside for anticipated warranty claims arising from the rendering of services. Income from rental services is recognized in the period it is earned in accordance with the relevant agreement. Interest income is recognized in the period it is earned, factoring in the amount of outstanding loan and the applicable interest rate.

Foreign currency translation

The individual financial statements of the Group companies are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") and are translated into Swiss francs for consolidation. Year-end exchange rates are used for the balance sheet and annual average exchange rates for the income statement. The consolidated statement of cash flows is also translated at annual average exchange rates.

Differences resulting from the application of these different exchange rates for the balance sheet and the income statement and from equity transactions are recognized directly in the consolidated statement of comprehensive income.

Goodwill arising on the acquisition of a foreign entity is expressed in the functional currency of the foreign operation and is translated at the closing rate.

Foreign currency transactions translated into the functional currency are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when they are deferred outside the income statement.

Foreign exchange differences arising on monetary items that form part of a company's net investment in a foreign operation are reclassified to equity (currency translation adjustment) in the consolidated financial statements and are only fully recycled to the income statement when the Group loses control of a subsidiary or loses significant influence in an associate.

The following exchange rates were applied (in CHF)				Year-end rate 31.12. for the balance sheet		Average rate for the income statement	
				2016	2015	**2016**	2015
USA	Dollar	USD	1	1.025	0.991	0.985	0.962
EU	Euro	EUR	1	1.072	1.083	1.090	1.068
GB	Pound	GBP	1	1.255	1.469	1.336	1.470
China	Yuan	CNY	1	0.147	0.153	0.148	0.154
Indien	Rupee	INR	100	1.505	1.493	1.469	1.500

Accounting policies

Derivative financial instruments

Derivative financial instruments are recorded in the balance sheet at market values in accordance with IAS 39. The financial instruments are recorded on the balance sheet as of the trading date. The Group partially uses forward exchange contracts as a means of hedging foreign currency risks. A forward exchange contract used to hedge an underlying transaction, in particular a firm commitment or a trade receivable denominated in a foreign currency, constitutes a fair value hedge. In this case the changes in market value arising from the hedging transaction and the change in the value of the underlying transaction arising from the hedged risk are taken to income under consideration of deferred taxes. In addition, the Group uses derivative financial instruments to hedge cash flows (especially foreign currency and aluminum forwards). The group applies no hedge accounting for these derivative financial instruments. The changes in the market value of derivative financial instruments are recognized in other operating expenses or income.

Financial instruments valued at fair value when first included are allocated to hierarchical levels 1 to 3 according to the observability of valuation inputs.

- Level 1 valuations at fair value are based on quoted prices (unadjusted) in an active market for identical assets and liabilities.
- Level 2 valuations at fair value are based on data other than the prices quoted in level 1. The factors used for the valuation are observable either directly (e.g. as prices) or indirectly (e.g. derived from prices).
- Level 3 valuations at fair value are based on valuation methods using parameters for assets and liabilities that are based upon non-observable market data (unobservable inputs).

The derivative financial instruments are the only financial assets held in the Schweiter Technologies Group that are valued at fair value. In the fair value hierarchy within the meaning of IFRS 13 they are to be allocated to level 2.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, postal and bank account balances and money market investments with maturities up to 3 months.

Trade receivables

The reported value corresponds to the invoiced amounts less allowance for bad debts.

Inventories

Purchased goods are reported at acquisition costs, self-produced goods are measured at production costs. If the realizable value is lower, corresponding value adjustments are made. The production costs comprise of raw material costs, direct labor costs, other direct costs and related production overhead costs.

Inventories are measured using the weighted average costs method. For non-marketable parts held in inventory an appropriate allowance is recognized on the basis of inventory of turnover.

Allowances are recognized for customer-specific, finished machines which remain in inventory and for all machines kept for demonstration purposes. Intercompany profits in inventory are eliminated through the income statement.

Property, plant and equipment

Land is measured at acquisition cost. Impairments are recognized for any decrease in value which has occurred. Buildings, machinery, vehicles and operating equipment are measured at acquisition costs less accumulated depreciation. Depreciation is calculated using the straight-line method over the following estimated useful life:

Land	no depreciation
Buildings	20 to 40 years
Conversions & installations	10 years or period of rental
Machinery & tools	5 to 15 years
Furnishings	8 to 10 years
Computer systems & software	3 to 5 years
Vehicles	3 to 5 years
Plant under construction	no depreciation

Property, plant and equipment financed through long-term leasing agreements "financial leasing" are capitalized and depreciated like other investments. The present value of the leasing obligations is disclosed under liabilities. Short-term leasing "operating leasing" costs are charged directly to the income statement. The corresponding liabilities are disclosed in the notes.

Investment property

Investment properties are undeveloped land, residential, office and warehouse space and technical laboratories held for the purpose of generating rental income. These buildings are not used by Schweiter Technologies or only to an insignificant degree. Investment properties are carried at historical cost less commercially necessary straight-line depreciations. Current market values are periodically determined by independent experts and disclosed in the notes.

Biological assets

3A Composites uses and processes balsa wood cultivated at its own plantations.

Biological assets are measured at their fair value less cost to sell in accordance with IFRS 13 and IAS 41. As there is no active and liquid market for the standing balsa trees, the fair value of the biological assets is determined by qualified staff employed by 3A Composites using generally accepted modeling methods, which comprise of a net present value (NPV) technique to discount the future cash flows.

The NPV is calculated as the net of the future cash inflows and outflows associated with balsa plantation activities up to the time of anticipated harvesting discounted back to current values at an appropriate discount rate.

Key assumptions underlying the NPV calculation (level 3 valuation) are:

- expected volumes of merchantable timber at the anticipated harvest time;
- expected market prices;
- expected plantation maintenance costs until the harvest time;
- expected harvesting, sawmilling and transportation costs; and
- discount rate.

If no historic information is available for certain plantations to reliably model growth and timber recovery rates at the time of harvesting, the valuation of these plantations does not include any projections, but is based on the most recent available information of planted areas, yield per plantation and current market prices.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for the non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed.

The goodwill is tested annually for impairment or whenever there are impairment indicators. Any impairment is immediately recognized as an expense and will never be reversed. If the consideration transferred is less than the fair value of the net

Accounting policies

assets of the subsidiary acquired, the difference is recognized directly in the income statement as other operating income.

Other intangible assets

Research costs are charged to the income statement as incurred. Development costs are charged to the income statement where the conditions for capitalization according to IAS 38 are not satisfied. The conditions for the capitalization of development costs include evidence of technical feasibility, the will and financial resources to complete the development, the reliable measurement of the costs attributable to the intangible asset and evidence of future economic benefits.

Development costs are recognized as assets and amortized on a systematic basis over the period in which returns are expected to flow to the Group.

Other intangible assets are stated at acquisition costs and amortized on a straight-line basis over their estimated useful life. The estimated useful life is as follows:

Development costs	3 to 5 years
Patents	life-span of patents
Acquired technologies	10 years
Acquired customer relationships	3 years
Acquired brand names	unlimited

Since no end to the useful life of the protected brand names AIREX®, ALUCOBOND®, BALTEK®, DIBOND®, GATOR®, AKRYLON and KAPA® is foreseeable, they are defined as assets with an indefinite useful life. Accordingly, the asset is not amortized but tested at least annually for impairment.

Impairment

On each balance sheet date, an assessment is made of whether material assets show signs of impairment. If so, the recoverable amount is estimated, being the higher of the estimated net selling price and the value in use. The value in use corresponds to the net present value of the estimated future cash flows calculated using a standard risk-adjusted discount rate (WACC). If the recoverable amount determined is lower than the carrying value, an impairment loss is recognized. Except in the case of an impairment of goodwill, any recorded decrease in value that ceases to be justified is reversed and the respective amount taken to the income statement.

Provisions

Provisions are recognized when the Group has a legal or constructive obligation arising from past events, an outflow of resources embodying economic benefits to settle the obligation is probable, and a reliable estimate can be made of this amount.

Income taxes

Income taxes comprise the tax expense in respect of all recognized profits for the reporting period. They include current and deferred income taxes. Current income taxes are calculated on taxable profit.

Provisions for deferred taxes are calculated according to the liability method. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax base taking into account actual or expected local tax rates.

Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries except where the Group is able to control the distribution of earnings from these respective entities and where dividend payments are not expected to occur in the foreseeable future.

Changes in deferred tax balances are recognized in the income statement, except when they relate to items recognized outside the income statement, in which case the deferred tax is treated accordingly.

Deferred tax assets are only recognized for temporary differences and unused tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which temporary differences or unused tax losses can be utilized.

Employee benefits

Within the Group, a number of different pension plans are in place in compliance with the relevant legal requirements. The assets of most of these pension plans are spun off into legally independent pension institutions. In addition to salary-dependent employer's contributions, some pension plans also require employees to pay contributions.

For defined benefit pension plans, pension costs are calculated on the basis of various economic and demographic assumptions using the projected unit credit method. The number of insured years up until the valuation cut-off date is taken into account. The required assumptions include the discount rate, the expected future salary increases, long-term interest on retirement savings, staff turnover and life expectancy. Valuations are calculated annually by independent actuaries. Pension plan assets are measured at fair value. Pension costs consist of three components:

- Service costs, which are recognized in the income statement;
- Net interest expense, which is also recognized in the income statement, and
- Remeasurements, which are recognized in other comprehensive income.

Service costs include current service costs, past service costs and gains and losses on non-routine settlements. Gains and losses on plan curtailments are treated the same way as past service costs.
Employee contributions reduce service costs and are deducted from them if they are a result of the pension regulations or a constructive obligation.

Net interest expense is the amount obtained by multiplying the discount rate by the net pension liability or asset. Capital flows and changes occurring with timescales less than one year are taken into account on a weighted basis.

Remeasurements comprise actuarial gains and losses from the development of the present value of the pension obligations resulting from changes in assumptions and experience adjustments and from returns on plan assets less the amounts which are included in net interest expenses and changes in unrecognized assets less effects included in net interest expenses. Remeasurements are recognized in other comprehensive income and cannot be recycled. The amounts recognized in other comprehensive income can be reclassified within shareholders' equity.

In the consolidated financial statements service costs are recognized under personnel expenses and net interest expenses are recognized in the financial result.

The pension obligations or pension plan assets recognized in the consolidated financial statements correspond to the surpluses or shortfalls of the defined benefit pension plans. However, the pension plan assets recognized are limited to the present value of the economic benefit to the Group from future reductions in contributions or refunds.

Obligations resulting from termination of employment are recognized at the stage when the Group no longer has any other option but to finance the benefits offered. In any event, the expense will be recognized latest at the stage when the other restructuring expenses are also recognized.
For other long-term benefits, the present value of the obligation is recognized on the balance sheet date. Changes in the present value are recognized directly in the income statement as personnel expenses.

Employer's contributions to defined contribution pension plans are recognized under personnel expenses at the time when the employee becomes entitled to them.

Share-based payments

Employee services received in exchange for share-based payments settled in equity instruments are recognized under personnel expenses. The expenses to be recognized are measured as the fair value of the equity instruments at the time they are granted multiplied by the best possible estimate of the number of vestable instruments at the end of the vesting period or the number of equity instruments vested. The fair value of the equity instruments granted is calculated on the basis of the share price at the time of granting.

Vesting conditions, provided they are market conditions, will be factored into the calculation of the fair value of the equity instruments granted.

Accounting policies

Vesting conditions such as service conditions or non-market conditions will not be factored into the calculation of the fair value but into the estimate of the number of vestable options or the number of equity instruments vested at the end of the vesting period. The expenses thus calculated are distributed over the entire vesting period. An amount equal to the expenses incurred is taken to the Group's retained earnings.

Financial risk management

Market risks and
risk management basic principles

The Group is subject to market risks, credit risks and liquidity risks. The market risks consist primarily of foreign currency risks and, to a lesser degree, interest rate risks. There are no significant price risks.

The Board of Directors is responsible for overseeing the Group's internal controlling systems which monitor, but cannot rule out, the risk of inadequate business performance. These systems provide appropriate, though not absolute, security against significant inaccuracies and material losses. Management is responsible for identifying and assessing risks that are of significance for the division in question.

In addition to quantitative approaches and formal guidelines – which are only part of a comprehensive risk management approach – it is also considered important to establish and maintain a corresponding risk management culture.

In particular bank balances, receivables, trade payables and interest-bearing liabilities are considered to be financial instruments. The carrying amounts of bank balances, receivables and trade payables are largely the same as their fair value.

Foreign currency risk

As the Group engages in international operations, it is exposed to exchange rate risks. These risks relate primarily to the US dollar and the euro. Some forward exchange transactions are used to hedge exchange rate risks. These instruments are not used for speculative purposes. Foreign currency risks arising from the conversion of items in the income statements and balance sheets of foreign Group companies are not hedged.

If the Swiss franc had been 5% stronger against the euro [US dollar] on 31 December 2016 with all other variables unchanged, after conversion of the financial assets and liabilities into Swiss francs the pre-tax result of the Schweiter Technologies Group would have been lower by CHF 4.9 million [CHF 0.9 million] (previous year: CHF 5.5 million [CHF 1.6 million]) and shareholders' equity would have been lower by CHF 1.7 million [CHF 5.5 million] (previous year: CHF 1.7 million [CHF 6.4 million]).

Conversely, if the Swiss franc had been 5% weaker against the euro [US dollar] on 31 December 2016 with all other variables unchanged, after conversion of the financial assets and liabilities into Swiss francs the pre-tax result of the Schweiter Technologies Group would have been higher by CHF 4.9 million [CHF 0.9 million] (previous year: CHF 5.5 million [CHF 1.6 million]) and shareholders' equity would have been higher by CHF 1.7 million [CHF 5.5 million] (previous year: CHF 1.7 million [CHF 6.4 million]).

Interest rate risks

Interest rate risks arise from changes in interest rates which have negative repercussions on the Group's asset and earnings situation. Interest rate fluctuations lead to changes in interest income and interest expense on interest-bearing assets and liabilities.

A 1% point rise in interest rates would push up the interest result by around CHF 1.8 million (previous year: CHF 1.7 million). By the same token, a 1% point fall in interest rates would reduce the interest result by CHF 0.1 million (previous year: CHF 0.3 million).

Credit risks

Cash and cash equivalents:
As a component of risk policy, the Group's cash and cash equivalents are invested with various first-class banks, mainly in the form of term deposits or current account balances. The Group is exposed to credit risks in the event of banks failing to fulfill their obligations. The banks' credit ratings are regularly reviewed, as are the sums invested with each bank.

Receivables:
There is no concentration of credit risks relating to trade accounts receivable. To minimize default risks, additional collateral (e.g. irrevocable confirmed documentary credits, bank guarantees, credit risk insurance etc.) is agreed upon where appropriate based on specific industry, country and customer analysis.

The Group carries out constant checks on customers' creditworthiness and does not have any major concentrations of default risks. The maximum credit risk corresponds to the book value of the asset.

Liquidity risk

To meet their obligations, the Group companies require sufficient liquidity. In order to meet the corresponding liabilities, the Group has cash and cash equivalents and unused credit lines.

As of 31 December 2016 and 31 December 2015, the Group's financial liabilities have the following due dates. The information is calculated on the basis of the terms to maturity within the balance sheet and the contractually agreed interest and repayment figures.

Financial liabilities 2016: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount **31.12.2016**	Total	Cash outflows Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	1 271	1 401	1 401		
Trade payables	65 018	65 018	65 018		
Other liabilities	3 718	3 718	3 718		
Non-current financial liabilities	3 208	3 305	0	3 305	0
Total	**73 215**	**73 442**	**70 137**	**3 305**	**0**

Financial liabilities 2015: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount 31.12.2015	Total	Cash outflows Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	2 378	2 611	2 611		
Trade payables	54 909	54 909	54 909		
Other liabilities	5 382	5 382	5 382		
Non-current financial liabilities	5 004	5 316	0	5 316	0
Total	**67 673**	**68 218**	**62 902**	**5 316**	**0**

Accounting policies

Capital management

As part of its capital management, the Group's aim is to secure current financial requirements for the continuation of the business and to provide the necessary resources to achieve its growth targets.

The Group manages the capital structure and makes adjustments in light of changes in economic conditions, business activities, the investment and expansion program and the risks posed by the underlying assets. To manage the capital structure, the Group can adjust dividend payments, make capital repayments to shareholders, issue new shares, increase its borrowing or sell assets to reduce debts.

The equity presented corresponds to the economic equity. There are no debt capital instruments which can be viewed as equity from an economic point of view. Given the envisaged acquisitions, the Board of Directors considers the level of equity to be appropriate.

Assumptions and use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities as well as contingent liabilities and contingent assets at the date of the financial statements, and which also affect expenses and revenues in the reporting period. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the given circumstances. The results subsequently achieved may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and are adjusted appropriately if new information or findings come to light. Such changes are recognized in the income statement in the period in which the estimate is revised. The key assumptions are described below and are also outlined in the respective notes.

Revenue recognition

Revenue is only recognized when, in management's judgment, the significant risks and rewards of ownership have been transferred to the customer. For some transactions this can result in cash receipts being initially recognized as deferred income and then released to income over subsequent periods on the basis of the performance of the conditions specified in the agreement. Management believes that the total accruals and provisions for these items are adequate, based upon currently available information.

Property, plant and equipment,
goodwill and intangible fixed assets

Goodwill and brand names with an indefinite useful life are reviewed annually for impairment. Property, plant and equipment and other intangible assets are reviewed when there are signs of impairment. To determine whether any impairment exists, management estimates and assesses future cash flows expected to result from use, from the discount rate and from the royalty rate. In the same way, the assumed periods of use are based on empirical values and management's assessments.

Income taxes

Significant estimates are required in determining the current and deferred assets and liabilities for income taxes. In particular, this relates to the capitalization of deferred tax assets for any future use of tax loss carry-forward. Some of these estimates are based on interpretations of existing tax laws or regulations. Management believes that the estimates are reasonable and that the recognized assets and liabilities for income tax-related uncertainties are adequately considered.

Receivables and inventories

The value adjustment for receivables takes into account the assessment of bad debt and credit risks. The valuation of inventories include estimates in respect to the recoverability based on the expected consumption of the article in question. The value adjustment on inventories is calculated based on an analysis of the inventory on hand and the inventory turnover. Where necessary, the parameters are adjusted.

Pension plans

Most Schweiter Technologies employees participate in post employment pension schemes treated as defined benefit plans in accordance with IAS 19 revised. The calculations of the recognized assets and liabilities from such plans are based upon statistical and actuarial calculations. The actuarial assumptions used, may have an impact on the assets and liabilities of pension schemes recognized in the balance sheet in future reporting periods.

Provisions for litigation

Some Group companies are exposed to litigation. Based on current knowledge, management has made an assessment of the possible impact of these legal cases and has reported provisions on the balance sheet accordingly.

Operating segments 2016

(in CHF millions)

	Operations	3A Composites	SSM Textile Machinery	Other/ Eliminations	Group
	Net revenues [1]	917.2	85.9	0.3	1 003.4
	Operating income	910.1	87.6	0.3	998.0
26	Depreciation and amortization	26.7	1.1	0.0	27.8
26	Impairment	0.0	0.0	0.0	0.0
	Operating result	**88.7**	**11.6**	**– 3.1**	**97.2**
	Financial income				0.4
	Financial expenses				– 4.7
	Share of result of associated companies	– 0.3	0.0	0.0	– 0.3
	Income before taxes				**92.6**
	Income taxes				– 22.0
	Net income				**70.6**
	Capital expenditure in property, plant and equipment	29.0	2.2	0.0	31.2
	Capital expenditure in intangible assets	0.0	0.0	0.0	0.0
	Total capital expenditure	**29.0**	**2.2**	**0.0**	**31.2**
	Assets	828.7	66.7	48.3	943.7
	Liabilities	533.6	33.4	– 282.6	284.4
	Employees at year-end	4 080	246	6	4 332

[1] There are no revenues between the divisions. The product groups correspond to the operating segments

Geographical information 2016 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [2]	581.8	209.5	188.3	23.8	**1 003.4**
Assets	682.0	192.6	58.0	11.1	**943.7**

[2] The revenues in Switzerland are insignificant.

Information on major customers 2016

There are no individual customers who account for more than 10% of Group's net revenues.

Operating segments 2015

(in CHF millions)

	Operations	3A Composites	SSM Textile Machinery	Other/ Eliminations	Group
	Net revenues [1]	840.8	74.3	0.3	915.4
	Operating income	844.6	74.1	0.3	919.0
26	Depreciation and amortization	25.0	1.2	0.0	26.2
26	Impairment	0.0	0.0	0.0	0.0
	Operating result	**60.5**	**8.0**	**– 2.6**	**65.9**
	Financial income				2.2
	Financial expenses				– 2.9
	Share of result of associated companies	– 0.1	0.0	0.0	– 0.1
	Income before taxes				**65.1**
	Income taxes				– 15.0
	Net income	**40.5**	**6.5**	**3.1**	**50.1**
	Capital expenditure in property, plant and equipment	29.1	0.8	0.0	29.9
	Capital expenditure in intangible assets	0.0	0.1	0.0	0.1
	Total capital expenditure	**29.1**	**0.9**	**0.0**	**30.0**
	Assets	700.2	51.5	173.6	925.3
	Liabilities	609.0	35.4	– 343.9	300.5
	Employees at year-end	4 432	251	6	4 689

[1] There are no revenues between the divisions. The product groups correspond to the operating segments

Geographical information 2015 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [2]	508.1	204.9	179.9	22.5	**915.4**
Assets	627.5	203.8	82.1	11.9	**925.3**

[2] The revenues in Switzerland are insignificant.

Information on major customers 2015

There are no individual customers who account for more than 10% of Group's net revenues.

Notes to the consolidated financial statements

1 **Cash and cash equivalents by currencies** (in CHF 1000s)	**2016**	2015
CHF	88 874	43 386
EUR	44 591	44 728
USD	29 828	41 518
CNY	7 458	30 256
Other	8 557	10 557
Total	**179 308**	**170 445**

Cash and cash equivalents consist of cash deposits with banks and in postal check accounts. They carry interest ranging from 0% to 8% (INR).

2 **Trade receivables** (in CHF 1000s)	**2016**	2015
Total trade receivables	148 353	141 441
– less allowance for doubtful accounts receivable	– 5 346	– 5 099
Total trade receivables – net	**143 007**	**136 342**

Age analysis of trade receivables **2016:** (in CHF 1000s)	Gross **31.12.2016**	Bad debt allowance **31.12.2016**	Net **31.12.2016**
Not due	131 375	0	131 375
Overdue up to one month	8 299	– 532	7 767
Overdue between 1 and 2 months	3 111	– 793	2 318
Overdue between 2 and 3 months	688	– 104	584
more than 3 months overdue	4 880	– 3 917	963
Total overdue	*16 978*	*– 5 346*	*11 632*
Total	**148 353**	**– 5 346**	**143 007**

Age analysis of trade receivables 2015: (in CHF 1000s)	Gross 31.12.2015	Bad debt allowance 31.12.2015	Net 31.12.2015
Not due	121 990	– 108	121 882
Overdue up to one month	11 420	– 267	11 153
Overdue between 1 and 2 months	1 444	– 172	1 272
Overdue between 2 and 3 months	1 327	– 60	1 267
more than 3 months overdue	5 260	– 4 492	768
Total overdue	*19 451*	*– 4 991*	*14 460*
Total	**141 441**	**– 5 099**	**136 342**

Changes in the value adjustment for doubtful accounts receivable:	**2016**	2015
Balance as at 1 January	5 099	2 265
Changes in the scope of consolidation	0	3 832
Exchange rate differences	– 73	9
Bad debt allowance used	– 881	– 1 552
Bad debt allowance released	– 294	– 468
Bad debt allowance increased	1 495	1 013
Balance as at 31 December	**5 346**	**5 099**

Respective bad debt allowances shall cover bad debt and credit risks.

3 **Other receivables** (in CHF 1000s)	**2016**	2015
Financial assets:		
– Other receivables	8 828	8 627
Non-financial assets:		
– Receivables from indirect taxes	10 425	12 579
– Accounts receivable from social insurance schemes	506	536
Total	**19 759**	**21 742**

4 **Inventories** (in CHF 1000s)	**2016**	2015
Raw materials and production parts	66 732	58 852
Semi-finished goods and work in progress	20 845	20 833
Finished goods and trading goods	60 167	64 664
Total	**147 744**	**144 349**

The net value of the inventories is after value adjustments of CHF 13.6 million (previous year: CHF 14.7 million). As in the prior year, all finished goods are stated in the balance sheet at manufacturing cost. The value adjustment was determined on the basis of the salability and range of the inventories. As in the prior year, no reinstatements were recorded as income. No inventories are encumbered by rights of lien.

Notes to the consolidated financial statements

5 Property, plant and equipment 2016

(in CHF 1000s)	Land and buildings	Instal-lations	Machinery & tools	Computer equipment	Furnishings Vehicles	Assets under construction	**Total**
Cost							
Balance as at 1 January 2016	170 976	18 056	272 227	16 317	9 105	27 394	514 075
Additions	1 154	1 299	12 349	1 096	853	14 439	31 190
Disposals	–973	–373	–10 591	–658	–251	0	–12 846
New classifications	1 686	721	27 571	108	202	–30 949	–661
Exchange rate differences	555	–34	1 827	–81	42	122	2 431
Balance as at 31 Dec. 2016	**173 398**	**19 669**	**303 383**	**16 782**	**9 951**	**11 006**	**534 189**
Accumulated depreciation							
Balance as at 1 January 2016	–47 122	–12 073	–188 177	–14 481	–6 348	–268	–268 469
Additions	–5 550	–1 279	–16 292	–1 144	–860	–8	–25 133
Disposals	277	320	9 859	624	214	0	11 294
New classifications	614	0	66	51	–70	0	661
Exchange rate differences	8	52	–846	69	–47	0	–764
Balance as at 31 Dec. 2016	**–51 773**	**–12 980**	**–195 390**	**–14 881**	**–7 111**	**–276**	**–282 411**
Net book value 31 Dec. 2016	**121 625**	**6 689**	**107 993**	**1 901**	**2 840**	**10 730**	**251 778**
Net book value of pledged property, plant and equipment							**2 861**
Net book value of leased property, plant and equipment							**7 123**
14 Leasing obligations for property, plant and equipment reported on balance sheet							**1 719**

5 Property, plant and equipment 2015

(in CHF 1000s)	Land and buildings	Instal-lations	Machinery & tools	Computer equipment	Furnishings Vehicles	Assets under construction	**Total**
Cost							
Balance as at 1 January 2015	132763	12580	257363	12879	6645	21819	444049
Change in the scope of consolidation	36701	419	15467	118	762	188	53655
Additions	1100	685	5521	680	945	20958	29889
Disposals	–123	–214	–6164	–412	–378	0	–7291
New classifications	3273	5414	10498	3704	1464	–15095	9258
Exchange rate differences	–2738	–828	–10458	–652	–333	–476	–15485
Balance as at 31 Dec. 2015	**170976**	**18056**	**272227**	**16317**	**9105**	**27394**	**514075**
Accumulated depreciation							
Balance as at 1 January 2015	–43676	–6942	–186345	–10359	–4778	–278	–252378
Change in the scope of consolidation	0	0	0	0	0	0	0
Depreciation for the year	–5108	–1203	–15809	–1344	–720	0	–24184
Impairment	0	0	0	0	0	0	0
Disposals	49	155	4581	347	173	0	5305
New classifications	–243	–4797	788	–3721	–1285	0	–9258
Exchange rate differences	1856	714	8608	596	262	10	12046
Balance as at 31 Dec. 2015	**–47122**	**–12073**	**–188177**	**–14481**	**–6348**	**–268**	**–268469**
Net book value 31 Dec. 2015	**123854**	**5983**	**84050**	**1836**	**2757**	**27126**	**245606**

Net book value of pledged property, plant and equipment	3223
Net book value of leased property, plant and equipment	7593
14 Leasing obligations for property, plant and equipment reported on balance sheet	2306

Notes to the consolidated financial statements

6 Investment property

Rhytech site Neuhausen

The property in Neuhausen (RhyTech site) will be carried at book value. The completion of the building permit process is expected to be completed by the end of 2017. Construction of the new building complexes on the RhyTech site will start soon after completion of the building permit process. The conclusion of the building permit process and the further development of the property will have a positive impact on the fair value of the property. However, the new market value (fair value) cannot be quantified exactly at this time, since the fair value is dependent on the future realization of the planned construction project.

The fair value of the property was reassessed by an independent expert at the end of 2013. As premises had deliberately been left vacant, fair value was assessed on the basis of intrinsic value rather than using the DCF method. Due to the fact that the parameters have not changed since the last valuation and the building permit process is not yet completed, it was decided not to update the valuation report at the end of 2016.

Since 2013, the current market value of the buildings has been estimated at CHF 14.5 million (previous year: 14.5 million). Together with the land value of CHF 7.3 million (previous year: 7.3 million), the fair value of the property as a whole is assessed at CHF 21.8 million (previous year: 21.8 million). The market value as of the end of 2016 is higher than the book value of the property, which is still stated at acquisition costs less straight-line depreciation over a useful life of 40 years.

The current assessment by management puts the realizable proceeds for the fully developed property at well above the market value of CHF 21.8 million.

An agreement is in place with a third party for the development of the site. Beyond that, there are no significant contractual obligations with regard to implementation of the construction project or sale of the property.

(in CHF 1000s)	**2016**	2015
Cost		
Balance as at 1 January	23 124	23 124
Additions	0	0
Disposals	0	0
Exchange rate differences	0	0
Balance as at 31 December	**23 124**	**23 124**
Accumulated depreciation		
Balance as at 1 January	– 2 791	– 2 332
Disposals	0	0
Depreciation for the year	– 459	– 459
Exchange rate differences	0	0
Balance as at 31 December	**– 3 250**	**– 2 791**
Net book value 31 December	**19 874**	**20 333**

7 Biological assets

The balsa wood which 3A Composites uses as the core material for composite materials applications in the wind power, marine, automotive and other industrial markets is cultivated and processed at its own plantations in Ecuador and Papua New Guinea.

Balsa (Ochroma pyramidale) is a fast growing tree which can reach heights of up to 30 meters. Balsa is very soft and light and has an open-pored surface structure. It is also very firm and rigid relative to its weight, has excellent fatigue properties and shows high impact resistance. Balsa bonds very well with all common types of adhesive and can be processed using most standard timber processing techniques.

At the end of 2016, 3A Composites had 136 plantations with a surface area of 13 461 hectares, of which 9 789 hectares are currently planted with balsa trees. This makes 3A Composites the largest plantation owner and balsa wood producer. In 2016, a total of 33 665 670 board feet of green sawn timber were produced from own plantations. A "board foot" is a unit of volume for timber. The quantity produced is equivalent to 79 442 cubic meters.

Balsa takes an average of five years to grow from seeding to harvesting of trees.

Biological assets are measured at their fair value less cost to sell using a net present value (NPV) technique to discount the net of future cash inflows and outflows associated with forest production activities up to the time of anticipated harvesting to current values at an appropriate discount rate.
Key assumptions underlying the NPV calculation (level 3 valuation) are:

– Expected volumes of merchantable timber at the anticipated harvest time (which is typically 5 years after seeding) that will be realized from standing trees considering the most recent information of planted areas and current timber recovery rates;
– Expected market prices over a 5 year valuation period - derived from the average prices paid for green balsa lumber sourced from independent suppliers during the current year. The average price paid for green balsa lumber is adjusted by anticipated price changes (if any) to determine the expected market prices;
– Expected maintenance costs until the harvest time – derived from the average costs incurred during the last four years. Historic inflation rates are considered to forecast the future cost increases;
– Expected harvesting, sawmilling and transportation costs over the 5 year valuation period – derived from the average costs paid to independent contractors during the last four years. Historic inflation rates are taken into consideration to anticipate future cost increases;
– The discount rate is the weighted average cost of capital (WACC) of 3A Composites – derived from the Capital Asset Pricing Model.

For the balsa plantations acquired in Papua New Guinea (PNG), no detailed historic information is available. It can take up to a full balsa growth cycle to establish reliable information on expected volumes of merchantable timber at the anticipated harvest time. Until robust information for modeling growth and timber recovery rates is available, the fair value of balsa plantations in PNG is determined based on the current volumes of merchantable timber and not on the expected volumes at the anticipated harvest time. Consequently, the valuation of biological assets in PNG does not include any projections, but is based on the most recent available information of planted areas, yield per plantation and average market prices of the current year.

In 2016, the above mentioned valuation methodology was implemented to determine the fair value. Until the end of 2015, tree plantings younger than two years were stated at cost while tree plantings older than two years were regularly adjusted to market value (calculated on the basis of the market price for green balsa lumber). This is a valuation adjustment intended to improve the quality of the fair value. An assessment of future impacts did not result in any significant adjustments.

Notes to the consolidated financial statements

(in CHF 1000s)	**2016**	2015
Book value as at 1 January	**26 870**	**18 199**
32 Change in the scope of consolidation	0	5 855
Gain or loss as a result of change in market value less selling costs	– 123	1 449
Increase as a result of growth and maintenance measures	3 227	3 169
Decrease as a result of harvest	– 2 086	– 1 802
Wind damage	– 686	0
Exchange rate differences	716	0
Book value as at 31 December	**27 918**	**26 870**

The key risks to balsa timber plantations are wind damage and fungal disease which attack the trunks of the young saplings. In light of risk analyses and cost-benefit calculations, 3A Composites has not taken out any specific insurance policies, but assumes these risks itself.

8 Investment in associated companies

The investment in the associated company 3Tee Composites (Shanghai) Co. Ltd., Shanghai, China in the amount of 49.9% (previous year: 49.9%) was liquidated as of 17 February 2016. The associated company was active in the production and sale of core materials.

Aggregated information of 3Tee Composites (Shanghai) Co. Ltd.: (in CHF 1000s)	**2016**	2015
Loss	– 346	– 86
Other comprehensive income	1	– 55
Total comprehensive income	– 345	– 141
Aggregated carrying amount of the Group's interest	0	966

9 **Financial assets** (in CHF 1000s)	**2016**	2015
Non-current receivables	443	698
Other financial assets	418	979
Total	**861**	**1 677**

10 **Intangible assets 2016 (**incl. goodwill) (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
Cost				
Balance as at 1 January 2016	70 937	52 328	23 250	146 515
Additions	0	21	4	25
New classifications	0	661	0	661
Exchange rate differences	– 905	1 143	586	824
Balance as at 31 December 2016	**70 032**	**54 153**	**23 840**	**148 025**
Accumulated amortization				
Balance as at 1 January 2016	0	– 11 737	– 15 915	– 27 652
Additions	0	– 230	– 1 931	– 2 161
New classifications	0	– 661	0	– 661
Exchange rate differences	0	– 503	– 543	– 1 046
Balance as at 31 December 2016	**0**	**– 13 131**	**– 18 389**	**– 31 520**
Net book value as at 31 December 2016	**70 032**	**41 022**	**5 451**	**116 505**

Since no end to the useful life of the capitalized brand names AIREX®, ALUCOBOND®, BALTEK®, DIBOND®, GATOR®, AKRYLON and KAPA® is foreseeable and as they are still maintained through marketing activities, they are defined as assets with an indefinite useful life. Brands with an acquisition value of CHF 39.2 million as of the end of December 2016 will therefore not be amortized on a planned basis, but are subjected to an annual impairment test or whenever there is an indication of impairment.

The recoverable amount of the brands was calculated on the basis of fair value less cost to sell. This involved applying the relief-from-royalty method, whereby the commercial advantage of the brand owner is determined on the basis of the discounted royalty savings. During the budgeted period of five years, the cash flow forecasts are based on the expected royalty savings of between 1.5% and 3.0%. The constant annual growth rate after the fifth forecasting year is between 2% and 4%. The cash flows calculated in this way are discounted at various rates for each brand name ranging from 9.2% to 11.1% p.a. (previous year: 10.1% to 12.3% p.a.). A 1% point increase in the discounting rates would also not result in any impairment.

As the fair value less cost to sell calculated in this way was already well above the corresponding carrying values, the value-in-use view on the level of the cash generating unit was no longer required.

As in the previous year, no development expenses were capitalized in the year under review. Development expenses amounted to CHF 11.8 million (previous year: CHF 11.5 million).

Notes to the consolidated financial statements

10 Intangible assets 2015 (incl. goodwill) (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
Cost				
Balance as at 1 January 2015	10 213	48 318	21 751	80 282
Change in the scope of consolidation	59 129	4 789	2 067	65 985
Additions	0	43	18	61
Disposals	0	0	– 464	– 464
Exchange rate differences	1 595	– 822	– 122	651
Balance as at 31 December 2015	**70 937**	**52 328**	**23 250**	**146 515**
Accumulated amortization				
Balance as at 1 January 2015	0	– 11 539	– 14 554	– 26 093
Change in the scope of consolidation	0	0	0	0
Amortization for the year	0	– 218	– 1 776	– 1 994
Disposals	0	0	464	464
Exchange rate differences	0	20	– 49	– 29
Balance as at 31 December 2015	**0**	**– 11 737**	**– 15 915**	**– 27 652**
Net book value as at 31 December 2015	**70 937**	**40 591**	**7 335**	**118 863**

Goodwill 2016

Cash generating unit	Book value in CHF 1000s	Method	Basis for determining recoverable amount	Discount rate before taxes	Projection period	Long-term growth rate
SSM Textile Machinery	1 814	DCF	Value-in-use	11.3%	5 years	1%
32 3A Composites Division	68 218	DCF	Value-in-use	9.4%	5 years	1%
Total	**70 032**					

In the course of a review of the cash-generating units it has been determined that the company SSM Giudici, Italy, no longer generates independent cash flows anymore and therefore does not meet the criteria of a cash generating unit. Due to the integrated business model, the SSM Textile division is the smallest identifiable cash generating unit. In the 2016 financial year, the goodwill of SSM Giudici was subjected to an impairment test at the level of SSM Textile Machinery (new cash generating unit). The impairment test at division level did not lead to any impairment charges.

Goodwill 2015

Cash generating unit	Book value in CHF 1000s	Method	Basis for determining recoverable amount	Discount rate before taxes	Projection period	Long-term growth rate
SSM Textile Machinery	1 833	DCF	Value-in-use	11.6%	5 years	1%
3A Composites Division	69 104	DCF	Value-in-use	10.3%	5 years	1%
Total	**70 937**					

11 Current financial liabilities (in CHF 1000s)

	2016	2015
Loans falling due within one year	669	1 752
14 Short-term leasing liabilities	602	626
Total	**1 271**	**2 378**

Breakdown of current financial liabilities by currencies at average interest rates:

31 December	**2016**	Actual interest rates	31 December	2015	Actual interest rates
INR	–		INR	1 507	2.87%
CHF	561	2.00%	CHF	559	2.00%
Other	710	3.84%	Other	312	4.15%
Total	**1 271**			**2 378**	

12 Other payables (in CHF 1000s)

	2016	2015
Financial liabilities:		
– Other liabilities	3 718	5 382
Non-financial liabilities:		
– Obligations towards social insurance schemes	2 454	2 288
– Obligations resulting from sales taxes	2 411	2 405
Total	**8 583**	**10 075**

13 Accrued expenses and deferred income (in CHF 1000s)

	2016	2015
Outstanding volume discounts and customer credits	11 090	11 053
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	24 675	20 904
Cost of materials / overheads	6 226	6 143
Other accrued expenses and deferred income	13 492	13 266
Total	**55 483**	**51 366**

Notes to the consolidated financial statements

Note	14 **Obligations arising from finance leasing** (in CHF 1000s)	**2016**	2015
	Obligations arising from finance leasing (nominal), due in:		
	– one year	628	641
	– 2 to 5 years	1 140	1 781
	– more than 5 years	0	0
	Total nominal value	**1 768**	**2 422**
	less future financial expense	– 49	– 116
	Total present value of minimum leasing obligations	**1 719**	**2 306**
	Reporting on balance sheet by due date		
11	– in one year (in current financial liabilities)	602	626
15	– in more than one year (in non-current financial liabilities)	1 117	1 680
	Total present value of minimum leasing obligations	**1 719**	**2 306**

Note	15 **Non-current financial liabilities** (in CHF 1000s)	**2016**	2015
14	Long-term leasing obligations	1 117	1 680
	Other long-term financial obligations	2 091	3 324
	Total	**3 208**	**5 004**
	The maturities of the non-current financial liabilities are as follows:		
	– 2 to 5 years	3 208	5 004
	– more than 5 years	0	0
	Total	**3 208**	**5 004**

Breakdown of non-current financial liabilities by currencies with average interest rates:

31 December	**2016**	Actual interest rates	31 December	2015	Actual interest rates
CHF	1 117	2.00%	CHF	1 676	2.00%
EUR	441	7.93% [1)]	EUR	865	7.93% [1)]
PLN	–		PLN	676	3.57%
PGK	1 650	0.00%	PGK	1 787	0.00%
Total	**3 208**			**5 004**	

[1)] The interest rate of 7.93% is the applicable discount rate to determine the present value of the deferred purchase price for the cardboard display business acquired in 2014 from Emlam Ltd.

16 Employee benefits

The Group operates various employee benefit plans in and outside of Switzerland for employees that satisfy the participation criteria. Among these plans are both defined benefit plans and defined contribution plans that cover the majority of employees for death, disability and retirement.

Defined contribution pension plans
The Group offers defined contribution plans for staff who meet the relevant admission criteria. The assets of these plans are spun off into legal units which are independent of the company and are not accessible to the employer. The company is obliged to transfer a predefined percentage of employees' annual salaries to the pension plans. In the case of some of these plans, the employee also pays contributions. These contributions are typically deducted from salaries by the employer and are also transferred to the pension plan. Apart from the contribution payments and the transfers of employee contributions, there are currently no other obligations on the part of the employer.
For the 2016 financial year, the employer's contribution to defined contribution plans amounted to CHF 147 194 (previous year: 146 000).

Defined benefit plans
The Group finances defined benefit pension plans for employees who meet the relevant admission criteria. The main plans of this type are located in Switzerland, Germany, the US and Ecuador.

Pension plans in Switzerland
The Group operates a staff pension plan in Switzerland. The assets of this plan are segregated into an autonomous foundation. The Board of Trustees is made up of equal numbers of employee and employer representatives. Under the law and the pension regulations, the Board of Trustees has a duty to act only in the interests of the foundation and the beneficiaries (active insured members and members receiving pensions). This means that the employer itself cannot determine the benefits or how they are financed. Instead, the decisions are taken jointly. The Board of Trustees is responsible for defining the investment strategy, for making changes to the pension fund regulations and in particular also for defining the financing of the pension benefits.

Pension benefits are based on retirement savings. The annual retirement credits and interest will be credited to these retirement savings (there will be no possibility of negative interest). When insured members come to retire, they will be able to choose whether to take a pension for life, which will include a reversionary spouse's pension, or a lump sum. In addition to retirement benefits, the plan benefits will also include disability and partner pensions. These will be calculated as a percentage of the employee's annual pensionable salary. Insured members may also buy into the scheme to improve their pension provision up to the maximum amount permitted under the rules or may withdraw funds early for the purchase of a residential property for their own use. On leaving the company, the retirement savings will be transferred to the pension institution of the new employer or to a vested benefits institution. This type of benefit may result in pension payments varying considerably between individual years.

In defining the benefits, the minimum requirements of the Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and its implementing provisions must be observed. The BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council at least once every two years. In 2016, the rate is 1.25% (previous year: 1.75%) from 2017: 1%.

The structure of the plan and the legal provisions of the BVG mean that the employer is exposed to actuarial risks. The main risks are investment risk, interest risk, disability risk and the risk of longevity. The employee and employer's contributions are set by the Boards of Trustees. The employer funds at least 50% of the necessary contributions. In the event of a shortfall, recapitalization contributions to eliminate the gap in coverage may be levied from both the employer and the employee.

Notes to the consolidated financial statements

The Board of Trustees adopted a resolution to offer pension benefits through a collective foundation with effect from 1.1.2017. The collective foundation pension plan corresponds to the plan under the autonomous pension fund. The only difference is the higher conversion rate on mandatory retirement savings. In order to cover this risk, a separate pool of assets was formed with the sole purpose of funding the costs arising from this higher conversion rate. The autonomous foundation will remain in place for the time being, but its purpose has been changed. It no longer pays direct benefits, but serves to finance affiliation with the collective foundation.

Europe
The companies in Germany have a company retirement pension scheme which is based on different rules and company agreements. Individual pension solutions are also in place for members of senior management. In principle, members are entitled to pension benefits in the event of old age, disability or death. Beneficiaries will be entitled to life-long pension benefits or lump-sum payments, depending on the rules laid down in the pension regulations. Apart from the externally financed relief fund, the plans do not have any assets segregated from the company. The pension benefits are mostly financed by the employer. When employees leave the company before pension benefits are due, their prospective rights to the pension benefits will be preserved in accordance with the statutory rules.

The structure of the plan and the legal provisions (German Company Pensions Act) mean that the employer is exposed to actuarial risks. The main risks are the risk of longevity, the risk of salary trends and the risk entailed in compensating for the impact of inflation on pensions.

Plans based on local legal requirements are in place in Belgium, Italy and Slovakia.

Americas
In the US, staff who leave the Group after the age of 62 and who meet the vesting criteria are entitled to health insurance benefits under the Group's pension plan. The plan reimburses a fixed age-dependent amount of the health insurance costs. This means that the plan is not subject to the risk of the future development of medical expenses. Thus, the main residual actuarial risk still lies in future changes in life expectancy. The plan has no assets segregated from the Group and the benefits are paid directly by the employer.

In addition, the Group provides some former employees and retirees in the US with pensions benefits through a multi-employer plan. Because of the structure of its benefits, this plan is a defined benefit plan. The benefits are dependent on the number of years of service and the insured salary. The employer's contributions to this plan are determined on the basis of the negotiated collective labor agreement and the financial position of the plan. The main risks are interest risks, investment risks and the risk of an increase in life expectancy.

In Ecuador, all employees will be entitled to a pension for life and a lump-sum retirement payment once they have 25 years of service, but not before reaching age 55. The benefits are calculated on the basis of the average insured annual salary. Entitlement is based on the general labor law. The main actuarial risks lie in the development of salaries (inflation) and the future changes in life expectancy. The plan has no assets segregated from the Group and the benefits are paid directly by the employer.

The most recent actuarial valuations of the present values of the defined benefit obligations as of 31 December 2016 and of service costs were conducted by independent actuaries in accordance with the projected unit credit method.

The fair value of the plan assets was determined as of 31 December 2016 on the basis of the information known at the time when the annual financial statements were prepared.

The main assumptions on which the actuarial calculations are based can be summarized as follows:

31 December				2016				2015
	Switzerland	EU	America	Weighted	Switzerland	EU	America	Weighted
Discount rate	0.65%	1.83%	3.67%	1.32%	1.00%	2.29%	3.52%	1.60%
Future increases in salaries	1.25%	2.22%	0.56%	1.35%	1.25%	2.46%	0.53%	1.37%
Future pension adjustments	0.00%	1.68%	0.28%	0.38%	0.10%	1.68%	0.26%	0.42%
(in years)								
Life expectancy at age 65								
Year of birth **1951** / 1950								
– Men	22	19	21		22	19	21	
– Women	24	23	23		24	23	23	
Year of birth **1971** / 1970								
– Men	24	22	23		23	22	23	
– Women	26	26	25		26	26	25	

The amounts recognized in the income statement and in shareholders' equity can be summarized as follows:

Pension expense recognized in the income statement

31 December				2016				2015
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Service costs								
– Current service costs	4181	1099	436	5716	4823	1131	402	6356
– Past service costs	–814	0	0	–814	0	0	0	0
– Plan settlements	0	0	0	0	0	0	0	0
Net interest expense	328	996	553	1877	401	733	529	1663
Total pension expense for the period	**3695**	**2095**	**989**	**6779**	**5224**	**1864**	**931**	**8019**

Notes to the consolidated financial statements

Remeasurements recognized in other comprehensive income

31 December				2016				2015
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Actuarial (gains) / losses								
– Based on adjustment of demographic assumptions	−7754	23	72	−7659	−1941	0	−35	−1976
– Based on adjustment of financial assumptions	3884	3600	−674	6810	−5540	−6472	−364	−12376
Experience adjustments	−634	−123	20	−737	−2549	207	−48	−2390
Return on pension assets (excluding amounts in net interest expenses)	−20390	32	−420	−20778	5338	−70	419	5687
Exchange rate differences	0	−84	48	−36	0	−1213	2	−1211
Total expense recognized in the "statement of other comprehensive income"	**−24894**	**3448**	**−954**	**−22400**	**−4692**	**−7548**	**−26**	**−12266**
Total pension costs	**−21199**	**5543**	**35**	**−15621**	**532**	**−5684**	**905**	**−4247**

The changes in pension obligations and pension assets can be summarized as follows:

Changes in the present value of defined benefit obligations

31 December				2016				2015
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening present value of defined benefit obligations	165355	45526	34924	245805	173585	25865	35701	235151
Current service cost	4181	1099	436	5716	4823	1131	402	6356
Plan participants' contributions	2570	50	0	2620	2650	56	0	2706
Interest expenses on the present value of the obligations	1617	1039	1201	3857	1958	757	1180	3895
Actuarial gains / losses	−4504	3500	−582	−1586	−10030	−6265	−447	−16742
Past service costs	40	0	0	40	0	0	0	0
Plan settlements	0	0	0	0	0	0	0	0
Plan curtailments	−854	0	0	−854	0	0	0	0
Business acquisitions	0	0	0	0	0	27226	0	27226
Sale of business	0	0	0	0	0	0	0	0
Benefits paid through plan assets	−7345	−13	−1151	−8509	−7631	0	−1124	−8755
Benefits paid by employer	0	−1135	−682	−1817	0	−972	−813	−1785
Exchange rate differences	0	−536	1177	641	0	−2272	25	−2247
Closing present value of defined benefit obligations	**161060**	**49530**	**35323**	**245913**	**165355**	**45526**	**34924**	**245805**

Changes in the fair value of plan assets

31 December				2016				2015
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening fair value of plan assets	130006	1710	20456	152172	136032	646	21004	157682
Plan participants' contributions	2570	50	0	2620	2650	56	0	2706
Employer's contribution	2570	112	339	3021	2736	90	331	3157
Interest income on assets	1289	43	648	1980	1557	24	651	2232
Return on plan assets (excl. amounts included in interest) [1)]	20390	–32	420	20778	–5338	70	–419	–5687
Assets distributed on settlements	0	0	0	0	0	0	0	0
Sale of business	0	0	0	0	0	874	0	874
Benefits paid through plan assets	–7345	–13	–1151	–8509	–7631	0	–1124	–8755
Exchange rate differences	0	–18	721	703	0	–50	13	–37
Closing fair value of plan assets	**149480**	**1852**	**21433**	**172765**	**130006**	**1710**	**20456**	**152172**

[1)] 2016: including profit from the sale of properties following the transfer of Swiss pension management to the collective foundation

The net position of pension obligations in the balance sheet can be summarized as follows:

Amount recognized in the balance sheet

31 December				2016				2015
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Present value of funded obligation	161060	13465	25740	200265	165355	12055	26041	203451
Fair value of plan assets	–149480	–1852	–21433	–172765	–130006	–1710	–20456	–152172
Under/(over) funding	**11580**	**11613**	**4307**	**27500**	**35349**	**10345**	**5585**	**51279**
Present value of unfunded obligations	0	36067	9583	45650	0	33470	8883	42353
Assets not available to company	0	0	0	0	0	0	0	0
Recognized pension liabilities	**11580**	**47680**	**13890**	**73150**	**35349**	**43815**	**14468**	**93632**

Notes to the consolidated financial statements

The assets mainly originate from the pension plans in Switzerland and the US. The Boards of Trustees issue investment guidelines for the plan assets which include the tactical asset allocation and the benchmarks for comparing the results with a general investment universe. The assets are well diversified. The Swiss pension plans are also subject to the legal requirements on diversification and safety laid down by the BVG (Federal Law on Occupational Retirement, Survivors and Disability Pension Plans). Bonds generally have at least an A rating.

The plan assets do not include any direct investments in the Group. As shares are also held via fund units, the possibility that such units might include shares in the Group cannot be ruled out.

The Board of Trustees continuously reviews whether the chosen investment strategy is appropriate with a view to providing the pension benefits and whether the risk budget is in line with the demographic structure. Compliance with the investment guidelines and the investment results of the investment advisors is reviewed at quarterly intervals. An external consultancy also periodically reviews the effectiveness and appropriateness of the investment strategy.

Since pension benefits in Switzerland are to be managed through an autonomous collective foundation effective 1.1.2017 and a significant portion of the assets to cover obligations was already transferred to the collective foundation before 31.12.2016, a large part of the balance as at 31.12.2016 consists of accounts receivable from the collective foundation, which are recognized under Other investments.

The pension assets mainly consist of the following categories of securities:

31 December				**2016**				2015
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Equities	8414	0	7746	16160	30370	0	7393	37763
Bonds	18311	0	6877	25188	70316	0	6563	76879
Alternative financial assets	0	0	0	0	0	0	0	0
Real estate								
– Indirect investments	0	0	0	0	0	0	0	0
– Direct investments	0	0	0	0	26191	0	0	26191
Qualified insurance paper	0	1852	0	1852	0	1710	0	1710
Cash and cash equivalents and Other investments	122755	0	6810	129565	3129	0	6500	9629
Total	**149480**	**1852**	**21433**	**172765**	**130006**	**1710**	**20456**	**152172**

In 2016, the assets generated a gain of CHF 24.7 million (previous year: loss of CHF 3.5 million). The sale of properties held by the Swiss pension plan resulted in a considerable increase in returns from plan assets. In the upcoming year employer's contributions are expected to amount to CHF 3.0 million (previous year: CHF 3.3 million), while pension payments to former employees are expected to amount to CHF 2.1 million (previous year: CHF 1.8 million).

The following table provides a breakdown of the defined benefit obligations among active insured members, former members with vested benefits and members receiving pensions. The terms of the obligations are also given:

31 December				2016				2015
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Active insured members	108 699	28 591	4 815	142 105	115 258	25 256	3 830	144 344
Former members								
with vested benefits	0	4 219	0	4 219	0	4 278	0	4 278
Members receiving pensions	52 361	16 720	30 508	99 589	50 097	15 992	31 094	97 183
Total	**161 060**	**49 530**	**35 323**	**245 913**	**165 355**	**45 526**	**34 924**	**245 805**
(in years)								
Term of obligations	16.2	19.5	13.7	16.5	17.9	18.8	11.9	17.2

A common feature of all plans is that the interest rate for calculation purposes is a key factor in calculating the present value of the pension obligations. The other key factors differ from plan to plan. In the geographical breakdown presented here the plans share the same characteristics and the sensitivities are therefore presented on this basis.

Change in present value of a defined benefit obligation:

31 December (in CHF 1000s)		2016		2015	
		+ 0.25%	– 0.25%	+ 0.25%	– 0.25%
All countries	Discount rate	– 8 648	9 229	– 9 044	9 645
All countries	Development of wages and salaries	1 254	– 1 197	1 339	– 1 291
Switzerland	Interest on retirement assets	991	– 983	1 181	– 1 198
EU	Pension indexation	1 552	– 1 459	1 394	– 1 330

Other long-term benefits

The Group has programs for long-service awards and other payments dependent on length of service which are classified as other long-term payments due to employees. As at 31 December 2016 there exists a provision in the amount of CHF 1.6 million (previous year: CHF 1.4 million) for other long-term payments.

Termination benefits

In Germany, partial retirement agreements are in place, which are classified as payments after termination of employee relationships. As at 31 December 2016 provisions amounting to CHF 0.8 million (previous year: CHF 0.9 million) are in place for these benefits. Offsetting assets are deducted when the provisions is determined.

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17 **Provisions** (in CHF 1000s)	Guarantees	Litigation	Environmental obligations	Other	Total **2016**	Total 2015
Balance as at 1 January	4 604	3 552	4 438	8 492	21 086	14 722
Change in the scope of consolidation	0	0	0	0	0	4 921
Exchange rate differences	– 57	50	– 13	– 93	– 113	– 170
Consumption with neutral impact on income	– 768	– 141	– 11	– 3 173	– 4 093	– 2 318
Unused amounts reversed and released to income	– 884	– 617	0	– 110	– 1 611	– 1 501
Additional provisions charged to income	2 230	18	49	1 567	3 864	5 432
Balance as at 31 December	**5 125**	**2 862**	**4 463**	**6 683**	**19 133**	**21 086**
of which: current provisions	1 589	259	0	704	2 552	1 580
non-current provisions	3 536	2 603	4 463	5 979	16 581	19 506
Expected use of provisions						
– within one year	1 589	259	0	704	2 552	1 580
– in 2 to 5 years	3 314	2 603	2 097	5 476	13 490	17 197
– more than 5 years	222	0	2 366	503	3 091	2 309

Guarantees:

The provisions for guarantees are calculated on the basis of individual cases and empirical values.

Litigation:

Provisions for litigation essentially comprise pending legal disputes with former employees of 3A Composites in Ecuador and the United States and potential liabilities arising from the sale of the Satisloh division.

Environmental obligations:

Provisions for environmental obligations cover the estimated costs for the remediation of contaminated sites.

Other provisions:

Other provisions cover mainly material risks arising from framework agreements and obligations arising from personnel-related payments such as partial retirement and long-service awards. Material risks are based on empirical data and on commitments to take delivery that are still outstanding as at 31 December 2016.

The amount of the provisions is based on the outflow of resources which Management anticipates will be needed to cover the liabilities.

18 **Share capital**	**2016**	2015
Number of bearer shares issued with a par value of CHF 1	1 431 808	1 431 808
Share capital as at 31 December (in CHF)	1 431 808	1 431 808
Conditional capital (in CHF)	132 600	132 600

Treasury shares	Number of bearer shares
As at 31 December 2015	799
Sale of treasury shares	– 199
As at 31 December 2016	**600**
of which shares used for the share-based remuneration scheme	600

Authorized capital:

As of 31 December 2016, there is no authorized capital.

Conditional capital:

As of 31 December 2016, the company's share capital may be increased ex rights by up to 132 600 bearer shares, which must be fully paid-in;
a) up to a sum of CHF 32 600 through the exercise of employee option rights and
b) up to a sum of CHF 100 000 through the exercise of option or conversion rights granted in conjunction with bonds or similar paper issued by the company. So far, no such bonds have been issued.

Dividend:

At the General Meeting on 3 May 2016 the shareholders approved the distribution of a dividend of CHF 40.00 per bearer share for the 2015 financial year. No payment was made on treasury shares. The distribution amounted to a total of CHF 57. 3 million.

For the 2016 financial year, the Board of Directors will propose to the Annual General Meeting of 25 April 2017 that a gross dividend of CHF 40.00 per bearer share shall be distributed.

19 Share-based payments

During the year under review, as part of the long-term incentive plan 2015–17 (LTI), shares in Schweiter Technologies AG were issued at the beginning of the plan term. The shares are subject to a blocking period until 31 December 2017 and their value (at the time of allocation) counts toward the LTI participation. 600 shares were issued, which, as of the cut-off date, are segregated from the treasury holdings and held in a separate bank custody account. The shares are entitled to dividends. At the time of allocation, the fair value of the shares issued was CHF 833 per share.

The expenses recognized in the financial year under review from share-based payments settled in equity instruments amounted to CHF 187 500 (previous year: CHF 125 000).

Notes to the consolidated financial statements

20 Transactions with related parties

Related parties (individuals and companies) include members of Group Management and the Board of Directors, significant shareholders and companies under their control. In principle, transactions with related parties are conducted at market terms.

Apart from the compensation and pension benefits referred to below and the balances and transactions with associated companies referred to in notes 8, no significant transactions were conducted with related parties.

The remuneration of the Board of Directors and Management was as follows:

(in CHF 1000s)	**2016**	2015
Total compensation Board of Directors	608	608
Total compensation Management	3 190	3 288
Total compensation Board of Directors and Management	**3 798**	**3 896**

Further information about the remuneration of individual directors is disclosed in the Compensation Report.

21 Share ownership by the Board of Directors and Management

As of 31 December 2016, a total of 449 209 shares were held by members of the Board of Directors or members of Management as a result of exercised options or private purchases (31 December 2015: 449 967):

Surname	First name	Function	Number of shares **2016**	Number of shares 2015
Siegrist [1)]	Beat	Chairman of the Board of Directors	83 916	83 916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [2)]	Vanessa	Member of the Board of Directors	364 973	364 973
Baumgartner [3)]	Heinz O.	Group CEO	0	758

[1)] Beat Siegrist is a member of a shareholder group and hold shares via Beat Siegrist Beteiligungen AG
[2)] Vanessa Frey is a member of a shareholder group and hold shares via KWE Beteiligungen AG / VBF Holding AG
[3)] In addition to the shareholdings listed, Dr Heinz O. Baumgartner holds 600 shares granted in April 2015 with a vesting period until 31 December 2017 which are held in a separate bank custody account

Schweiter Technologies is not aware of any shares held by persons closely associated with members of the Board of Directors or Management.

22 **Net revenues** (in CHF 1000s)	**2016**	2015
Net proceeds of deliveries of goods	992 909	909 936
Net proceeds of services	10 175	5 132
Rental income	272	330
Total	**1 003 356**	**915 398**

	23 **Other operating expenses** (in CHF 1000s)	**2016**	2015
	Direct sales and distribution costs	64 252	55 405
	Purchasing and production overheads	55 462	49 922
	Sales and marketing overheads	17 354	16 845
	After sales overheads	3 240	2 109
	Overheads relating to administration and capital taxes	21 355	24 277
	Development overheads	2 701	2 710
	Cost of premises	8 274	7 866
	Expense for investment property	560	0
7	Decrease in market value of biological assets	123	0
	Other operating expenses	1 403	667
	Total	**174 724**	**159 801**

24 **Income / expense from investment property – net** (in CHF 1000s)	**2016**	2015
Income from investment property	0	1 001
Expense for investment property	0	– 641
Depreciation on investment property	0	– 459
Total	**0**	**– 99**

Investment property income and expense is now reported gross.

	25 **Other operating income** (in CHF 1000s)	**2016**	2015
	Income from investment property	1 021	0
	Gain on sale of property, plant and equipment	19	0
	Increase in market value of biological assets	0	1 449
32	Bargain Purchase (PNG Balsa)	122	2 354
	Reimbursement of expenses paid in compliance with official requirements	1 547	0
	Adjustment of purchase price obligation in respect of Plastwag SA	1 802	0
	Other income	1 726	1 700
	Total	**6 237**	**5 503**

	26 **Depreciation and amortization** (in CHF 1000s)	**2016**	2015
5	Depreciation on property, plant and equipment	25 133	24 184
10	Amortization of intangible assets	2 161	1 994
	Depreciation on investment property	459	0
	Total	**27 753**	**26 178**

Notes to the consolidated financial statements

27 **Financial income** (in CHF 1000s)	**2016**	2015
Interest income	428	686
Foreign exchange gains (net)	0	1 504
Total	**428**	**2 190**

28 **Financial expenses** (in CHF 1000s)	**2016**	2015
Other financial expenses	0	437
Interest expenses	3 008	2 435
Foreign exchange losses (net)	1 662	0
Total	**4 670**	**2 872**

29 **Income taxes** (in CHF 1000s)	**2016**	2015
Current taxes	21 185	14 908
Deferred taxes	805	145
Total	**21 990**	**15 053**

Deferred taxes are attributable to differences between the standard Group valuation and the tax valuation in the individual financial statements. The differences partly relate to the use of the declining balance method of depreciation and the creation of reserves on inventories, as acceptable for tax purposes, but are mainly due to provisions for pension liabilities, the capitalization of tax loss carryforwards accepted for tax purposes and purchase price allocations for business combinations.

The following table shows the difference between effective tax expenditure and the mean tax expenditure anticipated on the basis of local tax rates:

Reconciliation of income taxes (in CHF 1000s)	**2016**	2015
Income before taxes	92 626	65 133
Income tax rate at Head Office	19.7%	19.7%
Tax expense anticipated	18 247	12 831
Differences owing to differing local tax rates	3 469	2 130
Impact of other non-taxable income	– 455	– 1 928
Impact of non-tax-deductible expenditure	2 121	1 340
Non-capitalized losses on current results carried forward	1 372	1 901
Use of non-capitalized tax losses carried forward	– 2 387	– 626
Taxes from previous periods and other influencing factors	– 377	– 595
Effective tax expense	**21 990**	**15 053**
Effective tax rate	23.7%	23.1%

30 Deferred tax assets (in CHF 1000s)	Inventories/ work in progress	Pension obligations	Capitalized tax loss carry-forwards	Provisions	Other	Total **2016**	Total 2015
Balance as at 1 January	1 676	13 507	3 687	4 880	7 260	31 010	26 806
32 Change in the scope of consolidation	0	0	0	0	0	0	7 047
Exchange rate differences	36	15	87	–7	75	206	–276
Recognized in other income	0	–3 920	0	0	0	–3 920	–2 087
Unused amounts reversed and released to income	–180	–150	–3 345	–826	–1 710	–6 211	–6 007
Additional provisions charged to income	743	1 786	1 885	3 066	1 184	8 664	5 527
Balance as at 31 December gross	**2 275**	**11 238**	**2 314**	**7 113**	**6 809**	**29 749**	**31 010**
Netting						–7 172	– 6 659
Balance as at 31 December, net						**22 577**	**24 351**

As at 31 December 2016, the Group had non-capitalized tax loss carry-forwards of CHF 125.2 million (previous year: CHF 126.8 million), which can be offset against future earnings. These tax loss carry-forwards were not capitalized because of uncertainty over whether the future earnings will materialize. The tax loss carry-forwards for which no deferred tax assets were recognized will expire as follows:

(in CHF 1000s)	**2016**	2015
– one year	198	0
– 2 to 5 years	12 014	13 893
– in more than 5 years' time	3 843	6 668
– no expiration	109 168	106 225
Total	**125 223**	**126 786**

31 Deferred tax liabilities (in CHF 1000s)	Inventories/ work in progress	Property, plant & equipment	Intangible assets	Biological assets	Other	Total **2016**	Total 2015
Balance as at 1 January	–1 583	–16 566	–10 861	–2 265	–2 196	–33 471	–29 089
32 Change in the scope of consolidation	0	0	0	0	0	0	–5 171
Exchange rate differences	1	–325	–240	–80	–9	–653	454
Recognized in other income	0	0	0	0	0	0	0
Unused amounts reversed and released to income	210	1 598	118	25	631	2 582	2 154
Additional provisions charged to income	–8	–3 817	–603	–118	–1 293	–5 839	–1 819
Balance as at 31 December, gross	**–1 380**	**–19 110**	**–11 586**	**–2 438**	**–2 867**	**–37 381**	**–33 471**
Netting						7 172	6 659
Balance as at 31 December net						**–30 209**	**–26 812**

As of 31 December 2016 the Group had temporary differences on unremitted earnings of Group companies in the amount of CHF 48.9 million (previous year: CHF 59.9 million). No deferred taxes were recorded for these taxable temporary differences.

Notes to the consolidated financial statements

32 **Business combinations**

There were no business combinations in the year under review.

The following business combinations took place in 2015:

Acquisition of the Polycasa Group
On 31 March 2015, Schweiter Technologies acquired 100% of the shares in the Polycasa Group, one of Europe's leading manufacturers of transparent plastic sheeting. This acquisition by the Group strengthens the display activities of the 3A Composites division.

The purchase price is CHF 96.4 million. The goodwill arising on the acquisition amounts to CHF 51.8 million and essentially reflects the value of the expected buyer-specific synergies. The goodwill is not tax-deductible.

Acquisition of Plastwag S.A.
Also on 31 March 2015, 100% of the shares were acquired in Plastwag S.A. in Poland. Plastwag manufactures high-quality fibre-reinforced and thermoformed plastic components. The Group's acquisition of Plastwag strengthens the transportation business of the 3A Composites division.

The purchase price is CHF 15.6 million. The remaining purchase price obligation amounts to a maximum of CHF 2.0 million, which is payable in 2017. In the year under review, CHF 1.8 million of the original purchase price obligation of CHF 4.0 million was reversed and released to income. The goodwill arising on the acquisition amounts to CHF 7.3 million and essentially reflects the value of the expected buyer-specific synergies. The goodwill is not tax-deductible.

Acquisition of PNG Balsa Ltd.
Effective 30 June 2015, Schweiter Technologies acquired the balsa operations of PNG Balsa Ltd. in Papua New Guinea by way of an asset deal. PNG Balsa specializes in the planting, harvesting and processing of balsa wood. This acquisition extends 3A Composites' leading market position in core materials.

The purchase price for the company is CHF 9.7 million.

The remeasured net assets acquired exceed the purchase price, resulting in negative goodwill (bargain purchase). Following the first-time calculation of this excess, the measurement of all assets acquired and liabilities and contingent liabilities assumed were therefore reassessed. The excess resulting from the bargain purchase was increased by CHF 0.1 million in the year under review and recognized in profit or loss within other operating income.

The transaction costs of CHF 2.1 million related to the acquisitions are included in other operating expenses in 2015.

Had the business combinations already taken place on 1 January 2015, management estimates that the Group's revenues would have reached CHF 975.8 million and net income CHF 51.7 million in 2015.

Overview of the in 2015 acquired assets and liabilities recognized at the time of acquisition

(in CHF 1000s)	Polycasa	Plastwag	PNG Balsa	Total
Cash and cash equivalents	4 938	553	0	5 491
Trade receivables	34 819	2 177	0	36 996
Current income tax receivables	584	0	0	584
Advances to suppliers	1 727	0	241	1 968
Other receivables	4 083	9	0	4 092
Prepaid expenses and accrued income	13	11	0	24
Inventories	21 393	416	2 047	23 856
Total current assets	**67 557**	**3 166**	**2 288**	**73 011**
Property, plant and equipment	38 825	7 590	7 240	53 655
Biological assets	0	0	5 855	5 855
Financial assets	227	0	0	227
Deferred tax assets	4 913	337	0	5 250
Intangible assets	5 958	898	0	6 856
Total non-current assets	**49 923**	**8 825**	**13 095**	**71 843**
Current financial liabilities	– 3 231	– 252	0	– 3 483
Trade payables	– 16 044	– 585	0	– 16 629
Prepayments received from customers	– 6	0	0	– 6
Other payables	– 3 692	– 220	0	– 3 912
Accrued expenses and deferred income	– 7 930	– 173	– 246	– 8 349
Current provisions	– 107	– 226	0	– 333
Current income tax payables	– 10 382	0	0	– 10 382
Total current liabilities	**– 41 392**	**– 1 456**	**– 246**	**– 43 094**
Non-current financial liabilities	0	– 844	– 2 094	– 2 938
Deferred tax liabilities	– 2 393	0	– 981	– 3 374
Non-current provisions	– 3 219	– 1 369	0	– 4 588
Pension obligations	– 25 867	0	0	– 25 867
Total non-current liabilities	**– 31 479**	**– 2 213**	**– 3 075**	**– 36 767**
Total fair value of net assets acquired	**44 609**	**8 322**	**12 062**	**64 993**
Goodwill	51 817	7 312	0	59 129
Bargain Purchase	0	0	– 2 354	– 2 354
Total consideration [1]	**96 426**	**15 634**	**9 708**	**121 768**
Cash and cash equivalents acquired	– 4 938	– 553	0	– 5 491
Consideration payables	0	– 4 000 [2]	– 325	– 4 325
Repayment of pre-existing loans	3 231	0	0	3 231
Cash out flow from purchase of subsidiaries in 2015	**94 719**	**11 081**	**9 383**	**115 183**
Considerations paid in 2016	0	1 598	141	1 739
Cash out flow from purchase of subsidiaries	**94 719**	**12 679**	**9 524**	**116 922**

[1] After the 12 months measurement period
[2] The deferred purchase price is in the range of CHF 0.0 to 4.0 million

Notes to the consolidated financial statements

33 **Earnings per share**		**2016**	2015
Net income	(in CHF 1000s)	70 636	50 080
Average number of shares issued		1 431 808	1 437 740
less average number of treasury shares		– 633	– 6 731
Average number of shares outstanding		**1 431 175**	**1 431 009**
Dilution effect resulting from the average number of shares for share-based payments		600	600
Average number of shares outstanding after dilution effect		**1 431 775**	**1 431 609**
Earnings per share (in CHF)			
– undiluted		49.36	35.00
– diluted		49.33	34.98

34 Categories of financial instruments

Financial assets
The Group's financial assets are broken down into the following categories:

(in CHF 1000s)	Cash	Fair value through profit and loss	Loans and receivables	Carrying amount	Fair value
31 December 2016					
Cash and cash equivalents	179 308			179 308	179 308
Trade receivables			143 007	143 007	143 007
Other receivables		0	8 828	8 828	8 828
Financial assets			861	861	861
Total	**179 308**	**0**	**152 696**	**332 004**	**332 004**
31 December 2015					
Cash and cash equivalents	170 445			170 445	170 445
Trade receivables			136 342	136 342	136 342
Other receivables		0	8 627	8 627	8 627
Financial assets			1 677	1 677	1 677
Total	**170 445**	**0**	**146 646**	**317 091**	**317 091**

Financial liabilities
The Group's financial liabilities are broken down into the following categories:

(in CHF 1000s)	Fair value through profit and loss	Measured at amortized cost	Carrying amount	Fair value
31 December 2016				
Current financial liabilities		1 271	1 271	1 271
Trade payables		65 018	65 018	65 018
Other liabilities	0	3 718	3 718	3 718
Non-current financial liabilities		3 208	3 208	3 208
Total	**0**	**73 215**	**73 215**	**73 215**
31 December 2015				
Current financial liabilities		2 378	2 378	2 378
Trade payables		54 909	54 909	54 909
Other liabilities	0	5 382	5 382	5 382
Non-current financial liabilities		5 004	5 004	5 004
Total	**0**	**67 673**	**67 673**	**67 673**

35 **Contingent liabilities**

In the ordinary course of business, the Group is involved in lawsuits, investigations and proceedings, including product liability, environmental, labor law, etc. The Group operates in countries where political, economic, social and legal developments could have an impact on the Group's operations. The effects of such risks which arise in the normal course of business are not foreseeable and are therefore not included in the accompanying consolidated financial statements.

Contingent liabilities (in CHF 1000s)	**2016**	2015
Warranties and guarantees	2 639	1 715
Total	**2 639**	**1 715**

In addition, there are contingent liabilities due to a newly interpreted application of foreign sales tax rates. The new interpretation is affecting the whole aluminum composite panel industry and is enforced by local authorities with a retrospective effect. Since the affected company has filed an appeal and the period of retrospective application is not yet known, the amount of contingent liabilities cannot be quantified yet.

Commitments to take delivery:
Under purchase contracts for machine parts and raw materials, commitments to take delivery amounting to CHF 151.8 million (previous year: CHF 88.8 million) and with maximum maturities of 3 years have been entered into in the course of ordinary business activities. Outstanding commitments to take delivery of property, plant and equipment amounted to CHF 6.3 million (previous year: CHF 12.0 million).

Notes to the consolidated financial statements

36 Lease commitments

Future minimum lease payments under non-cancellable operating leases (in CHF 1000s)	**2016**	2015
– due in one year's time	6 133	5 614
– due in 2 to 5 years' time	7 737	8 970
– due in more than 5 years' time	2 229	1 502
Total	**16 099**	**16 086**

The commitments consist mainly of rental agreements for buildings used by the company itself. The average term of the agreements is 4.1 years (previous year: 2.6 years). Leasing obligations amounting to CHF 2.3 million are included (previous year: CHF 2.3 million).

Future minimum sublease payments expected to be received under non-cancellable operating leases (in CHF 1000s)	**2016**	2015
– due in one year's time	1 327	1 204
– due in 2 to 5 years' time	3 099	2 107
– due in more than 5 years' time	4 883	0
Total	**9 309**	**3 311**

37 Rights of lien (in CHF 1000s)

	2016	2015
Book value of assets encumbered by rights of lien	666	898

38 Events occurring after the balance sheet date

No events occurred between the balance sheet date and the date of publication of this annual report which could have a significant impact on the consolidated financial statements 2016.

39 Approval of the annual financial statements

The Board of Directors approved the present consolidated annual financial statements on 8 March 2017 by circular resolution and released the Annual Report for publication.

The Board of Directors will propose that the Annual Shareholders' Meeting on 25 April 2017 approves the consolidated annual financial statements.

Statutory Auditor's Report
to the General Meeting of Schweiter Technologies AG, Horgen

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Schweiter Technologies AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statement (pages 22 to 72) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters
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.

Key audit matter	*How the scope of our audit responded to the key audit matter*
Goodwill and intangible assets	
The consolidated financial statements of Schweiter Technologies include "Goodwill and intangible assets" of CHF 116.5 million. Of this balance, CHF 70.0 million relates to goodwill and CHF 46.5 million comprises patents, brand names and other intangible assets. Goodwill and brand names with indefinite useful lives are tested for impairment at least once annually. If there are any indicators of possible impairment, such impairment testing is performed more frequently. Following the acquisitions of the Polycasa Group and Plastwag S.A., goodwill increased by CHF 59 million in 2015. Management uses the discounted cash flow method to assess the value of goodwill and indefinite useful life brand names. The expected future cash flows of these assets are discounted and the higher of the value in use or fair value less costs of disposal is compared with the carrying value reported in the balance sheet. This net present value is dependent on Management's forecast of the future cash flows as well as the applicable discount rates, royalty rates and growth rates assumed. The valuation is therefore subject to a degree of uncertainty.	We focused our audit procedures in connection with the impairment tests on the assessment of the discounted cash flow calculations as well as the assumptions and estimates used. We assessed the appropriateness of the used future cash flows by critically analysing the development of these cash flows against historical, audited results. We also compared the forecast cash flows with the budgets and the five-year plan approved by the Board of Directors. Furthermore, we considered the forecast developments in the budget against macroeconomic and sector-specific market expectations. We have involved our internal valuation specialists to review the valuation models (structure, completeness and mathematical accuracy), to validate the discount rates, royalty rates and growth rates applied and to ensure compliance with IAS 36 "Impairment of Assets". In order to analyse the sensitivity of the valuation derived from the discounted cash flow method with the reported carrying values, we assessed the sensitivity analysis performed by Management and carried out our own, independent sensitivity analysis.

The valuation methodology is explained in the notes to the consolidated financial statements in the Consolidation and Basis of Preparation section under the heading "Goodwill, Other Intangible Assets and Impairment". For further information on intangible assets, please refer to note 10 of the consolidated financial statements.	We audited the design and implementation of the relevant controls around the impairment tests of goodwill and intangible assets. Based on the audit procedures performed, we consider the audit risk in relation to the value of goodwill and intangible assets to be adequately addressed.
Key audit matter	*How the scope of our audit responded to the key audit matter*
IAS 19 - Pension liabilities The pension liabilities of Schweiter Technologies AG amount to CHF 73.2 million at 31 December 2016. The related expenses were CHF 6.8 million as reported in the income statement in 2016. The actuarial income was CHF 22.4 million as reported in other comprehensive income in the same period. On behalf of management, an external actuary performs the calculation of pension liabilities and related expenses for all major international locations with pension plans. Management determines the assumptions used in the calculation together with the actuary. As per year end 2016, Schweiter Technologies Group changed its pension plan provider in Switzerland. The scope of judgement used by Management in determining the assumptions for the pension benefits of the companies in the Schweiter Technologies Group's international network have a major influence on the calculation of the pension liabilities. They therefore represent a risk for the audit. Furthermore, a change of pension fund provider is a material and irregular event that increases the risk of the pension liabilities, their associated expenses and corresponding disclosures being misstated. The respective accounting policy applied to pension liabilities by Schweiter Technologies is explained in the notes to the consolidated financial statements in the Consolidation and Basis of Preparation section under the heading "Pension Plans" and in Note 16.	We used internal specialists to assess the assumptions that were included in the actuarial calculations of the pension liabilities and the related expenses. They critically assessed the assumptions used in the calculation and compared them with the current market situation (discount rate, mortality tables) and the circumstances within comparable companies (wage increases, personnel fluctuations). The internal specialists also reviewed the calculations and disclosure notes based on IAS 19 and the consolidation and valuation principles with a special focus on the change of the pension plan in Switzerland. The core data used by the actuary in their calculations (personnel data, assets) were compared with the human resource data of their respective companies and the financial statements of the relevant financial institutions or other audit evidence. We audited the design and implementation of the relevant controls around the recording and disclosure of pension liabilities and expenses. Based on the audit procedures performed, we consider the audit risk in relation to the recognition of pension liabilities and the related pension expenses as well as the respective notes disclosures to be adequately addressed.
Key audit matter	*How the scope of our audit responded to the key audit matter*
Revenue Recognition The majority of the CHF 1,003 million sales reported by Schweiter Technologies Group in 2016 relate to the physical delivery of various products in different geographical markets. 3A Composites sells standard products that can be customised within a short delivery cycle. The textile machines of the SSM Division have a longer delivery cycle and include additional services. Revenue recognition is based on the delivery terms agreed with the customer (Incoterms). The consolidated financial statements of Schweiter Technologies AG's are subject to the risk that sales are not recorded in the correct financial period in accordance with the agreed delivery terms or that sales are recorded without the risks and rewards of ownership having passed to the customer. The accounting policy applied by Schweiter Technologies is explained in the notes to the consolidated financial	The revenue streams of the individual companies were audited by the local component auditors. The relevant controls around revenue recognition in the material subsidiaries of the Group were audited for their de-sign and implementation. As group auditor, we have reviewed the work carried out by the local component auditors around revenue recognition in order to ensure sufficient audit coverage. In particular, we have performed the following audit procedures to reduce the risk associated with revenue recognition to an acceptable level: • Test of details to verify individual documents (e.g. delivery notes and freight documents for the products of the 3A Composites Division and the stage of completion and delivery conditions for the products of the SSM Division); • Analytical procedures by means of margin comparisons of product groups over time; and

statements in the Consolidation and Basis of Preparation section. Details of the recorded sales in the period is reported in note 22 of the consolidated financial statements.	• Data analysis of total sales and follow up in particular areas, which are considered outside of our expectations. Based on the audit procedures performed, we consider the audit risk in relation to revenue recognition to be adequately addressed.

Other Information in the Annual Report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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

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

Deloitte AG

Daniel O. Flammer Licensed Audit Expert Auditor in Charge	Robert Renz Licensed Audit Expert

Zurich, 8 March 2017

Annual financial statements of Schweiter Technologies AG

Balance sheet as at 31 December 2016

	Assets (in CHF 1000s)	**2016**	2015
	Cash and cash equivalents	45 833	34 414
	Other current receivables	254	1 743
	Prepaid expenses and accruals	14	13
	Current assets	**46 101**	**36 170**
1	Investments	136 823	136 823
	Financial assets (loans to Group companies)	287 097	347 510
	Non-current assets	**423 920**	**484 333**
	Total assets	**470 021**	**520 503**

	Liabilities (in CHF 1000s)	**2016**	2015
	Trade payables	129	111
	Other current payables	144	134
	Accrued expenses and deferred income	1 704	1 761
	Current liabilities	**1 977**	**2 006**
2	Provisions	4 756	4 963
	Non-current liabilities	**4 756**	**4 963**
3	Share capital	1 432	1 432
	Statutory reserves:		
	– Reserves from capital contributions	63	63
	– Other capital reserves	3 167	3 167
	Free retained earnings/profit	458 847	509 167
4	Own capital shares	– 221	– 295
	Shareholders' equity	**463 288**	**513 534**
	Total liabilities and shareholders' equity	**470 021**	**520 503**

▲ For additional details see notes to the annual financial statements

Income statement for the financial year 2016

	(in CHF 1000s)	2016	2015
	Investment income	6 000	16 000
5	Other financial income	4 144	4 070
	Rental income	869	929
	Management fee income	1 250	1 250
	Other income	0	1
	Total operating income	**12 263**	**22 250**
6	Financial expenses	– 40	– 1 328
	Administrative expenses	– 1 142	– 1 127
	Personnel expenses	– 3 312	– 2 831
	Expenses on premises	– 682	– 682
	Total operating expenses	**– 5 176**	**– 5 968**
	Income before taxes	**7 087**	**16 282**
	Income taxes	– 135	– 58
	Net income	**6 952**	**16 224**

▲ For additional details see notes to the annual financial statements

Notes to the balance sheet and the income statement

General information

Schweiter Technologies AG is a joint-stock company under Swiss law and is domiciled in Horgen.

On an annual average, Schweiter Technologies AG had less than 10 full-time-equivalent employees in both the 2016 financial year and the previous year.

Schweiter Technologies AG prepares consolidated financial statements in accordance with IFRS. These financial statements and their notes therefore do not contain either additional information or cash flow statements or an MD&A.

Accounting and valuation principles

The present annual financial statements of Schweiter Technologies AG have been prepared in accordance with Swiss accounting legislation. The key accounting and valuation principles not required by Swiss accounting legislation are described below.

Foreign currency translation
Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions in question. Gains and losses resulting from the settlement of such transactions are recognized in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated into Swiss francs at year-end exchange rates. Realized gains and losses on foreign currency translation and unrealized losses on foreign currency translation are recognized in the income statement. Unrealized gains on foreign currency translation in connection with long-term monetary assets and liabilities are deferred in the balance sheet (imparity principle).

Cash and cash equivalents
Cash and cash equivalents include postal and bank account balances. These are stated at their nominal value.

Investments
Investments are initially recorded at cost at the time of acquisition. Investments in Group companies are reviewed annually and adjusted to the recoverable amount.

Financial assets
Financial assets include long-term loans to Group companies.

Provisions
Provisions are recognized when the company has a legal or constructive obligation arising from past events, an outflow of resources embodying economic benefits to settle the obligation is probable, and a reliable estimate can be made of this amount.

Own shares
Own shares are recognized at acquisition cost at the time of purchase as a negative position in equity. On subsequent resale, the gain or loss is recognized as financial income or financial expense.

Share-based remuneration
Where treasury shares are used for share-based remuneration, the difference between the acquisition value and any possible payment in connection with the share allocation represents personnel expenses.

1 Investments (in 1000s)

Company	Domicile	Share capital (in 1000)	Shareholding 2016	Shareholding 2015	Voting shares 2016	Voting shares 2015
SSM Schärer Schweiter Mettler AG	Horgen, CH	CHF 6000	100%	100%	100%	100%
SSM Vertriebs AG	Steinhausen, CH	CHF 100	100%	100%	100%	100%
3A Composites Holding AG	Steinhausen, CH	CHF 10000	100%	100%	100%	100%
3A Composites Holding Germany GmbH	Singen, D	EUR 25	10%	10%	10%	10%

2 Provisions (in 1000s)

	2016	2015
Provisions for unrealized foreign currency gains	2 441	3 473
Other provisions	2 315	1 490
Total	**4 756**	**4 963**

3 Share capital

	2016	2015
Number of bearer shares issued with a par value of CHF 1	1 431 808	1 431 808
Share capital as at 31 December (in CHF)	1 431 808	1 431 808

The bearer shares of Schweiter Technologies AG, Horgen are listed on the SIX Swiss Exchange AG, Zurich. Security no.: 1075492; ISIN: CH0010754924; Telekurs: SWTQ; Reuters: SWTZ.

As at 31 December 2016, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent report)	2016	2015
KWE Beteiligungen AG, Wollerau / VBF Holding AG, Zug [1)]	25.5%	25.5%
Beat Siegrist Beteiligungen AG, Zug	5.9%	5.9%
1832 Asset Management L.P. (formerly Goodmann & Company, Investment Counsel Ltd.), Toronto, Canada	5.2%	5.2%
UBS Fund Management (Switzerland) AG, Basel	4.2%	4.2%
Credit Suisse Funds AG, Zurich	4.98%	5.4%

[1)] The KWE Beteiligungen AG and VBF Holding AG are held through a group of shareholders consisting of Beat Frey, Brigitte Frey, Vanessa Frey and Alexandra Frey

Notes to the balance sheet and the income statement

4 Own capital shares	Number of treasury shares **2016**	2015	Book value (in CHF 1000s) **2016**	2015
As at am 1 January	799	14 748	295	7 400
Cancellation of treasury shares	0	– 11 864	0	– 6 337
Sale of treasury shares	– 199	0	– 74	0
Shares released from the share-based remuneration scheme	0	– 2 085	0	– 768
As at 31 December	**600**	**799**	**221**	**295**
of which shares used for the share-based remuneration scheme	600	600		

In the year under review 199 bearer shares were sold. In the previous year no bearer shares were bought or sold.

5 **Other financial income** (in CHF 1000s)	**2016**	2015
Interest income from Group companies	3 199	3 807
Interest paid by banks	2	15
Exchange gains	3	0
Other financial income	940	248
Total	**4 144**	**4 070**

6 **Financial expenses** (in CHF 1000s)	**2016**	2015
Interest expenses for Group companies	40	0
Exchange losses	0	891
Other financial expenses	0	437
Total	**40**	**1 328**

7 Share ownership by the Board of Directors and Management

As of 31 December 2016, a total of 449 209 shares were held by members of the Board of Directors or members of Management as a result of exercised options or private purchases (31 December 2015: 449 967):

Surname	First name	Function	Number of shares **2016**	Number of shares 2015
Siegrist [1]	Beat	Chairman of the Board of Directors	83 916	83 916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [2]	Vanessa	Member of the Board of Directors	364 973	364 973
Baumgartner [3]	Heinz O.	Group CEO	0	758

[1] Beat Siegrist is a member of a shareholder group and hold shares via Beat Siegrist Beteiligungen AG
[2] Vanessa Frey is a member of a shareholder group and hold shares via KWE Beteiligungen AG / VBF Holding AG
[3] In addition to the shareholdings listed, Dr Heinz O. Baumgartner holds 600 shares granted in April 2015 with a vesting period until 31 December 2017 which are held in a separate bank custody account

Schweiter Technologies is not aware of any shares held by persons closely associated with members of the Board of Directors or Management.

8 Contingent liabilities

In connection with credit facilities extended to subsidiaries, the holding company has undertaken a guarantee in an amount up to a total of CHF 36.4 million (previous year: CHF 36.8 million). Of this amount, a total of CHF 0.8 million for credit, sureties and guarantees had been drawn on by subsidiaries as at 31 December 2016 (previous year: CHF 2.5 million).

9 Events occurring after the balance sheet date

No events occurred between the balance sheet date and the approval of these annual financial statements by the Board of Directors on 8 March 2017 which could have a material impact on the 2016 financial statements.

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

(in CHF 1000s)	**2016**	2015
Unappropriated retained earnings (balance sheet profit) at the beginning of the financial year	**509 167**	**556 532**
Net income	6 952	16 224
Dividend paid	– 57 272	– 57 264
Reduction due to cancellation of treasury shares		– 6 325
Available unappropriated retained earnings (balance sheet profit)	**458 847**	**509 167**
The Board of Directors proposes to the General Meeting on 25 April 2017 the following appropriation of available earnings:		
Payment of a dividend of CHF 40.00 per bearer share	57 272	
Earnings carried forward	401 575	
Total	**458 847**	

If the General Meeting approves the proposals, the payout of a gross dividend of CHF 40.00 (CHF 26.00 after deduction of withholding tax) per bearer share will be made as of 3 May 2017.

The dividend payout may be redeemed free of charge in exchange for coupons no. 16 at any branch of Credit Suisse.

Report of the statutory auditor to the General Meeting of Schweiter Technologies AG, Horgen

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Schweiter Technologies AG, which comprise the balance sheet as at 31 December 2016, and the income statement and notes (pages 78 to 83) for the year then ended.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of these 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 accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the over-all presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Deloitte AG

Daniel O. Flammer Licensed Audit Expert Auditor in Charge	Robert Renz Licensed Audit Expert

Zurich, 8 March 2017

Compensation Report 2016

Compensation Report 2016

The Compensation Report describes the compensation policy, the compensation programs and the procedure for determining the compensation for the Board of Directors and Management of Schweiter Technologies AG. It also provides information on the compensation awarded for the financial year 2016.

The Compensation Report was prepared in compliance with SIX Exchange Regulation's Directive Corporate Governance, the Swiss Code of Obligations (CO) and the provisions of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). The principles of compensation of Schweiter Technologies AG are laid down in the company's articles of incorporation. Unless otherwise specified, the information is applicable as at the cut-off date of 31 December 2016.

In the reporting year, the Compensation Committee performend its regular activities such as the determination of performance objectives at the beginning of the year and the evaluation of performance at year end, the determination of the compensation of the members of Management, the preparation of the compensation report and of the say-on-pay votes to be held at the General Meeting.

The Compensation Committee will continue to reassess and fine-tune the compensation programs in order to ensure that they still fulfill their purpose in the evolving environment in which the company operates and are aligned to the interests of our shareholders and other stakeholders.

Compensation policy and principles

The Group's compensation policy's objective is to attract, motivate and develop qualified executives with the necessary expertise and experience, through progressive and forward-looking compensation programs. The compensation policy is aligned to our business strategy of profitable growth and promotes and supports the company's values. The compensation policy encompasses the following principles:

- Compensation is aligned with business strategy
- Compensation is performance-based and executives share in the company's success
- Compensation is in line with market practice and is reasonable

Governance parameters

General Meeting and provisions of the articles of incorporation

The role of shareholders in compensation matters has been strengthened in recent years. Especially, the shareholders have to approve the compensation amounts for the Board of Directors and the Executive Committee by way of binding votes at the General Meeting. In addition, the compensation principles are defined in the articles of incorporation (www.schweiter.ch/s1a127/corporate-governance/statuten.html, available in German only):

- **Principles governing compensation for members of the Board of Directors:** The members of the Board of Directors receive fixed compensation in cash for their services on the Board of Directors and its committees.

- **Principles governing compensation for members of Management:** Compensation for the members of Management consists of a fixed and a performance-based component, which may amount to a maximum of 200% of the fixed component. The performance objectives to be achieved for the performance-based compensation component are set by the Board of Directors, acting on the proposal of the Compensation Committee, for each member of Management, due consideration being given to Group-wide and individual criteria. In order to encourage individual key employees to remain with the Group over the long term, the Board of Directors may decide that the fixed and/or performance-based compensation component can be fully or partly paid out in shares of the company. The Board of Directors determines what proportion is to be paid in shares as well as the value of the shares at the time of allocation. The shares are restricted for a period of at least one year and no more than five years.

- **Loans, advances and pension benefits:** No loans, advances or pension benefits other than from occupational pension plans are granted to members of the Board of Directors or Management.

- **Vote on the maximum total compensation amounts for the Board of Directors and Management:** The Board of Directors submits to the General Meeting for approval a proposal regarding the maximum total compensation amount for the Board of Directors that may be paid for the period until the subsequent Ordinary General Meeting. The Board of Directors will also submit to the General Meeting for approval a separate proposal regarding the maximum total compensation amount for Management that may be paid for the subsequent financial year.

- **Additional amount for compensation of new members of Management:** In the event that new members join Management and the maximum total compensation amount of Management compensation approved by the General Meeting for the current and/or subsequent financial year is not sufficient, an additional compensation amount may be paid to the new members for the compensation periods already approved by the General Meeting. The additional amount in total may not exceed 50% of the respective total compensation amount for Management approved by the General Meeting. Schweiter Technologies AG may grant new members of Management a compensation payment in the form of cash or shares to offset any financial disadvantages suffered as a result of the change of position.

Compensation Committee

The General Meeting elects at least three members of the Board of Directors to serve on the Compensation Committee. The term of office of the members of the Compensation Committee is one year ending at the end of the subsequent Ordinary General Meeting. Re-election is possible. In accordance with the articles of incorporation and the organizational regulations, the Compensation Committee has, in particular, the following duties and responsibilities in respect of compensation matters concerning the Board of Directors and Management:

- putting forward proposals to the Board of Directors concerning the definition of the principles of compensation applicable to Management, including the proportion to be paid in shares and the valuation of these shares;

- putting forward proposals to the Board of Directors, for submission to the General Meeting, concerning the total compensation amounts for the Board of Directors and Management;

- putting forward proposals to the Board of Directors concerning the individual levels of compensation for the members of the Board of Directors and Management within the respective total compensation amounts approved by the General Meeting;

- putting forward proposals to the Board of Directors, for submission to the General Meeting, concerning amendments to the articles of incorporation with regard to the compensation system applicable to the Board of Directors and Management.

Level of responsibility	Recommendation	Review	Approval
Compensation policy and plans	Compensation Committee		Board of Directors
Total compensation amount for Board of Directors and Management	Compensation Committee	Board of Directors	General Meeting
Individual directors' compensation	Compensation Committee		Board of Directors [1]
Individual CEO compensation	Compensation Committee		Board of Directors
Individual Management members' compensation	CEO	Compensation Committee	Board of Directors

[1] In the event of a conflict of interests, the member concerned abstains from voting.

Compensation Report 2016

At the Annual General Meeting of 3 May 2016, Jacques Sanche, Vanessa Frey and Jan Jenisch were re-elected members of the Compensation Committee, each for a one-year term of office. Jacques Sanche assumed the office of Chair of the Compensation Committee for the period until the subsequent Ordinary General Meeting.

In the year under review, the Compensation Committee held two meetings. All members were present in both meetings.

After every meeting, the Chair of the Compensation Committee reports on the committee's activities to the Board of Directors. The committee meeting minutes are made available to the members of the Board of Directors. As a rule, the CEO and the CFO participate in the meetings in an advisory capacity. However, they do not attend the meetings or part of meetings when their own compensation is being discussed and determined. Likewise, other members of Management that are invited to the meetings are not present during the meetings, or part of thereof, when their own compensation is being discussed.

The Compensation Committee is free to call upon external consultants to address specific compensation matters. No external consultants were called upon in 2016.

Process for determining the compensation for the Board of Directors and Management

The Compensation Committee periodically reviews the target compensation for members of the Board of Directors and Management on the basis of the compensation paid at comparable Swiss listed industrial companies (in terms of market capitalization, revenues and headcount). If necessary, the Board of Directors may, at its discretion, adjust the target compensation for the following year.

The actual compensation paid to the individual members of Management in a given financial year is based on the company's results and on personal performance. Individual performance is assessed as part of the annual management by objectives (MbO) process.

The objectives for the CEO and the members of Management are proposed by the Compensation Committee at the beginning of the financial year and submitted to the Board of Directors for approval. Performance against these objectives is assessed at the end of the year. In discussing performance, the committee deliberates on the achievement of the individual objectives and also considers other factors such as the extent to which the executives have carried out their duties in line with the company's values and the expected leadership behaviors. The individual performance assessments and the company's results form the basis for determining the compensation effectively paid out.

MbO process and determination of compensation:

Compensation for the members of the Board of Directors

Compensation structure

The members of the Board of Directors receive an annual fixed compensation for their activities. It is paid in cash and is not linked to any performance objectives. The annual compensation period is the period from one Ordinary General Meeting to the next. In addition to their annual fixed compensation as members of the Board of Directors, the members of the Audit Committee and the Compensation Committee receive additional cash compensation for their activities as committee members, in order to take into account the additional time requirement and responsibilities.

(in CHF)	Annual fee	Compensation for committee work
Chairman of the Board of Directors	200 000	–
Board members	75 000	10 000

The members of the Board of Directors may be remunerated separately at market conditions for additional consultancy services provided to the company or other Group companies, subject to approval of the Board of Directors. Such compensation must be included in the total compensation amount for Board of Directors approved by the General Meeting. With the exception of pension benefits (employer's contributions to social insurance and the pension fund), members of the Board of Directors receive no further compensation, in particular no variable compensation (bonus).

Compensation for 2016 and 2015

The following tables show the compensation paid to members of the Board of Directors for 2016 and 2015. In the 2016 reporting year, the Board of Directors comprised five members (unchanged compared to previous year). The amount of compensation paid to the individual members of the Board of Directors for 2016 was the same as for 2015. In the year under review (and in the previous year), none of the members of the Board of Directors received compensation for additional consultancy services.

Compensation paid to the Board of Directors for **2016** (audited by the statutory auditor)

(in CHF 1000s)	Function	Fee paid to BoD members	Compensation for committee work	Pension benefits [3]	Total
Beat Siegrist [1]	Chairman	200	10	34	244
Dr Lukas Braunschweiler [1]	Member	75	10	6	91
Vanessa Frey [2]	Member	75	10	6	91
Jan Jenisch [2]	Member	75	10	6	91
Dr Jacques Sanche [2]	Member	75	10	6	91
Total compensation for Board of Directors (5 members)		**500**	**50**	**58**	**608**

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Employer's contribution to social insurance and pension fund

If they so require, members of the Board of Directors may be insured within the company's pension fund and may participate in the company's retirement plans. One member of the Board of Directors exercised this option in the 2016 reporting year.

Compensation Report 2016

The reported compensation of the Board of Directors for the 2016 financial year is distributed over two respective terms of office as follows: (in CHF 1000s)

BoD compensation 1.1.2016 – 3.5.2016	205
BoD compensation 4.5.2016 – 31.12.2016	403

The total maximum compensation amount of CHF 630 000 as approved by the General Meeting, and which may be paid to the Board of Directors for the term of office from the 2016 General Meeting to the 2017 General Meeting was therefore not exceeded during the portion of said term of office up to the cut-off date of the present Annual Report (3.5.2016 – 31.12.2016). A conclusive assessment for the entire term of office will be included in the 2017 Compensation Report.

The compensation of the Board of Directors for the term of office from the 2015 General Meeting to the 2016 General Meeting was CHF 600 000. Therefore, the total maximum compensation amount of CHF 630 000 as approved by the General Meeting in 2015 for the same term of office was not exceeded.

Compensation paid to the Board of Directors for 2015 (audited by the statutory auditor)

(in CHF 1000s)	Function	Fee paid to BoD members	Compensation for committee work	Pension benefits 3)	Total
Beat Siegrist	Chairman	200	0	34	234
Dr Lukas Braunschweiler 1)	Member	75	10	6	91
Vanessa Frey 2)	Member	75	10	6	91
Jan Jenisch 2)	Member	75	10	6	91
Dr Jacques Sanche 1) 2)	Member	75	20	6	101
Total compensation for Board of Directors (5 members)		**500**	**50**	**58**	**608**

1) Member of the Audit Committee
2) Member of the Compensation Committee
3) Employer's contribution to social insurance and pension fund

Compensation for members of Management

Compensation structure

In principle, the individual compensation for members of Management consists of a fixed and a performance-based compensation component, as well as pension benefits.

Payment of the performance-based compensation depends on the performance achieved and may amount to a maximum of 200% of the fixed component.

	Purpose	Instrument	Performance criterion	Performance period	Misc.
Fixed compensation	Attract, retain, motivate	Cash payments	–	–	Position, market practice, skill set of the person (at the BoD's own discretion)
Performance-based compensation	Pay for performance	Short-term bonus in cash	EBIT / EBIT margin Individual objectives	1 year (2016)	Financial and individual performance
Long-term incentive plan	Reward for sustainable value creation	Long-term bonus in cash and shares	EBIT (3A Composites) EBITDA margin (3A Composites)	3 years (2015–2017)	Success of the company or its division
Pension benefits	Protection against risk	Retirement plans, insurances	–	–	Market practice and legal provisions

Fixed compensation

The fixed basic compensation component is based on the function, responsibilities and scope of the role and experience and skills required to perform in the position. It is paid out in cash, typically monthly.

Performance-based compensation

The performance-based compensation component rewards for both the financial results of the company and the individual contributions in a given financial year. The performance-based compensation component is paid out in cash at the beginning of the following financial year.

The performance objectives to be achieved to earn the performance-based compensation are set at the beginning of the year by the Board of Directors, acting on the proposal of the Compensation Committee, for the CEO and for each member of Management, due consideration being given to Group-wide and individual criteria.

The Group's financial result is measured primarily against the figures budgeted for the Group (EBIT, EBIT margin) or the individual divisions (EBIT). These performance indicators were chosen because they reflect the Group's business strategy of profitable growth. A target corresponding to the expected level of performance is defined for each of these indicators. A threshold (as a rule, 80% of the target) below which no variable compensation is paid out and a ceiling, above which the variable compensation is capped, are defined as well. The amount to be paid out between threshold, target and ceiling is calculated by linear interpolation.

Individual performance objectives are set yearly as part of the annual MbO (management by objectives) process. They consist primarily of financial and strategic objectives based on the manager's specific function and on the company's strategy. There is no overachievement for the individual objectives. Individual performance objectives may make up between 15% and 25% of the maximum performance-based compensation component.

	CEO / CFO	**Division head**
Financial performance	Group EBIT Group EBIT margin	EBIT of division
MbO	Individual objectives	Individual objectives

The internal financial and individual objectives serving as a basis for variable compensation are treated confidentially. The disclosure of such objectives would provide insights into the forward-looking strategy of Schweiter Technologies and may create a competitive disadvantage for the company.

Long-term incentive plan

The Board of Directors may implement a long-term incentive plan (LTI) as a component of compensation for members of Management and selected key employees. The purpose of setting up an LTI is to strengthen the identification with the Group and to link compensation with sustainable value creation.

In the 2015 financial year, the Board of Directors had decided to implement a long-term incentive plan for members of Management and key employees within the Group. The LTI covers a three-year performance period from 2015 to 2017. The three-year performance conditions for members of Management are cumulative EBIT and EBIT margin level (each weighted 50%) of the 3A Composites division. Performance targets may not be adjusted during the term of the plan. The objective achievement will be measured at the end of the plan term. No payment will be made for attainment levels below a predefined threshold; payments for target attainment above a predefined ceiling will be capped at 150%. The amount to be paid out between threshold, target and ceiling is calculated by linear interpoliation. For a target attainment level of 100%, the bonus payment may correspond to between 180% and a maximum of 188% of the respective executive's fixed salary.

	Target	Entry threshold	Ceiling
Cumulative EBIT	Amount in CHF	75% of target	125% of target
EBIT margin	% of sales	Target minus 1% point	Target plus 1% point

Payment under the long-term incentive plan will be made in cash in March 2018. A special arrangement has been agreed for the CEO:

- Part of the LTI payment is delivered in the form of restricted shares, which were allocated to the CEO at the beginning of the plan term and are restricted until 31 December 2017. The value of these shares (at the time of allocation) is credited to the CEO under his participation in the LTI plan. Accordingly, the final LTI amount earned by the CEO at the end of the plan term will be reduced by the value of the shares (at allocation), and the residual amount will be paid out in cash after the expiry of the plan term.

- If the final LTI amount earned by the CEO after the expiry of the plan term is lower than the value of the restricted shares (at allocation), the difference will be offset against future incentive payments.

- In the event that the employment relationship is terminated for reasons attributable to the CEO, the CEO will be obligated to reimburse the value of the shares at allocation (claw back).

The decision to deliver part of the long-term incentive plan in form of restricted shares to the CEO was made in order to link his compensation even more closely to the sustainable success of the company, since the value of the shares allocated fluctuates with the share price movements during the three-year performance period.

The company had no other participation schemes in place in the year under review.

Pension benefits

The purpose of pension benefits is to safeguard employees and their families against the financial consequences of retirement, illness, occupational disability and death. Members of Management are insured with the company's pension fund and participate in the company's pension plans as per market practice. For the period between early retirement and the statutory pensionable age, members of Management may receive a bridging pension up to a maximum amount corresponding to their annual fixed compensation. Such bridging pension is payable in the last year prior to early retirement.

Special agreements

As at the end of 2016, an agreement with one member of Management is in place which limits his compensation to the fixed compensation component and does not include any performance-based compensation component or participation in the long-term incentive plan.

Compensation for 2016 and 2015

In the 2016 reporting year, Management comprised four members, unchanged from the previous year. The fixed compensation of the individual members of Management for a working pensum of 100% remained unchanged compared to previous year. A member of Management decided to reduce his working pensum in 2016.

The variable component (performance-based compensation in cash) for the members of Management corresponded to between 0 und 164% of their fixed salary (previous year: between 0 und 122%). The year-on-year change in the absolute amount of the performance-based compensation is due to the different target attainment level of the performance objectives. The year-on-year change of the cash and share amounts under the LTI (2015–2017) is due to the fact that in this second year of the plan period, accruals have been built for the cash portion, but no shares have been transferred.

Under a special agreement with the CEO defining the terms of his participation in the 2015–17 long-term incentive plan (see above for details), the CEO was allocated 600 restricted shares in 2015.

The value of these shares must be offset or repaid in the event that performance targets are not – or only partially – achieved, or in the event of departure from the company. Payment of the cash component for the CEO and the entire LTI in cash for the other members of Management is performance-based and is expected to be made in March 2018.

In the 2016 reporting year, no bridging pension was paid out to members of Management.

The following table shows the audited fixed and variable compensation and total compensation paid to members of Management for the years 2016 and 2015.

(in CHF 1000s)	**2016**		2015	
Management	4 members	[1] of which highest single compensation payment	4 members	[1] of which highest single compensation payment
Fixed basic compensation in cash	1 509	800	1 550	800
Performance-based compensation in cash	739	377	782	443
Long-term incentive plan (2015–2017), cash component [2]	591	420 0	105	0
Long-term incentive plan (2015–2017), restricted shares [3]	0	0	500	500
Pension benefits [4]	351	176	351	180
Total compensation Management	**3 190**	**1 773**	**3 288**	**1 923**

[1] CEO Schweiter Technologies: Dr Heinz O. Baumgartner

[2] Long-term incentive plan 2015–2017: See page 93 for details. The modalities for disclosure of the 2015–17 LTI were adapted in line with commonly accepted disclosure practice in this area: Disclosure is made on the basis of the amounts accrued (and updated) over the three-year plan term. The amounts disclosed above for the cash component of the 2015–17 LTI contain the second third of the cash payments expected after expiry of the three-year plan term based on a current assessment of performance. According to the special arrangement, the share-based component of the LTI was disclosed for the CEO in the first year (2015) (see comments below and separate line item in the table). Half of the cash component is disclosed in the 2016 amount, the second half will be disclosed in 2017 based on the most current assessment of performance.

[3] In accordance with the special arrangement for the CEO (see page 95 for details). The allocated restricted shares credited to the CEO under the 2015–17 LTI were disclosed at their full market value (closing price per share on the date of allocation) for the year 2015 and was not spread over the entire plan period. Any remaining cash payment accrued for the CEO from the 2015–17 LTI is/will be disclosed as a cash component pro-rata over the years 2016 and 2017.

[4] Employer's contribution to social insurance and pension fund, incl. estimated contributions paid on the disclosed cash components accrued for the 2015–17 LTI as well as the actual contributions paid on the restricted shares (see comments 2 and 3).

Compensation Report 2016

Compensation totalling CHF 3190000 was paid to Management for the 2016 financial year. This compensation amount is within the maximum compensation amount of CHF 4000000 that has been approved by the shareholders at the 2015 General Meeting.

Compensation for former members of governing and executive bodies or parties related to them

No compensation was paid to former members of governing and executive bodies or parties related to them during the period under review or the previous year

Provisions in mandate agreements and employment agreements

Agreements with members of the Board of Directors have a fixed term until the end of the next Ordinary General Meeting, excepting early resignations or being voted out of office.

Employment agreements with the members of Management are, in principle, agreed for an unlimited term. The notice period may not exceed 12 months. Where, by way of exception, employment agreements have a fixed term, this may not exceed one year. Employment agreements do not contain clauses on change of control or non-competition clauses.

Loans and advances

The company will not grant loans, advances or pension benefits other than from occupational pension plans to members of the Board of Directors or Management or parties related to them. Advance payments of lawyer's fees, court fees and similar costs up to a maximum of CHF 1 million in connection with mounting a defense against corporate liability claims are not subject to this provision. No such claims were asserted in the 2016 reporting year.

Information on the shares held by members of the Board of Directors and Management can be found on page 83 of the notes to the 2016 annual financial statements.

Report of the statutory auditor to the
General Meeting of Schweiter Technologies AG, Horgen

We have audited the accompanying remuneration report dated 8 March 2017 of Schweiter Technologies AG for the year ended 31 December 2016. Our audit is limited to the information provided in the tables on page 91 and 95 in accordance with the articles 14 to 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) and to the information regarding compensation for former members of governing and executive bodies or parties related to them and regarding loans and advances on page 96.

Responsibility of the Board of Directors
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 against Excessive compensation in Stock Exchange Listed Companies (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 accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

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

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2016 of Schweiter Technologies AG complies with Swiss law and articles 14–16 of the Ordinance.

Deloitte AG

Daniel O. Flammer Licensed Audit Expert Auditor in Charge	Robert Renz Licensed Audit Expert

Zurich, 8 March 2017

Corporate Governance Schweiter Technologies

Group structure and shareholders

Schweiter Technologies AG assures its customers, shareholders, investors and employees that it is fully committed to good corporate governance based on the articles of incorporation of the company and the organizational regulations. Moreover, Schweiter Technologies AG adheres to the standards of the Directive on Information relating to Corporate Governance published by SIX Swiss Exchange

Group structure and shareholders
Schweiter Technologies specializes in the development, manufacturing and global distribution of sophisticated machinery and composite materials and is organized into two divisions (see also Operating segments on page 42 of this annual report).

3A Composites is the global market leader in core materials for sandwich constructions and is also a leading player in two further segments: composite panels for high-quality facades and display applications.

SSM Textile Machinery is a global leader in the manufacture of precision winding machines for yarn processing.

The companies of the Schweiter Technologies Group are legally under the umbrella of the holding company Schweiter Technologies AG. The latter's direct wholly owned subsidiaries are 3A Composites Holding AG (holding company of the 3A Composites division), and the companies of the SSM Textile Machinery division SSM Schärer Schweiter Mettler AG and SSM Vertriebs AG. An overview of all Group companies can be found in the financial section on page 81.

The bearer shares of Schweiter Technologies AG, Horgen are listed on SIX Swiss Exchange AG, Zurich, in the International Reporting Standard segment. Swiss securities no.: 1075492; ISIN: CH00 10754924; Telekurs: SWTQ; Reuters: SWTZ.

Based on its share price of CHF 1150.00 at the end of 2016, the company's market capitalization stood at CHF 1,646.6 million as at 31 December 2016.

The scope of consolidation consists of the unlisted companies which were fully consolidated as of 31 December 2016 and is presented on pages 30 to 32 of the notes to the consolidated annual financial statements.

Treasury shares
As at 31 December 2016 the company held 600 of its own bearer shares that have been segregated for share-based payments. This corresponds to a shareholding of 0.04% as at 31 December 2016.

Significant shareholders

As at 31 December 2016, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent disclosure notice)	**2016**	2015
KWE Beteiligungen AG, Wollerau / VBF Holding AG, Zug [1)]	25.5%	25.5%
Beat Siegrist Beteiligungen AG, Zug	5.9%	5.9%
1832 Asset Management L.P. (formerly Goodmann & Company, Investment Counsel Ltd.), Toronto, Canada	5.2%	5.2%
UBS Fund Management (Switzerland) AG, Basel	4.2%	4.2%
Credit Suisse Funds AG, Zurich	4.98%	5.4%

1) The KWE Beteiligungen AG and VBF Holding AG are held through a group of shareholders consisting of Beat Frey, Brigitte Frey, Vanessa Frey and Alexandra Frey

Disclosure notices of shareholdings in accordance with Art. 120 FMIA (the Financial Market Infrastructure Act) during the 2016 financial year:

Credit Suisse Funds AG, Zurich, Switzerland, disclosed that its holding had fallen below the 5% threshold as at 18 July 2016 owing to disposals (disclosed shareholding of 4.98%).

Details about disclosure of shareholdings are available on the SIX Swiss Exchange website: https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

As far as Schweiter Technologies AG is aware, there are no shareholders' agreements.

Cross-shareholdings

There are no cross-shareholdings with other companies in terms of capital or voting rights.

Capital structure

Capital

As at 31 December 2016 the ordinary share capital amounted to CHF 1 431 808. As of 31 December 2016 there is no authorized capital. Conditional capital amounted to a total of CHF 132 600.

Authorized and conditional capital in particular

Authorized capital

As at 31 December 2016 there is no authorized capital.

Conditional capital

Conditional capital amounted to a total of CHF 132 600.

The company's share capital may be increased by a maximum of CHF 132 600 through the issuance of a maximum of 132 600 bearer shares to be fully paid in, each with a par value of CHF 1, including:

a) up to an amount of CHF 32 600 by exercise of option rights, granted to the employees of the company or of one of its subsidiaries at conditions to be determined by the Board of Directors;

b) up to an amount of CHF 100 000 by exercise of option or conversion rights granted in conjunction with bonds or similar debentures issued by the company or one of its subsidiaries.

Shareholders' subscription rights are excluded to these up to 132 600 bearer shares.

Shareholders' preferential subscription rights in the case of warrant or convertible bonds pursuant to b), involving a maximum of 100 000 bearer shares, may be restricted or excluded by a resolution of the Board of Directors (i) to directly or indirectly finance the acquisition of companies, portions of companies or shareholdings or new company capital expenditures or (ii) to issue these bonds on international capital markets.

If preferential subscription rights are excluded, the bonds must (i) be placed with the previous owners of companies, portions of companies or shareholdings or (ii) be placed with the general public at market conditions, in which case the exercise price for the new shares must be set at least in line with

Capital structure

the market conditions at the time of the bond issue and the exercise price for the warrant or conversion rights must be set at no more than seven years from the time of the bond issue.

Changes in capital during the last three years
The ordinary share capital of Schweiter Technologies AG remained unchanged at CHF 1 443 672 as of end-2014. The Annual General Meeting held on 6 May 2015, resolved to cancel the 11 864 shares repurchased under the 2012–14 share buyback program and reduce the share capital by CHF 11 864 to CHF 1 431 808. This capital reduction was entered in the commercial register on 15 July 2015. The ordinary share capital of Schweiter Technologies AG was thus CHF 1 431 808 as at 31 December 2015.

The company's ordinary share capital remained unchanged at CHF 1 431 808 in the 2016 financial year.

Conditional capital has remained constant at CHF 132 600 for the last three years. No authorized capital existed as at 31 December 2016, or on the reporting dates of the previous two years.

For details of changes in the consolidated shareholders' equity in financial years 2016 and 2015 reference is made to page 26 of the consolidated financial statements. The development of consolidated shareholders' equity in financial year 2014 is presented on page 26 of the 2015 consolidated financial statements.

The company's annual reports can be downloaded from the following website:
(www.schweiter.ch/s1a200/investors/financial-reports-presentations.html)

Changes in the shareholders' equity of Schweiter Technologies AG in financial years 2014 through 2016:

			Statutory capital reserves:			
(in CHF 1000s)	Share capital	Agio / Capital contributions	Other capital reserves	Free retained earnings/profit	Own capital shares	Total equity
Balance as at 31 Dec. 2013	**1 444**	**63**	**3 167**	**610 133**	**–7 400**	**607 407**
Net income 2014				3 639		3 639
Dividend				–57 240		–57 240
Balance as at 31 Dec. 2014	**1 444**	**63**	**3 167**	**556 532**	**–7 400**	**553 806**
Reduction in share capital	–12			–6 325	6 337	0
Net income 2015				16 224		16 224
Share-based payments					768	768
Dividend				–57 264		–57 264
Balance as at 31 Dec. 2015	**1 432**	**63**	**3 167**	**509 167**	**–295**	**513 534**
Net income 2016				6 952		6 952
Sale of treasury shares					74	74
Dividend				–57 272		–57 272
Balance as at 31 Dec. 2016	**1 432**	**63**	**3 167**	**458 847**	**–221**	**463 288**

Shares, participation certificates and dividend-rights certificates

As at 31 December 2016 the share capital consisted of 1 431 808 bearer shares with a par value of CHF 1 each, amounting to a total of CHF 1 431 808. All bearer shares are fully paid-up. Each share entitles the holder to one vote at the General Meeting. All bearer shares are entitled to dividends. Schweiter Technologies AG has no participation certificates or dividend-rights certificates outstanding.

Limitations on transferability and nominee registrations

Transferability is not subject to any restrictions under the articles of incorporation. There are no restrictions in relation to nominee registrations.

Convertible bonds, long-term incentive plan and options

No convertible bonds were outstanding as at 31 December 2016. As set out in the section on conditional capital, drawing on the conditional capital may increase the company's share capital by a maximum of CHF 100 000 through the exercise of option or conversion rights granted in conjunction with bonds or similar debentures issued by the company or one of its subsidiaries.

In the 2015 financial years, the Board of Directors agreed a long-term incentive plan (LTI) over three years (2015–17) with members of Management and key employees within the Group. See pages 93 to 95 of the Compensation Report for details of the long-term incentive plan. No new long-term incentive plan was agreed in the 2016 financial year.

There are no option plans in place.

Board of Directors (as at 31 December 2016)

Dr Lukas Braunschweiler Vanessa Frey Dr Jaques Sanche Beat Siegrist Jan Jenisch

Name	Function		Member since
Beat Siegrist	Chairman	non-executive	2008
Dr Lukas Braunschweiler	Member	non-executive	2011
Vanessa Frey	Member	non-executive	2014
Jan Jenisch	Member	non-executive	2014
Dr Jacques Sanche	Member	non-executive	2011

At the Annual General Meeting held on 3 May 2016, Beat Siegrist, Lukas Braunschweiler, Vanessa Frey, Jan Jenisch and Jacques Sanche were re-elected individually as members of the Board of Directors for a one-year term of office. In addition, Beat Siegrist was re-elected as Chairman of the Board of Directors for a one-year term of office.

At the Annual General Meeting held on 3 May 2016, Jacques Sanche, Vanessa Frey and Jan Jenisch were re-elected individually as members of the Compensation Committee for a one-year term of office. For the 2016 financial year, Jacques Sanche re-assumed office as Chair of the Compensation Committee.

Members of the Board

None of the members of the Board of Directors hold executive positions with the company.

Nor do any members of the Board of Directors have any kind of significant business relationship with the company.

No members of the Board of Directors were members of Group Management or the management of a Group company during the three financial years preceding the period under review.

Beat Siegrist
(born 1960, Swiss citizen)
Non-executive Chairman of the Board of Directors since 2011 (member of the Board of Directors since 2008).
Beat Siegrist has been a member of the Board of Directors of Phoenix Mecano AG, Stein am Rhein, since 2003, a member of the Board of Directors of Inficon Holding AG, Bad Ragaz, since 2010 and Chairman of the Board of Directors of Garaventa Accessibility AG, Arth, since 2013. From 2008 to 2012, he was CEO of Satisloh and a member of the Executive Committee of the French Group Essilor. Beat Siegrist worked in an executive function as CEO of Schweiter Technologies from 1996 until mid-2008. Prior to 1996 he worked as a consultant at McKinsey & Co. He holds a degree in engineering (dipl. Ing. ETH) and an MBA from INSEAD Fontainebleau.

Dr Lukas Braunschweiler
(born 1956, Swiss citizen).
Non-executive member of the Board of Directors since 2011.
Dr Lukas Braunschweiler has been CEO of the Sonova Group since November 2011. Before joining the Sonova Group, he was CEO of the technology group RUAG Holding AG from 2009 to 2011. Between 2002 and 2009, he served as Chairman and CEO of the Dionex Corporation, a California-based life science company listed on the Nasdaq. Previously, from 1995 to 2002, he worked for Mettler Toledo in various positions in Switzerland and the USA. He studied at the Federal Institute of Technology (ETH) in Zurich, where he earned an MSc in analytical chemistry (1982) and a PhD in physical chemistry (1985).

Vanessa Frey
(born 1980, Swiss citizen)
Non-executive member of the Board of Directors since 2014.
She has been CEO and member of the Board of Directors of Corisol Holding AG since 2007. She is a member of the Boards of Directors of Inficon Holding AG, Garaventa Lift, KWE Beteiligungen AG and the Zur Rose Group AG. She worked from 2004 to 2006 in the Corporate Finance team at Handelsbanken Capital Markets in Stockholm, Sweden, and subsequently as an asset manager in Hong Kong. She studied economics and law at the University of St. Gallen and holds a Master of Science degree in International Economics and Business from the Stockholm School of Economics, Sweden.

Jan Jenisch
(born 1966, German citizen)
Non-executive member of the Board of Directors since 2014.
Since 1996, Jan Jenisch has held various management positions within the Sika Group, joining the company's Group Management in 2004. He has been CEO of the Sika Group since 2012. He studied in Switzerland and the USA and holds an MBA from the University of Fribourg (Switzerland).

Dr Jacques Sanche
(born 1965, Canadian and Swiss citizen)
Non-executive member of the Board of Directors since 2011.
Dr Jacques Sanche has been CEO of Bucher Industries AG since April 2016, having previously been its designated CEO since 1 September 2015. He was CEO of Belimo Group from 2007 to 2015. From 2004 to 2007, he was CEO of the WMH Tool Group, Chicago, USA, and a member of the management board of WMH Walter Meier Holding AG, Stäfa. Between 1997 and 2004 he occupied various executive management posts within the WMH Walter Meier Group. From 1990 to 1997 he was an advisor at IMG, St. Gallen and the Boston Consulting Group, Munich. He holds a business management degree and a doctorate in economics from the University of St. Gallen.

Other activities and vested interests
During the year under review, the members of the Board of Directors did not have any other management or permanent advisory functions or any mandates from major Swiss or foreign companies other than those mentioned in their CVs, nor did they exercise any important official duties or political mandates.

Board of Directors

Stipulations in the articles of incorporation on the number of permissible additional activities and interests

Members of the Board of Directors are permitted to exercise a maximum of 25 additional mandates, including up to five mandates in listed companies.

For the purposes of this rule, the term "mandate" means an activity in the senior management or executive bodies of legal entities which are obliged to have an entry in the commercial register or in an equivalent foreign register. Multiple mandates in legal entities of the same consolidated group are regarded as a single mandate. There are no restrictions on mandates in legal entities that are controlled by the company or that control the company, on mandates exercised on the instructions of the company or companies under its control, or on mandates in associations, nonprofit foundations, family foundations or staff welfare foundations. See also: www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html

Election and term of office

In accordance with the company's articles of incorporation, the Board of Directors consists of 3 to 7 members. There are no age restrictions or other restrictions on members' term of office. The members of the Board of Directors are elected individually by the General Meeting for a one-year term of office, the period between one ordinary General Meeting and the closing of the next being deemed to constitute one year. Members are eligible for reelection. Members newly elected during a term of office are elected for the remainder of the current term of office.

The articles of incorporation contain no rules which differ from the statutory provisions in relation to the appointment of the Chairman, the members of the Compensation Committee or the independent proxy. See also: www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html

Internal organization

Allocation of tasks within the Board of Directors

The General Meeting elects a member of the Board of Directors to serve as Board Chairman. The General Meeting also elects the members of the Compensation Committee. The term of office is one year, this being defined as the time between one ordinary General Meeting and the closing of the next ordinary General Meeting. Members are eligible for re-election. If the office of Chairman is vacant, the Board of Directors will appoint a Chairman for the remaining term of office.

The Board of Directors constitutes itself, except that the Chairman and members of the Remuneration Committee are elected by the General Meeting. Beat Siegrist has been Chairman of the Board of Directors since 2011. The Board of Directors elects a Secretary who neither needs to be a member of the Board nor a shareholder. Both the Board of Directors and its committees (Audit Committee and Compensation Committee) meet as often as the company's business requires.

All key decisions are taken by the Board of Directors as a whole (in particular appointments). The main criteria when selecting candidates for nomination for election to the Board of Directors are professional experience and the relevant expertise.

In addition to their regular Board duties, all members of the Board of Directors also attend three to five meetings per year concerned with specific issues relating to the individual divisions (see also section entitled "Working methods of the Board of Directors").

Committees of the Board of Directors

In the 2016 reporting year, the Board of Directors had two permanent committees: the Audit Committee and the Compensation Committee. The duration of the committee meetings depends on the issues discussed.

Audit Committee

The Audit Committee is composed of two members of the Board of Directors (Lukas Braunschweiler [Chair] and Beat Siegrist). The Board of Directors has determined that both Committee members have proven experience and skills in the financial field to enable them to fulfill their tasks.

The Audit Committee's most important tasks are to discuss the outcome of the external audits, to verify the Group's presentation of financial statements and financial control mechanisms, to evaluate and select the external auditors and to verify the scope of the external audit. The Audit Committee holds decision-making powers in relation to all audit-specific tasks, subject to approval by the Board of Directors as a whole. All other key decisions are taken by the Board of Directors as a whole (in particular appointments). Audit Committee meetings are attended by the CEO and CFO.

As a rule, the Audit Committee meets three to five times per year (at least once every four months). During the year under review, the Audit Committee held four meetings, three of which were attended by representatives of the statutory auditor. All meetings were attended by the CEO and the CFO. The meetings lasted one to three hours. The full Board of Directors is kept informed of the Audit Committee's activities following each meeting.

Compensation Committee

The General Meeting elects from among the members of the Board of Directors at least three members to serve on the Compensation Committee. The term of office of the members of the Compensation Committee is one year until the closing of the subsequent ordinary General Meeting. Members are eligible for re-election.

In accordance with the articles of incorporation and the organizational regulations (www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html), the Compensation Committee (Jacques Sanche [Chair], Vanessa Frey, Jan Jenisch) has, in particular, the following duties and responsibilities in respect of compensation matters concerning the Board of Directors and Management:

- proposals to the Board of Directors concerning the definition of the principles of compensation applicable to Management, including the proportion to be paid in shares and the valuation of these shares;
- proposals to the Board of Directors, for submission to the General Meeting, concerning the total amounts of compensation for the Board of Directors and Management;
- proposals to the Board of Directors concerning the individual levels of compensation for the members of the Board of Directors and Management within the respective total amount approved by the General Meeting;
- proposals to the Board of Directors, for submission to the General Meeting, concerning amendments to the articles of incorporation with regard to the compensation system in place for remunerating the Board of Directors and Management.

As a rule, the Compensation Committee meets two to four times per year (semi-annually to quarterly). In the year under review, the Compensation Committee held two meetings. The meetings lasted up to half a day. After every meeting, the Chairperson of the Compensation Committee reports on the committee's activities to the Board of Directors. The committee meeting minutes are made available to the members of the Board of Directors. Decision-making powers in relation to compensation are vested in the Board of Directors and in the General Meeting as far as total compensation amounts are concerned. As a rule, the CEO and the CFO participate in the meetings in an advisory capacity. However, they recuse themselves when their own compensation is being discussed and determined. Other invited members of Management are likewise not present during the part of the meeting where their own compensation is being decided. Both meetings held in the 2016 reporting year were attended by the CEO and the CFO.

The Compensation Committee is free to call upon external consultants to address specific compensation matters. No external consultants were called upon in 2016.

Working methods of the Board of Directors

The Board of Directors is responsible for the strategic management of the Group and for the supervision of those entrusted with its management. To this end, the Board of Directors holds meetings at least four times per year (i.e. once a quarter). Meetings last on average one day. The Board of Directors held five meetings in the 2016 financial year. In addition to the Board of Directors, the CEO attended five meetings and the CFO four meetings during the financial year. Divisional management was invited when required.

The majority of members of the Board of Directors must be present to ensure a quorum. The Board of Directors adopts resolutions by a majority

Board of Directors

of votes cast. In the event of a tie, the Chairman shall have a casting vote.

As part of their supervisory functions and in the interests of the proper conduct of their duties, various Board members attend division meetings, which last on average half a day. In the year under review, four division meetings were held; all meetings were attended by Board members.

At these division meetings, the division management reports on the operational side of the business and on strategy. These meetings are also attended by the Group CEO and CFO. In discussing business performance, the division management presents risks that have been identified and are of relevance to the division and assesses their possible impact. The outcome of these assessments and the resulting measures are presented to the Board of Directors as a whole.

Definition of areas of responsibility

Unless the law or the articles of incorporation provide otherwise, the Board of Directors delegates operational management entirely to Management. The Board of Directors exercises overall leadership and supervises and oversees business operations. It issues business policy guidelines and ensures that it is kept regularly informed of business performance (see also section entitled "Working methods of the Board of Directors" and the company's articles of incorporation www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html).

The Board of Directors has in particular the following non-delegable and inalienable duties:

- overall management of the company's business and issuing the necessary directives; hence also developing the strategic objectives, defining the means of achieving those objectives and defining business policy;
- defining the organization;
- defining accounting, financial control and financial planning, and deciding on extraordinary individual investments
- appointing and dismissing persons entrusted with the management of the Group
- ultimate supervision of the persons entrusted with the management of the company, specifically in view of their compliance with the law, the articles of incorporation, regulations and directives
- preparing the annual report and the compensation report as well as making arrangements for the General Meeting and implementing the resolutions passed by the latter
- notification of the court in the event of over-indebtedness
- adopting resolutions on capital increases and resulting amendments to the articles of incorporation
- verifying compliance with legal requirements governing the appointment, election and professional qualifications of the statutory auditor.

Management is responsible for the day-to-day operations of the company in accordance with the directives issued by the Board of Directors and following the customary duty of due diligence and the provisions of the law.

At the Board meetings and the regular division meetings, Management reports to the Board on the following matters in particular:

- progress of business and financial situation
- outlook and measures to be taken in the near future
- development projects and status
- major investments and divestments
- extraordinary events with a substantial bearing on business
- personnel policy and planning, information on important personnel decisions.

Information and control instruments

The Board of Directors is responsible for overseeing the Group's internal control systems, which monitor the risk of inadequate business performance, but cannot rule out such a risk. These systems provide appropriate, though not absolute, security against significant inaccuracies and material losses. Management is responsible for identifying and assessing risks that are of significance for the division in question (see also section entitled "Definition of areas of responsibility"). In addition to quantitative approaches and formal guidelines – which covers only part of a comprehensive risk management approach – it is also considered important to maintain a corresponding risk management culture.

In addition to a continuous process of monitoring and assessment, the individual divisions also submit detailed monthly reports to the Board of Directors (MIS). These provide a detailed account of the volume and profitability trends of the individual divisions (orders received, order backlog, revenues, EBITDA, net income). Deviations from the budget or from the previous year are presented and commented in detail. Important balance sheet figures (cash and cash equivalents, net assets) and headcount data are prepared on a monthly basis with commentaries. Special attention is paid to overheads, changes in current assets and personnel parameters. Besides this information, which is prepared on a monthly basis, additional analyses of individual key figures are also provided such as price and margin trends and currency effects. Within the scope of the annual plan, a forecast is prepared at the middle of the year and in the fourth quarter. Management members responsible in the relevant divisions are consulted on individual topics.

The Audit Committee and Board of Directors identify additional topics which are taken up in the context of the internal controlling processes and subject to in-depth analysis and investigation. This is done either by means of internal audits in the relevant national subsidiaries or by consulting external specialists where necessary. However, there is no institutionalized internal auditing process. The Audit Committee also focuses on defining the scope and content of the external audit. Each Board member is also sent the full minutes of all Audit Committee Meetings.

The CEO and the CFO attend the meetings of the Audit Committee.

Risk management

As part of the risk assessment process, the likelihood of occurrence of risks and the potential damage are considered. Based on the outcome of the assessment of the likelihood of occurrence and the expected damage, a risk matrix is drawn up. Further information regarding risk management can be found on page 10 in the MD&A and on pages 38 to 40 of the notes to the financial statements.

Internal Control System (ICS)

Schweiter Technologies has an Internal Control System (ICS). The ICS follows a risk-oriented approach, under which – on the basis of a risk assessment – key controls in significant internal business processes are systematically monitored with regard to existence, compliance and documentation. All Group companies have an ICS, the scope of the ICS depends on size and risks. ICS documentation and test programs are in place for the following processes, which have been defined as financially relevant: purchasing, inventories, production, property, plant and equipment, payroll, finances, information technology, preparation of financial statements, and consolidation. Group Controlling monitors the Group companies' ICS documentation, is responsible for company-wide controls and ensures that effective controls are performed in respect of consolidated financial statements. Furthermore, Group Controlling also ensures, on an annual basis, that suggestions for improvement and measures proposed by the external auditors and in internal audit reports are realized and implemented.

In the course of interim and annual audits, the external auditors monitor the existence and the relevant documentation of an ICS and submit a report to the Audit Committee. The scope of the annual audit is discussed yearly with the Audit Committee.

The Board of Directors reviews the internal information and control systems annually regarding their effectiveness to identify, assess and manage the risks associated with business operations.

Management

Ernesto Maurer Martin Klöti Dr Heinz O. Baumgartner Georg Reif

Dr Heinz O. Baumgartner
(born 1963, Swiss citizen)
CEO Schweiter Technologies
Dr Heinz O. Baumgartner has been CEO of Schweiter Technologies since 2008. From 1996 to 31 December 2013 he was CFO of Schweiter Technologies. From 1992 to 1995 he worked as a controller at ASEA Brown Boveri Switzerland. He holds a degree in business management (specializing in accountancy) and a doctorate in economics from the University of St. Gallen.

Martin Klöti
(born 1973, Swiss citizen)
CFO Schweiter Technologies
Martin Klöti has been CFO of Schweiter Technologies since January 2014. Prior to that, he was responsible for Schweiter Management Services and CFO of SSM Textile Machinery from 2011 until 31 December 2013. From 2003 to 2011 he was Head of Reporting & Controlling of Schweiter Technologies. From 1996 to 2002 he worked in auditing at Deloitte AG, latterly as Audit Manager and Lead Auditor. From 1992 to 1996 he worked in the trustee sector. Martin Klöti is a chartered accountant and a federally certified fiduciary.

Georg Reif
(born 1955, Swiss citizen)
CTO 3A Composites
Georg Reif has been Chief Technology Officer of 3A Composites since January 2012. From the end of 2009 until the end of 2011 he was CEO of 3A Composites. After graduating in mechanical engineering at the Federal Institute of Technology (ETH) in Zurich, he worked as a research assistant at the ETH Zurich's Department of Aircraft Statics and Lightweight Construction, before joining Alusuisse-Lonza subsidiary Airex AG in 1988 as Head of Engineering. Until the merger of Alusuisse with Canadian Alcan, he held various executive positions, most recently as President of Alusuisse Composites and a member of the Alusuisse Division Management. Within Alcan he headed the Alcan Composites Division and was a member of the Alcan Engineered Products Division Management. Georg Reif

is a member of the Board of Directors of the SGV Group, Shiptec AG and ETH Zurich inspire AG.

Ernesto Maurer
(born 1955, Swiss citizen)
Chairman of the Board of Directors of SSM Textile Machinery
Ernesto Maurer has been Chairman of the Board of Directors of SSM Textilmaschinen since April 2016. Before that he had held the position of CEO since April 2010. He was CEO of Gebrüder Loepfe AG and Itema Switzerland (formerly Sultex) from 2005 until early 2010. From 1990 to 2005 he was active in various management boards, including Sulzer. He holds an engineering degree from the Swiss Federal Institute of Technology (ETH) in Zurich and an MBA from the University of Lausanne. Ernesto Maurer is chairman of the textile machinery specialist group at Swissmem and a member of the board of the European Committee of Textile Manufacturers CEMATEX.

Other activities and vested interests
During the year under review, the members of Management did not have any other management or permanent advisory functions or any mandates from major Swiss or foreign companies other than those mentioned in their CVs, nor did they exercise any important official duties or political mandates.

Stipulations in the articles of incorporation on the number of permissible additional activities and interests
Members of Management may exercise a maximum of ten additional mandates, including up to two mandates in listed companies.

For the purposes of this rule, the term "mandate" means an activity in the senior management or executive bodies of legal entities which are obliged to have an entry in the commercial register or in an equivalent foreign register. Multiple mandates in legal entities of the same consolidated group are regarded as a single mandate. There are no restrictions on mandates in legal entities that are controlled by the company or that control the company, on mandates exercised on the instructions of the company or companies under its control, or on mandates in associations, nonprofit foundations, family foundations or staff welfare foundations. See also: www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html

Management contracts
There are no management contracts.

Compensation, shareholdings and loans
Details on compensation, shareholdings and loans are set out in the separate Compensation Report on pages 88 to 96 of this annual report.

Shareholders' participation rights

Restriction of voting rights and representation
There are no voting-right restrictions under the articles of incorporation. In accordance with Art. 689 para. 2 of the Swiss Code of Obligations, every shareholder can represent his shares at the General Meeting in person or have them represented by a third party of his choice. The articles of incorporation do not lay down any restrictions on the representation of voting rights.

Shareholders' participation rights are governed by the company's articles of incorporation (www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html).

Independent proxy
The articles of incorporation contain no provisions on the issuing of instructions to the independent proxy or on electronic participation in the General Meeting.

The General Meeting elects the independent proxy for a one-year term of office. He or she is eligible for re-election.

The Annual General Meeting held on 3 May 2016 elected Dr. iur. Markus Waldis of Isler & Waldis attorneys at law, Zurich, to serve as the independent proxy for a one-year term of office.

From the time of publication of the invitation in the Swiss Official Gazette of Commerce until approximately seven days before the General Meeting, shareholders wishing to attend or have themselves represented at the General Meeting will be able

Shareholders' participation rights

to obtain their admission ticket with voting documents directly from the company's registered office against deposition of their share certificates, or on presentation of a certificate of deposit, which they can request from their bank. The deposited shares will remain blocked until after the end of the General Meeting.

Shareholders who do not attend the General Meeting in person may use power of attorney to have themselves represented by a third party or the independent proxy.

For the forthcoming Annual General Meeting on 25 April 2017, the company will again make it possible for shareholders to submit their voting instructions to the independent proxy in electronic form via the ShApp platform (www.shapp.ch). The relevant registration and voting procedure using this platform will be explained in the invitation to the General Meeting.

Statutory quorum

Under Art. 703 of the Swiss Code of Obligations, resolutions of the General Meeting must, in principle, be passed by an absolute majority of the voting rights represented. Exceptions to this rule are the eight resolutions listed in Art. 704 of the Swiss Code of Obligations, which require a minimum of two thirds of the votes represented and an absolute majority of the nominal values of the shares represented (any amendment of the company's objects; the introduction of shares with preferential voting rights; any restriction on the transferability of registered shares; an authorized or conditional capital increase; a capital increase funded by equity capital, against contributions in kind or to fund acquisitions in kind and the granting of special privileges; any restriction or cancellation of the subscription right; a relocation of the domicile of the company; the dissolution of the company). The articles of incorporation do not provide for any divergent arrangements. See also: www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html

Convening of the General Meeting and inclusion of items on the agenda

The General Meeting is convened by the Board of Directors, or if necessary by the auditors. The General Meeting must be convened by publication of a notice in the Swiss Official Gazette of Commerce at least 20 days before the date on which the meeting is due to be held. The Annual General Meeting takes place each year within six months of the end of the financial year. The right to propose items to the agenda of the General Meeting are governed by the provisions of Swiss company law.

Extraordinary General Meetings should be called as frequently as is necessary, particularly in the cases provided by the law. The convening of a General Meeting may also be requested in writing by one or more shareholders representing at least ten percent of the share capital, specifying the agenda item and the proposals. In this case, the Board of Directors must convene the General Meeting within four weeks.

Shareholders representing shares with a nominal value of at least CHF 100 000 may request that a particular item be added to the agenda. A request to add an item to the agenda must be submitted to the Board of Directors in writing at least 45 days in advance of the General Meeting, specifying the subject to be discussed and the proposals.

Registrations in the share register

As only bearer shares are issued, there is no share register.

Change of control and defence measures

Duty to make an offer

An acquirer of shares of the company is not obliged to submit a public purchase offer pursuant to Articles 135 and 163 of the Financial Market Infrastructure Act of June 19, 2015 (Art. 4 of the articles of incorporation: "Opting out"), see also: www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html

Clauses on changes of control

No clauses on changes of control are in place for members of the Board of Directors or Management or in favor of other senior executives holding a key function within the Group.

Statutory auditor

Duration of mandate and term of office of the auditor in charge

The General Meeting elects the statutory auditor, who must be independent in accordance with the provisions of Art. 728 of the Swiss Code of Obligations.

The statutory auditor is elected for a one-year term of office ending on the conclusion of the General Meeting at which the statutory auditor's report is to be submitted. The statutory auditor is eligible for re-election.

Deloitte AG, Zurich, has been statutory and Group auditor for the company since 1994. The statutory auditor was re-elected by the Annual General Meeting held on 3 May 2016 for a one-year term of office. The auditor in charge of Deloitte AG, Daniel Flammer, took office in 2016. In accordance with Art. 730a of the Swiss Code of Obligations, the auditor in charge rotates every seven years.

Auditing fee (in CHF 1000s)	**2016**	2015
Auditing services [1]	711	718
Auditing-related services [2]	46	19
Total	**757**	**737**

[1] Auditing the consolidated financial statements, the holding company statements and the financial statements of the individual Group companies, of which CHF 81 000 is attributable to third-party auditors
[2] Services related to the acquisitions conducted

Additional fees (in CHF 1000s)	**2016**	2015
Tax advice and compliance services	291	336
Transaction advice incl. due diligence	108	158
Total	**399**	**494**

Supervisory and control instruments vis-à-vis the auditor

Auditing services are defined as standard tasks in an audit, to prepare reports on the statutory annual financial statements and to be able to provide an opinion of the consolidated financial statements.

The Audit Committee, which met the auditors three times during the 2016 financial year, is responsible for supervising and monitoring the audit and regularly reports back to the Board of Directors as a whole. The auditors periodically prepare a comprehensive report on the outcome of their auditing activities. The auditors' report is supported by an accompanying annual management letter and a comprehensive report to the Board of Directors.

The auditors may not be members of the Board of Directors or company employees, nor may they carry out any other work for the company which would be incompatible with the audit assignment. They must be independent of the Board of Directors and of any shareholder holding more than five percent of voting rights. The auditors must adhere to the independence guidelines of their profession.

The Audit Committee verifies the auditors' qualifications on an annual basis as part of its supervisory and monitoring functions. Particular emphasis is placed on the following criteria: independence of the auditors and an understanding of the Group's business activities and the specific business risks it faces.

In respect of the year under review, the Audit Committee and Board of Directors have concluded that the independence of the auditors is fully ensured.

Information policy

Schweiter Technologies maintains a regular and open dialog with all shareholders and the capital market.

In addition to the annual financial statements, Schweiter Technologies AG publishes its business results in a semi-annual report. In compliance with the ad hoc publicity guidelines contained in the Listing Rules of SIX Swiss Exchange, Schweiter Technologies AG also discloses price-sensitive information.

The company's official publication is the Swiss Official Gazette of Commerce (SOGC, www.sogc.ch). Information on disclosure notices from major shareholders can be found at:
www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Information on transactions effected by members of the Board of Directors or Management is available at:
www.six-exchange-regulation.com/en/home/publications/management-transactions.html

Any interested party may request to be placed on the Schweiter e-mail distribution list to receive, free of charge, potentially price-sensitive information in a direct and timely manner. All information and the online registration form to be placed on the e-mail distribution list can be found at:
www.schweiter.com
(direct link: www.schweiter.ch/contact-order-report).

The regular presentation of company facts and figures is an inherent part of Schweiter's communication culture. Media and analyst conferences for investors, analysts and journalists are held to present specific company events and publish annual and/or semi-annual results. These presentations are available on the company's website at the following link:
www.schweiter.ch/s1a200/investors/financial-reports-presentations.html

At the General Meeting, the Board of Directors and Management provide information on the annual financial statements and the company's business performance, and answer shareholders' questions.

The financial reports (annual reports, semi-annual reports) are available on the company's website. Print versions can be ordered free of charge or electronic versions can be downloaded from the following link:
www.schweiter.ch/s1a200/investors/financial-reports-presentations.html

Media releases are available at the following link:
www.schweiter.ch/s1f3/media-releases/

The company's articles of incorporation can be found at:
www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html

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The next Annual General Meeting will be held on 25 April 2017 in Horgen.
The 2017 semi-annual report is scheduled for publication in August 2017.

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